

REVIEW OF FEDERAL FARM POLICY

FIELD HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

FEBRUARY 6, 2006, FAYETTEVILLE, NC; FEBRUARY 7, 2006, AUBURN, AL;
MARCH 3, 2006, STOCKTON, CA; MARCH 4, 2006, NEBRASKA CITY, NE;
MAY 8, 2006, GREELEY, CO; MAY 9, 2006, SAN ANGELO, TX;
JUNE 10, 2006, YAKIMA, WA; JUNE 26, 2006, CANANDAIGUA, NY;
JULY 17, 2006, STAUNTON, VA; JULY 22, 2006, MARSHALL, MN;
JULY 24, 2006, SCOTTSBURG, IN

Serial No. 109-25



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REVIEW OF FEDERAL FARM POLICY

MONDAY, FEBRUARY 6, 2006

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Fayetteville, NC.

The committee met, pursuant to call, at 1:05 p.m., in the Crown Expo Center, Fayetteville, NC, Hon. Bob Goodlatte (chairman of the committee) presiding.

Present: Representatives Lucas, Moran, Gutknecht, Hayes, King, Schwarz, Fox, Conaway, Peterson, McIntyre, Etheridge, Butterfield, Melancon, Costa, and Salazar.

Staff present: Kevin Kramp, Pamilyn Miller, Pelham Straughn, Alise Kowalski, Tobin Ellison, Lindsey Correa, Mike Dunlap, Robert Larew, and Clark Ogilvie.

OPENING STATEMENT OF HON. BOB GOODLATTE, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF VIRGINIA

The CHAIRMAN. This hearing of the Committee on Agriculture of the U.S. House of Representatives to review Federal farm policy will come to order.

I would like to start by thanking all of you for coming out today. This is a great opportunity for us to hear from you. This is the first of a series of many farm bill hearings that the committee plans to have all across the country. And I am particularly pleased that we could make the first hearing right here in North Carolina, for a couple of reasons. First, because I am your neighbor in Roanoke, VA, not far away; but also because North Carolina has the distinction of having more members of the House Agriculture Committee than any other State. And I want to recognize all of them right now.

First of all, I am absolutely delighted to have with us Congressman Robin Hayes, whose district is right across the street from here; and Congressman Mike McIntyre, whose district we are sitting in; and Congressman Bob Etheridge; Congresswoman Virginia Foxx and Congressman G.K. Butterfield. We are pleased to have about 10 other members of the committee from all across the country. I am not going to introduce all of them at this time, you will hear from them during the course of the hearing. But I am hoping we are primarily going to hear from you.

I am not going to take much time this afternoon on an opening statement since we came to hear from our witnesses. I want to allow plenty of time for you to share your thoughts with our members.

The purpose of this hearing is to gather feedback from producers as we begin the process of reviewing the 2002 farm bill, which is set to expire in September 2007. Our producers are working on the front lines and their daily lives are directly affected by the policies of the farm bill.

As we travel throughout the Nation, the feedback we receive from our producers will give us a good sense of how these policies work in practice and what improvements can be made within the financial constraints we face in Washington.

Strong agricultural policy is vital to our farmers and ranchers. To ensure that American agriculture remains competitive and that our producers can continue to provide fellow Americans with a safe, inexpensive and wholesome food supply, we must hear from the front line.

I would especially like to thank the witnesses who will be testifying today. These witnesses are themselves producers with livestock, crops, fields and forests to tend to, and I appreciate the time they have taken out of their busy schedules to be here to speak to us today. I look forward to the testimony of our witnesses.

We are on a tight schedule this afternoon and we will be traveling on to Alabama tonight to prepare for another hearing first thing tomorrow morning. So I respectfully request that Members submit their opening statements for the record, so that we may proceed with our first panel of witnesses and allow enough time to answer all questions that we may have.

At this time, it is my pleasure to recognize the ranking member of the committee, the gentleman from Minnesota, Mr. Peterson.

OPENING STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. PETERSON. Thank you, Mr. Chairman, and I will submit my statement for the record. I will try to be brief here.

I appreciate seeing this great turnout. As the chairman said, we are blessed to have some very talented and hard-working members of our committee from North Carolina. We are all good friends on this committee, we try to work on a bipartisan basis. You sent us some good folks and we appreciate that.

I also am glad to be able to be out here to listen to producers out where they are doing their work. I think for myself, I learn more when we get a chance to get out and hear from the folks that are doing this on a regular basis out in the countryside. So we again appreciate your attendance.

We are here to listen to what you think we ought to do. I have been around the country quite a bit already listening to folks and got some feedback. A couple of things that I have been talking about, if you want to comment on, I would appreciate it. One is we keep doing an ad hoc disaster bill every year and one of things I have done is introduce a bill to make that a permanent part of the farm bill. That is one thing that I think in my part of the world would be helpful and be one part of the safety net that we may have missed in 2002. So if anybody has any ideas about that.

And second, Minnesota has been a real leader in energy. We have lots of ethanol plants owned by farmers and cooperative ar-

rangements and we are now starting to build the biodiesel industry. We have had a 10 percent mandate in Minnesota for a number of years. We now are going 20 percent on ethanol, we have got a 2 percent mandate on biodiesel.

One of the things that I am interested in is there a way that we can—as we craft the farm bill, is there a way that we can do things that would further promote this industry, because I think this is, from my point of view, one of the real opportunities in agriculture, for us to look at the idea of trying to make more of our crops into fuel. It is just a win for everybody. We put people to work in the country, we leave more money in the country, we get off the foreign oil dependence, and there are just a lot of positive things.

We in Minnesota have figured out how to do this and we would like to grow that industry and we would like to help the rest of you get started, because I think this is a place for us to go in the future.

So if you want to think about that, if you have any ideas about how we could tweak this farm bill to try to help that process, that would be something I am interested in.

So again, glad to be here, look forward to hearing the testimony from all the folks that are here. And again, appreciate the chairman and his leadership in getting the committee out on the road.

The CHAIRMAN. I thank the gentlemen.

Other statements for the record will be accepted at this point.
[The prepared statements follow:]

**THE HONORABLE ROBIN HAYES
HOUSE COMMITTEE ON AGRICULTURE
FAYETTEVILLE, NORTH CAROLINA**

Chairman Goodlatte and Ranking Member Peterson, I want to welcome you and all of the Members to North Carolina. I am pleased that the first farm bill field hearing the House Ag Committee is holding is here in Fayetteville, North Carolina. Agriculture contributes \$62.6 billion annually to the state's economy, and we rank first in the country in the production of total tobacco, flue-cured tobacco, and sweet potatoes. We rank second in the production of turkeys, hogs and Christmas trees. With agriculture being the number one industry in the state, you couldn't have picked a better place to hold the first hearing.

I look forward to today's testimony and I hope my colleagues will leave the hearing with a better understanding of North Carolina agriculture and the farm bill provisions important to our producers. I'm especially pleased that three of my constituents – Ronnie Burleson, David Burns and Tommy Porter – could join us today. These are three gentlemen who I often go to for advice on ag issues and I know they will provide excellent insight for the Committee today.

Again, thank you, Mr. Chairman, for coming to Fayetteville and I look forward to a productive hearing.

**Rep. Collin C. Peterson
Opening Statement
February 6, 2006**

I'm pleased to join you Mr. Chairman on the start of our review of the farm bill. Your decision to take the committee out of Washington was an important one.

I always learn more about farm policy from getting closer to the farm and gain a better perspective on the unique challenges that the different regions of our countryside face.

It's fitting that our first stop on this farm bill tour is North Carolina. Our committee is blessed with several leaders from this great state. Of course, I might also argue that northern Minnesota makes a fine place to visit this year but I may have some disagreement from some of my colleagues on that idea.

I hope that today's discussion will begin a dialogue on what direction our farm policy should take in the future. What's working with the current policy? Are there changes that should be made? As we face significant challenges from budget pressures and trade obligations, what should our farm policy priorities be?

I have made some observations as we begin this process. Our federal farm policy has worked and has been fiscally sound. It should not suffer deep cuts such as those that keep getting proposed. Our farmers deserve our commitment.

We need to strengthen our safety net in rural America, including the creation of permanent farm disaster assistance so that there is no guesswork in times of greatest need.

While recognizing the importance of international trade to many of our commodities, I believe we should not sell on the world market at a loss. We need to continue to build domestic markets, increase our opportunities for added value and make sure that farmer-owned enterprises capture more of the dollar.

Our farm policy cannot ignore the impact that energy prices have had in rural America. From fuel to fertilizer and many places in between, petroleum and natural gas prices have gouged our farm communities. We need to continue to seek ways to combat this while also creating policies that promote the production of domestic renewable energy.

Those are just a few of the thoughts I would make as we start our review.

Mr. Chairman, I add my welcome to our panel today and thank them taking the time to give us their thoughts and how well the current farm program is working and where we should go from here.

**Statement of Congressman Mike McIntyre
Field Hearing: the Next Farm Bill
Fayetteville, NC
February 6, 2006**

Mr. Chairman, let me begin by thanking you for holding the first in a series of farm bill field hearings here in Southeast North Carolina.

Welcome to my colleagues! And I hope that all of our farmer friends will join me in thanking these guys up here for their support – along with our North Carolina colleagues – for their support of the tobacco buyout.

As we begin this process, I am reminded of a quote by our 34th president, Dwight D. Eisenhower, who once said, “Farming looks mighty easy when your plow is a pencil and you’re fifteen hundred miles from the cornfield.” President Eisenhower had it exactly right, and therefore I believe it is entirely appropriate for the House Agriculture Committee to be holding such field hearings around the country in order to give our farmers

and ranchers an important role in formulating the nation's future agriculture policy.

When it comes to writing the next farm bill, I can think of no better use of our time than to hear directly from those who are actively engaged in production agriculture. We need to hear how current agriculture policy and programs impact farming and ranching operations, along with input as to how farm policy could be improved to help farmers and ranchers compete in the international marketplace. The testimony from this and other field hearings will have considerable standing as we prepare to reauthorize federal farm law when it expires in 2007.

There are, however, a number of challenges facing us as we prepare to write the next farm bill: maintaining the budget baseline for agriculture programs in light of the crippling budget deficit; the fallout of trade negotiations and agreements that limit certain farm

support programs; and WTO dispute resolutions that can and do have direct impacts on our domestic programs.

Despite these obstacles, I am committed to working with like-minded, farm-state legislators to craft the best possible farm bill that will give farmers and ranchers protection against the uncertainties of weather and markets and a competitive advantage in the international marketplace. I look forward to hearing today's testimony and having the opportunity to ask questions of the witnesses.

Thank you, again Mr. Chairman, for holding this field hearing in the great state of North Carolina.

**Opening Statement
Congressman Bob Etheridge
February 6, 2006**

- **Thank you Mr. Chairman, and thank you for holding this hearing.**
- **Today we start a very public, year-long conversation with**
 - **crop farmers and livestock producers,**
 - **hunters and conservationists,**
 - **crop insurers,**
 - **banks and farm credit institutions,**
 - **agricultural researchers,**
 - **extension services,**
 - **and others who live in rural America,****as we prepare to chart the future of America's farm policy.**
- **The American agriculture community is extremely diverse given our nation's expansive size, varied topography and climate, and the many different agricultural products we produce.**
- **However, I suspect we will hear today, tomorrow, and in the months ahead, a message very similar to what Secretary Johanns heard in his listening sessions: that by and large, the 2002 farm bill is working pretty well.**
- **This hearing, and many other field hearings to follow, is focused on real farmers and their experiences with the 2002 farm bill. It is my hope that we will hear from our witnesses what has worked, what has not, and what they believe we should do with the next farm bill.**
- **Thank you again Mr. Chairman for holding this hearing and beginning the process of crafting the next farm bill.**

The CHAIRMAN. We would now like to welcome our first panel: Mr. David Burns, cotton, timber and soybean producer of Laurel Hill, North Carolina; Mr. Brent Jackson, fruit, vegetable, corn, wheat and soybean producer of Autryville, North Carolina; Mr. Larry Martin, corn, wheat and soybean producer of Mount Olive, North Carolina; Mr. David Godwin, sweet potato producer of Dunn, North Carolina; Mr. Bo Stone, soybean, sweet corn, cattle and swine producer out of Rowland, North Carolina.

Mr. Dan Ward, peanut, tobacco, corn and soybean producer of Clarkton, North Carolina; and Mr. Ronnie Burleson, corn and cotton producer of Richfield, North Carolina.

We will start with you, Mr. Burns, and we will advise every member of the panel that your entire written statement will be made a part of the record. We would ask that you limit your comments to 5 minutes and then once all of you have testified, we will give members of the committee an opportunity to ask you some questions.

Mr. Burns, welcome.

**STATEMENT OF DAVID L. BURNS, COTTON, TIMBER AND
SOYBEAN PRODUCER, LAUREL HILL, NC**

Mr. BURNS. Thank you, Mr. Chairman. It is a real pleasure for me to come to make comments concerning the national farm bill.

My name is David Burns, as you stated. We have a cotton, soybean and timber farming operation about 50 miles south of here. Today, I speak on behalf of the North Carolina Cotton Producers, which I am a past president and currently serve on the board of directors. The majority of the cotton farmers in North Carolina are members of this association.

I would like to welcome everyone here today, the ones from North Carolina certainly, and Representative Hayes for having the hearing in your eighth district, we appreciate that.

About 25 years ago, cotton acreage in North Carolina had declined to about 45,000 acres. Today, we have over 800,000 acres. That has been brought about primarily because of the boll weevil eradication and because we have an effective farm bill. This farm bill for North Carolina, I think has had a good balance in that we have the commodities, conservation, nutrition and rural development. The market also protects us when we have low prices, the marketing loan lets us be competitive in the world market. And that is why we think the current farm bill should be a basis as we look to the next farm bill. Certainly we need to keep the bill that we have in place today, we need it for the next 2 years.

I think it is significant to note, at least the commodity groups that I am familiar with, have suggested that the current farm bill serves our need quite well. As a matter of fact, last month, the American Farm Bureau had recommended extension of the current farm bill.

We say this, knowing that money is awfully tight in Washington. We hope you will be able to get adequate funding for another bill.

We do not know exactly what the trade negotiations are going to bring when we look to the next farm bill, we are disappointed at the DOHA rounds, that they singled cotton out. We would like for all commodities to be brought along together on that.

Another area that we are concerned about is the payment limitations. Most farmers that I know oppose any payment limitations. We had rather go ahead and develop our farming operation to fit the commodity we are growing and the region of the country. That way we could better adapt what we have to meet our needs. Certainly, we hope that payment limitations will not be reduced further. We learned that in the administration's budget, again that we are looking at cuts and payments limitations is on the board again. We hope that this can be rejected again.

We enjoy the planting flexibility of the current farm bill. The Conservation Reserve Program has served us well. We think that needs to be volunteer and we think it needs to be a cost share.

On our own farming operations, we have used the Conservation Reserve Program to take care of a lot of the fragile land on our farm. We put in filter strips along the streams and more recently we have put in the bob white buffer quail that is available to us.

The export market that we have in place has served us well, we hope we can continue that.

The other thing that we like that some commodity groups have come under fire on is the research and promotion. For the cotton research and promotion, the Cotton Board collects the funds, contracts with Cotton, Incorporated. To give you an example, in the United States, consumers are buying about 35 pounds of cotton and then on the world level, we are only talking about 6 pounds.

Mr. Chairman, we know that you have a daunting task looking at the next farm bill. We hope that adequate funding can be put in place and the current bill can be used as a foundation for the next farm bill. And the cotton industry stands ready to do anything we can to help with the next bill.

Thank you.

[The prepared statement of Mr. Burns appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Burns.

Mr. Jackson, welcome.

**STATEMENT OF W. BRENT JACKSON, FRUIT, VEGETABLE,
CORN, WHEAT AND SOYBEAN PRODUCER, AUTRYVILLE, NC**

Mr. JACKSON. Thank you, Chairman Goodlatte.

I prepared a statement to keep me from rambling, so I will read that now.

Good afternoon, Chairman Goodlatte, Ranking Member Peterson, members of the committee. My name is Brent Jackson, I am president and CEO of Jackson Farming Company of Autryville, North Carolina, located in Sampson County. I also serve as the National Watermelon president.

We are growers and shippers of fruits and vegetables, small grains, corn and soybeans encompassing 3,200 acres. Jackson Farming Company is celebrating our 25th anniversary from the start. My wife Debbie and I started it 25 years ago this year. And we have always concentrated on our production and marketing of fresh fruits and vegetables. I thank you for this opportunity to express my views on the upcoming farm bill from the North Carolina perspective.

If we were to ask a random group of North Carolinians to describe North Carolina agriculture, I suspect that most comments would relate to our State's tobacco or animal agricultural industries. But there is much more to our State's agricultural economy than meets the eye.

North Carolina boasts the Nation's third most diversified agricultural economy. We lead the Nation in sweet potato production; we rank second in Christmas tree production; third in pickling cucumbers and trout; fourth in blueberries and strawberries, greenhouse and nursery production; and we rank seventh in watermelon production, which is near to my heart.

Over the years, the produce industry in North Carolina has gone through tremendous changes in an effort to remain profitable. The cost of production is at an all-time high. Our markets are becoming more and more consolidated because our customers, the retail chains, have either merged or just have gone away due to the competitive nature of our industry. In the past, we in the fruit and vegetable industry have not received farm bill payments or subsidies. Nor do I suggest subsidies today. I will present four points for the committee to consider as Congress starts working on the next farm bill.

First, Let us keep the current planting prohibition in place. U.S. farm policy should not distort our fruit and vegetable markets by allowing production of fruit and vegetables on program acreage.

Second, let us help specialty crop farmers mitigate risk through realistic and affordable crop insurance. The Non-Insured Crop Disaster Assistance Program, known as NAP, has provided growers with a reliable, albeit minimum, source of coverage. We need a crop insurance program that has integrity, is honest, realistic and is used as a safety net and not a way of life.

Third, we need investments in a specialty crop infrastructure. Research, extension and pest research. North Carolina State University and North Carolina A&T is an indispensable part of North Carolina fruit and vegetable production. So are the USDA research facilities and Federal agencies such as the Animal Plant Health and Inspection Service. Specialty crop producers depend on these agriculture research institutions and phytosanitary departments. We have all come to know the word lycopene and its benefit in helping to fight cancer. But do we know that it was first found in Lane, Oklahoma in watermelons? We also need more funds for disease research. In south Florida, the watermelon industry is facing near extinction, due to a new disease called vine decline, and North Carolina is being devastated by a disease called phytophthora. Neither of these have a known cure. We need your help to combat these new threats.

School lunch programs for fruits and vegetables. North Carolina has enjoyed great success with our Farm to School Lunch Program that includes fruits and vegetables. The next farm bill should expand this program to all 50 States. I personally believe every school in America needs an opportunity to serve fresh fruits and vegetables to our children, not occasionally, but every day.

Specialty crop funding. We in the fruit and vegetable industry view the block grants authorized in the Specialty Crops Competitiveness Act as a vehicle for enabling local investment in specialty

crops through our State's agricultural department. As Congress' farm bill discussions mature, I am certain this issue will receive a great deal of attention, as you weigh the options relating to this possible expansion of this Act.

Mr. Chairman, my final point touches on an overall issue that Congress must consider. That is the No. 1 threat to American agriculture today is the shortage and lack of a dependable and legal work force. Congress must realize that the next farm bill has a potential to prevent or speed up the out-sourcing of our agricultural economy. For me, labor costs are a make or break issue with regard to my long-term profitability. If Congress passes an immigration and border security bill that ignores the unique needs of agriculture and does not allow a legal Guest Worker Program, it will be the beginning of the end for the fruit and vegetable industry in America, as we know it today.

Mr. Chairman and committee members, I thank you for your time and this opportunity and I will be glad to answer any questions.

[The prepared statement of Mr. Jackson appears at the conclusion of the hearing.]

The CHAIRMAN. Mr. Martin.

STATEMENT OF LARRY MARTIN, CORN, WHEAT AND SOYBEAN PRODUCER, MOUNT OLIVE, NC

Mr. MARTIN. Thank you, Mr. Chairman. I also have a prepared statement.

Thanks to each of you for holding this hearing on the upcoming farm bill in North Carolina. My name is Larry Martin and I am a farmer that produces corn, soybeans and wheat in the district of our distinguished Congressman Butterfield. I am also advisor to the Wayne County Farm Agency Committee.

I am here on behalf of myself and other farmers, particularly black, Native American and small farmers. I also represent seven different minority cooperatives and community-based organizations located across North Carolina. I belong to Twin Rivers Co-op in Rose Hill, North Carolina. I am the secretary of the organization.

My concerns and those of the groups I represent are many. You have a copy of our concerns. I will briefly highlight the issues.

The conservation programs. Many of the acres of land owned by black farmers are erodible lands and wetlands, small farms with small tracts and small fields.

The local committees at the county offices approved or set priority for those to receive cost sharing, financial and technical assistance. Many black farmers did not receive benefits because of their race and the size of their farm.

Small farms cannot compete with larger farms to receive cost share funds from NRCS because of the point system to receive assistance.

Recommendations. We recommend to continue and expand the small farm initiative program under NRCS. Like farms would compete with each other for funds.

On credit findings. Lack of farm credit to black farmers is one of the major reasons black farmers have declined from 14.4 percent in 1910 to less than 1 percent today.

If black farmers did receive loans through FSA, they lost their land through discrimination practices. Delinquent loan procedures were not applied the same to all races. Black farmers are still losing land as a result of these actions.

Loan application process through FSA is too complicated for the average person to understand. And loans from FSA are not approved timely for small and minority operators. Credit-worthiness has been lost because of these injustices.

The recommendations. Put a moratorium on black farmer foreclosures for the next 3 years. This also includes interest accrual.

USDA should develop and implement a policy that would restore credit to black farmers.

Provide black farmers the first right of refusal on inventory land.

Diversify the management team of loan employees of the FSA.

On the FSA county committee findings. The county committee makes determinations on program participation, program violations and hiring managers. In many instances, the committees do not reflect the population of the county. The committee is assigned the task of appointing an advisor to the committee to represent the under-served farmers. In many situations, the person appointed does not represent the under-served community. Appointments to the State committee also fall in the same category. Also, the appointee does not have voting power. What kind of representation is that?

Our recommendation. State committee and county committee appointments be done in accordance with consultation with the black agricultural leadership and community-based organizations. Local administrative areas, LAA, should be redrawn to reflect the population. This can be done administratively, if enforced.

Land Grant Universities 1890's. In 1890, Congress created the 1890 land grant universities to educate and service blacks. This service is still needed.

1890 institutions are under-funded. In North Carolina, North Carolina A&T State University, a 1890 institution, received \$6 million in State funds and North Carolina State University received \$62 million—big difference in funding.

Our recommendation. Fund the 1890's at an adequate level to enable these institutions to implement the same programs currently supported at the 1862s.

Commodity crops and marketing findings. Socially disadvantaged farmers and ranchers grow a higher proportion of non-commodity crops than the general population; thus, their support from Federal programs is less than most.

Many black farmers produced tobacco; however, the tobacco buyout has eliminated most black tobacco farmers.

These farmers are producing specialty crops and livestock that do not have safety net programs.

The infrastructure to support these new adventures are not in place, such as slaughtering facilities.

Many black farmers lost commodity basis because they were not aware that the operator of the farm did not enroll in the AMTA program.

The recommendations. Provide safety net programs for specialty crops similar to commodity programs.

Develop incentives to construct needed infrastructure for farming changes.

Allow farmers the opportunity to enroll their farm in safety net programs where bases were lost due to misinformation or hardships that can be documented.

Programs and outreach findings. Outreach is the most important component of USDA services. Lack of outreach in the USDA has contributed to many of the problems such as loss of land and farms to the minority community.

The 2501 Program which was designed to assist in providing outreach and technical assistance to black farmers is badly underfunded. There is so much competition for the funds and not many funds available, that the program is losing its effectiveness.

USDA agencies outreach programs with FSA, NRCS and RD do not reach the black community. Other options should be tried.

Recommendations. Fund 2501 program at an adequate level.

Fund USDA agencies with outreach monies, with the stipulation that the community-based organizations assist in the development of the outreach plan. Obviously the present system is not working.

Diversify the staff in these offices. Studies have shown that diversified staff significantly improves outreach impact.

That is it. I thank you and I will be here to answer questions.

[The prepared statement of Mr. Martin appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Martin, we appreciate your testimony very much. I remind all members of the panel that light system on there works on a 5-minute basis, there is a green light that comes on for the first 4 minutes and the last minute you will see a yellow light. When you see that red light flashing, please try to wrap up.

Mr. Godwin, welcome.

STATEMENT OF DAVID L. GODWIN, SWEET POTATO PRODUCER, DUNN, NC

Mr. GODWIN. Mr. Chairman and honorable members of this committee, first let me say welcome to North Carolina, and thank you for allowing me to participate in today's hearing. My name is David Godwin, and I am co-owner of Godwin Produce Company in Dunn, North Carolina. Together with my father, I am continuing the farm operation started by my grandfather in 1946. I am probably one of the smaller farming operations represented here today, but I can assure that none are more proud of their background and heritage than I.

Godwin Produce Company is a grower and shipper of sweet potatoes. We also grow a few other vegetable crops, but our main focus is sweet potatoes. We are not traditional program crop farmers.

I am also president of the North Carolina Sweet Potato Commission which represents the over 400 growers of sweet potatoes in North Carolina. Our State is No. 1 in sweet potato production with nearly 40,000 acres planted annually. So as you can guess, I have a keen interest in the upcoming farm bill, especially in any specialty crop provisions.

I do realize, however, that this committee is not sitting on a pile of free money and just asking farmers to line up to receive their

allotted hand-out. You see, I believe that any monies that you may be sitting on are mine and the other millions of taxpayers in this great country. However, I do believe that agriculture is a resource that cannot be wasted. In order for our country to remain viable, agriculture must be protected and, when necessary, it must be supported.

I have two major concerns or problems with the 2002 farm bill. First, I feel that specialty crops were basically left out in the cold in the previous bill. Specialty crops account for approximately half of the total farmgate value in this country; however, only a very small portion of the Federal resources were allocated to our needs. Only 40 percent of the farmers in this country receive subsidies, and 90 percent of these subsidies are for the five program crops. Now I do not want to get in a competition with these crops and my fellow farmers because, quite frankly, I am an advocate for their programs as well. However, I do feel that it is time for specialty crops to be considered in the development of the U.S. farm policy. We have our own unique challenges that need to be addressed, especially with research and marketing.

My second major concern with the 2002 farm bill relates to the equitable distribution of subsidy monies. According to the USDA, 60 percent of farmers receive no subsidies, 40 percent receive it all. And in fact, 10 percent of the farmers in this country receive over 70 percent of all the subsidies paid. Is this fair? It is thoroughly disheartening to look up on the Internet and see the same people getting the top disbursements year in and year out. And if you take in account the same individuals that have multiple farming entities, it looks even worse. As we look forward to a new farm bill, I hope that these issues can be addressed.

Specifically related to specialty crops, I hope more significant provisions for research and marketing can be included. Our land grant universities, including my alma mater, North Carolina State University, are fully capable and quite willing to assist us; however, money is always an issue. The Sweet Potato Commission funds limited research; however, our money is not enough. Each year our industry loses chemical labels and is unable to get new product registrations—not because a particular chemical is unsafe, but simply because the chemical companies cannot afford research and development on products for such few planted acres. It would not help their bottom line.

We also need assistance with other research. NC State has been a leader for years in biotechnology, genetic research and pharmaceutical product development. Research work is already underway, and because of this, we even look forward to producing ethanol from sweet potatoes, but we need help.

And finally, in order for our farmers to survive, we must be able to compete in the global market. In order to compete, we need equity. We need to expand our markets internationally, while at the same time increasing our domestic consumption of fresh fruits and vegetables. Any assistance with these efforts would be most appreciated.

In closing, please let me again say thank you, Mr. Chairman, for allowing me to be here today. As the FFA creed I learned in high school reminds me, "I believe in the future of agriculture, with a

faith born not of words, but of deeds." I hope that some of my ideas and opinions today can become deeds or provisions in any new U.S. farm bill.

Thank you for your time.

[The prepared statement of Mr. Godwin appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Godwin.
Mr. Stone.

**STATEMENT OF BO STONE, SOYBEAN, SWEET CORN, CATTLE
AND SWINE PRODUCER, ROWLAND, NC**

Mr. STONE. Mr. Chairman, Ranking Member Peterson and members of the committee, my name is Bo Stone. I run a diversified farm in Rowland, North Carolina, which is located in Congressman McIntyre's district. Specifically, I produce tobacco, corn, wheat and soybeans. I also have six swine finishing houses and 70 beef cows. My wife and I also grow strawberries, sweet corn and have a corn maze. It is an honor to talk with each of you today.

Mr. Chairman, John F. Kennedy once said that farmers are the only businessmen that buy everything they buy at retail, sell everything they sell at wholesale, and pay the freight both ways. This statement provides important perspective on the purpose of the farm bill.

As price takers, we are unable to pass on increases in our input costs to the buyers of our commodities. Fortunately, the farm bill helps to ensure an abundant and affordable supply of food, helps conserve natural resources and supports the family farm. As you know, farm payments often receive misguided and negative attention, and as Congress writes the next version of the farm bill, I am certain that the familiar misconceptions about farm programs will be heard yet again. Critics of farm program spending must be reminded that it is impossible to balance the budget by making cuts to a program that accounts for less than half of 1 percent of all Federal expenditures. I realize that with our Federal budget in deficit, the next farm bill budget will be tight. But I remind you that without a strong farm program, our rural economy and the backbone of our Nation will suffer.

A farm bill that provides a strong safety net and income stability is critical to our farmers. The purpose of the 2002 farm bill was to provide that safety net and stability through its market-oriented approach. Candidly, that safety net comes at a bargain because the commodity title only accounts for approximately 25 percent of the total farm bill authorization. This portion of the farm bill provides for the direct, counter-cyclical, and loan deficiency payments to farmers. Estimates indicate that the total cost of the 2002 farm bill is approximately \$10 billion lower than anticipated, even though farmers have been faced with periods of low prices. Lowering the counter-cyclical payments and the loan deficiency payments would devastate our Nation's farms.

Rising fuel prices have increased the energy cost to American farmers by \$6.2 billion over the past 2 years and fertilizer prices have tripled over the last several years as well. Continued support of alternative fuels will stimulate the agricultural economy while reducing our dependence upon foreign oil. I was pleased to hear

President Bush's comments relating to renewable fuels in his State of the Union address, and I applaud this committee for its leadership in enacting the last year's Federal energy bill. I urge the committee to consider expanding upon these initiatives as part of the next farm bill's energy title.

As the committee knows, the 2002 farm bill was historic for the levels of funding for conservation. Through programs such as EQIP, CRP and CSP, farmers have been able to better protect the environment, provide better habitat for wildlife, and conserve our natural resources. Funding of the Conservation Security Program should be completed to help protect all of our river basins.

As U.S. agriculture looks for ways to be more competitive in the increasingly global marketplace, producers also need access to a wide array of financial services to ensure their success. Farm Credit System's new Horizons initiative offers a number of important suggestions regarding how Farm Credit can better serve farmers like me.

Affordable crop revenue insurance should also be a goal for the next farm bill. With crop inputs rising drastically, farmers need affordable options in which they can guarantee coverage of their variable costs.

Finally, any future farm legislation should not include more restrictive payment limitations, as these caps limit some of the efficiencies of economies of scale for even our average sized cotton farmers.

Without the safety net provided by the current farm program, many farmers would be unable to secure the credit needed to finance their operations, forcing them out of business and devastating the rural economy. The current farm bill costs Americans just over 4 cents per meal. Four pennies per meal give Americans access to the cheapest, safest and most abundant food supply in all the world.

In closing, as Williams Jennings Bryan said in 1896, "leave our farms and burn your cities and your cities will spring up again as if by magic. Burn our farms and leave your cities and grass will grow in every street." Agriculture is just as vital and important to our economy today as it was then. Please keep that thought in mind as you work on the next farm bill.

Thank you and I look forward to your questions.

[The prepared statement of Mr. Stone appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Stone.

Mr. Ward, welcome.

**STATEMENT OF DAN WARD, PEANUT, TOBACCO, CORN AND
SOYBEAN PRODUCER, CLARKTON, NC**

Mr. WARD. Good afternoon. Mr. Chairman, members of the committee, I am Dan Ward, a peanut, tobacco, corn and soybean farmer from Bladen County, North Carolina. Today, I am speaking on behalf of the North Carolina Peanut Growers Association. I am currently serving as treasurer and as a member of the executive committee. I want to thank you and the committee for coming to North Carolina and holding these hearings. I appreciate the opportunity to speak today.

Last year, together with my father, we planted 92 acres of tobacco, 175 acres of peanuts, 1,336 acres of corn and 165 acres of soybeans. Today, I would like to address how the 2002 farm bill has affected my farming operation and how it has affected peanut production in North Carolina.

When the peanut quota system was ended in 2002, North Carolina had planted 125,000 acres of peanuts in 2001. In 2005, North Carolina planted 91,000 acres. Virginia planted 75,000 acres in 2001 and 22,000 in 2005. South Carolina, on the other hand, went from 11,000 in 2001 to 59,000 in 2005.

The North Carolina numbers do not tell the whole story of what happened. In North Carolina, there was a shift in where the peanuts were planted. In 2001, peanuts were planted in 28 counties, but in 2005, peanuts were planted in 39 counties. Northampton County, located in the northeastern part of the State, was the No. 1 peanut county with 20,228 acres of peanuts. But in 2005, only planted 4,508 acres of peanuts. On the other hand, Columbus County, in the southeastern part of the State, planted 753 acres in 2001 and in 2005, planted 5,900 acres. Other counties in the central Coastal Plain also increased their acres or planted peanuts for the first time.

There were several reasons for this shift, one of which was the planting flexibility provided in the 2002 farm bill. For some peanut farmers, cotton was a better option than peanuts. Some were not satisfied with the price and decided to sit out a year or two. Some wanted to stretch their rotation. Because of the decoupling of payments, they were able to make that decision based on market conditions and production costs.

Counter-cyclical and direct payments are of utmost importance to North Carolina farmers. Without target price protection, many of our State's farmers would be out of business. The marketing loan program for peanuts is working well. I hope that the target price and the loan rate will be retained. Since counter-cyclical payments are market price sensitive, they are higher in times of low prices, when the farmers need them most.

Because of the way the peanut provision of the 2002 farm bill was scored, an important part of the loan program, the storage and handling, will not apply to the 2007 crop peanut loans. Peanuts are a semi-perishable crop, and in order to protect the producer and allow orderly marketing, storage and handling are necessary. They have been an important part of the loan program and should be restored for the 2007 crop year and included in the peanut provision of the next bill.

An important part of the loan program is the producer's ability to get the loan in a timely manner at the FSA office. I hope that Congress will adequately fund FSA to allow staffing at a level necessary to continue the excellent service that the agency has provided in the past. On a personal note, my local county has lost half of their work force due to retirements in the last couple of years. And there is no money available to rehire, and they are working very hard and very diligently trying to keep up.

North Carolina, like most of the southeastern United States, is a very agriculturally diverse State. Farms are getting larger because of economics. Larger farms mean larger amounts of personal

money put at risk. Critics of the current level of payment limits fail to recognize how important these payments are at minimizing risk. North Carolina's corporate farms are family farms. Please help us keep the payment limit provisions just like they are.

Conservation programs have helped farmers comply with wetland and highly erodible requirements. But there is no way that they can replace direct or counter-cyclical payments. I hope the committee will fight any effort by trade negotiators to replace these payments with so-called green payments.

I hope that our trade negotiators do not treat agriculture as a chip to be thrown in exchange for concessions from other countries. I know that there are many facets to the trade negotiations, but the basic underpinning to our economy is agriculture. The proposed 60 percent reduction in U.S. agriculture support would be devastating to American farms.

The 2002 farm bill instructed USDA to set the repayment rate at a level that would allow peanuts to move freely into the domestic and export market. Since 2002, our peanut exports have declined drastically because the repayment rate has been too high to compete on the export market.

We support country of origin labeling for peanuts and peanut butter.

Mr. Chairman, I know it will be hard to please everyone when writing a new farm bill, but you have an excellent starting place if you use the 2002 bill as your guide. I hope that the American farmer will not be hit twice; once by reductions in a new farm bill, and again by a new WTO agreement. For that reason, extension of the current bill would allow you to assess any reductions mandated by a trade agreement before writing a new farm bill.

Mr. Chairman, I want to thank you and the committee for your dedication to U.S. agriculture in the past and the work you are doing now. I hope that you are successful in writing a new farm bill that will benefit the American farmer and protect the consumers' access to a reasonably priced, high quality and safe food supply.

Thank you.

[The prepared statement of Mr. Ward appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Ward.

Mr. Burleson, you are last but not least.

STATEMENT OF RONNIE BURLESON, CORN AND COTTON PRODUCER, RICHFIELD, NC

Mr. BURLESON. Chairman Goodlatte, Ranking Member Peterson and members of the committee, good afternoon.

My name is Ronnie Burleson. I am a corn, cotton and soybean grower from Richfield, North Carolina. My family also operates a cotton gin and I am a proud constituent of Congressman Hayes. As president of the North Carolina Corn Growers, Secretary of the North Carolina Cotton Producers as well as a member of the Board of Directors of the North Carolina Farm Bureau, it is an honor to be here today and I appreciate your interest in this committee's work—and I am nervous, as you can tell. But I would be a whole

lot more comfortable running a chain saw trimming tree limbs around the field, as I have been doing the last couple of weeks.

For the most part, farmers appear to be pleased with the current farm bill. As Congress begins to focus on writing the next version of this bill, I urge you to craft a bill that will continue to give us the market-based tools that we need to succeed. Today, I will focus briefly on four things: the farm bill budget; the WTO talks; payment limitations; and crop insurance.

Our farm bill investment. When Congress wrote the 2002 farm bill, our Nation was in surplus. As of February of 2006, our budget is in the deficit. It is a fact that the final product you write may be coming from a smaller pot of money.

As you all know, the farm bill is designed to provide farmers with stable markets, which are critical to keeping farming businesses in operation. It is a public investment in food and economic security. Indeed, the farm bill provides U.S. consumers with the world's most affordable and high quality food supply. Because of the farm bill, the average farm family spends only about 10 percent of their disposable income on food. Payments received by farmers under this law also end up in the cash registers of local businesses. Further, the farm bill helps to preserve our environment, build our rural communities and make sure that low-income families do not go hungry.

Keeping agriculture in the U.S. creates more domestic jobs for our inputs such as fertilizer, seed, crop protection, machinery, as well as jobs and transportation, processing, promotion and marketing of our outputs. This is all a part of economic development.

As you wrestle with the funding authorization levels for the next farm bill, I urge you to remember the purpose of the farm bill and the need to fund these important initiatives.

WTO negotiations. Like other cotton producers, I monitored last year's WTO cotton dispute with concern. Considering the adversarial nature of that dispute, it is easy to see how some farmers may be wary of trade agreements. But reality tells us that trade is the future of North Carolina agriculture. North Carolina's agricultural sector exported approximately \$1.6 billion in 2004. As the DOHA round of WTO talks continue this year, the U.S. must maintain this aggressive stance in opening foreign markets. Unfortunately, the EU and the Japanese have been reluctant to negotiate. I hope that position changes.

In the meantime, I urge the committee to resist the inevitable call from some groups to reduce commodity payments. We must not unilaterally disarm. Currently, the safety net of farm marketing loans, counter-cyclical and direct payments is working well. The WTO discussions could require a different mechanism for those deliveries. If the WTO fails to reach an agreement this year regarding agricultural issues, it would be wise for Congress to reauthorize the current farm bill.

Payment limits. During the course of your hearings and debates on the next farm bill, the issue of limiting farm bill payments may be raised. You will hear a lot of rhetoric about farmers getting rich because of Government payments. But the average level of financial returns that the farmers receive on assets and equity do not make investors eager to put their resources into agriculture. The

risk of producing a crop or raising a herd is formidable. Besides, if farmers were getting rich because of the farm bill, it would seem that more people would like to take a shot at farming. And we all know they are all lining up.

You will also hear criticism that large farms receive a disproportionate share of Government assistance. While this is true, there is a good reason why large farms receive more. To remain competitive, farms must get larger. As farms grow in size, common sense dictates that as long as farm payments are based upon production, the majority of the payments will go to those that produce the most. This system has proven to be the fairest method of distributing support. If asked, I will be glad to explain how this could affect my operation.

Crop insurance. Last, farmers need an affordable and reliable crop insurance program. It is critical that Congress develop an insurance initiative that is affordable and sufficient protection for farmers.

Thank you for letting me share my views.

[The prepared statement of Mr. Burleson appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Burleson.

I will start with a few questions that I want to direct to anybody on the panel. So feel free to just signal to me if you want to take a shot at one of these, and we would like to hear from several of you if we can.

Given some of the tough decisions we are going to have to make in this process, I would like some of you to rank the relative importance of the direct payment, the marketing loan and the counter-cyclical payment. Which of these provides the greatest safety net for producer income, in your opinion?

Mr. Stone.

Mr. STONE. Mr. Chairman, of course in my testimony, I firmly believe that we need to keep the levels on all three. The loan deficiency payment, as we call it on our farm, that and the counter-cyclical payments really give us an opportunity to provide that safety net. When prices fall to extremely low levels, that is when those two payments kick in. So it is very important for me on my farm to have those, especially if you—well, we saw a large LDP payment on corn this past year as corn prices dropped to historically low margin. It is important for me to continue to have those as well.

But the direct payment has importance as well, especially to our landowners. We have all argued by—I know you wanted me to rank them.

The CHAIRMAN. I want you to make a choice.

Mr. STONE. That was a pretty political answer, I thought, on my part.

The CHAIRMAN. Excellent. We like to do that from this side of the table. [Laughter.]

Mr. STONE. Yes, sir. The loan deficiency payments really make a difference for me in those times of extremely low prices. This past year with corn especially, it made a big difference.

The CHAIRMAN. Thank you. Anybody else? Mr. Burns.

Mr. BURNS. I agree, marketing loans are extremely important.

The CHAIRMAN. OK.

Outside of the current commodity programs, are there new ideas the committee should consider that would provide a better safety net for produces?

Mr. Jackson.

Mr. JACKSON. Mr. Goodlatte, you mean other than the crop insurance programs that are currently there?

The CHAIRMAN. Right. Any new ideas you would like to share with us?

Mr. JACKSON. Well, it is not a new idea, but it is an idea that we have discussed in the watermelon industry of a safety net that is not—any crop insurance program does not need to be where it can insure a profit to the grower. It has to be a true safety net. And that is worse case disaster. We are not all looking to buy insurance for our homes when it burns down, but we would love to have that insurance when it does burn down.

But you know, the crop insurance program that we currently have, there are good parts about it and it is a very complicated issue, as every one of you members I am sure are very well aware of. But we have got to take the fat out of it, so to speak, and make it where it is truly a safety net and not a way of life for farmers to use to farm on.

That did not answer your question, but I hope it gives you some idea.

The CHAIRMAN. It does indeed.

Anybody else? Mr. Burleson?

Mr. BURLESON. I agree that the crop insurance program is a good risk management tool, but it does not need to be something that is guaranteed a profit.

The CHAIRMAN. OK. And then finally, you look around this room or look around any room that I visit when we meet with farmers, you do not see as many young people as you would like to. I am glad to see Mr. Stone here and some others, but I want to ask all of you, what changes in policy would increase the number of farming opportunities for new farmers and young farmers?

Mr. Martin.

Mr. MARTIN. I think we need some type of incentive program, whether it be low-interest loans or grants or something for a new producer or a producer that wants to come into farming, to be able to come in and get his operation up and going and not have to pay the loan back immediately, but be long term enough and low interest enough to establish an operation with an adequate funding level.

The CHAIRMAN. Thank you.

Mr. Jackson.

Mr. JACKSON. Mr. Chairman, I am pretty passionate about that subject. My wife and I started our farm from zero. We had no help. My family did not farm, her family did not farm. I was called an idiot by all my neighbors, which they were probably right in most cases. But we have made it, we have made it and it has been hard. We did rely at one time on Farmers Home Administration, they did come in and help us out. That program, to my knowledge, is still available. I don't know that we need to give out grants to start farmers. They have got to have the backbone and most of all, they

have got to have the heart to do it. And it takes dedication. I can remember times upon times we did not have \$20 to rub between us. But thank God, that has changed and we have been very successful in the last few years.

But it takes the Farmers Home Administration, some type of maybe a grant over a 5-year period maybe, but not necessarily a grant, but a loan with low interest and some understanding.

The CHAIRMAN. Thank you. My time has expired and it is now my pleasure to recognize the gentleman from Minnesota, Mr. Peterson.

Mr. PETERSON. Thank you, Mr. Chairman. We are trying to gather information here, so for all of you or whoever, what percentage of producers in North Carolina have crop insurance? Do you know what percentage have crop insurance?

Mr. BURNS. It will depend a lot on the commodity we are talking. For tobacco, it would be pretty high; cotton, it would be pretty low.

Mr. PETERSON. And that is because it does not make sense to buy it?

Mr. BURNS. I think that is right. Few years do we have a disaster with cotton.

Mr. PETERSON. What about corn and soybeans?

Mr. GODWIN. On sweet potatoes, we are still in the pilot program, we are in our sixth year of a pilot program.

Mr. PETERSON. How is that going?

Mr. GODWIN. Well, a very low percentage now is in Federal crop. When it first initiated, it was in two counties, it has been expanded to 13 now, but the first two counties, the way it was written, it was not market neutral. Acreage in one county alone went from 1,500 to 7,500 in a period of 2 years. Of those 7,500, probably few of those potatoes were actually put on the market. People were farming just to collect Federal crop insurance.

Any Federal crop insurance plan that is written, there needs to be input from the growers. We tried to put input to start with when the program was originally being developed and a lot of the comments that were ignored are now in the policy because a 12½ to 1 payout was pretty high. So it needs to be looked at and addressed up front instead of throwing a program out there and expecting these large expenditures right off the start.

Mr. PETERSON. Anybody know what percentage of corn and soybeans are insured?

Mr. BURLESON. In our area, it is pretty low.

Mr. PETERSON. Pretty low?

Mr. BURLESON. It is pretty low.

Mr. PETERSON. Because it does not make sense economically—what you have to pay versus what you can get back?

Mr. BURLESON. The cost of the insurance versus the guarantees is pretty inefficient.

Mr. PETERSON. So have people been trying to fix that, have you complained to RMA or your insurance agents or just kind of ignore the whole thing and hope for the best?

Mr. BURLESON. Unless you happen to be lucky enough to have had 5 good years in a row and can prove your yields and you can get your yields up where you can get 5, you may insure it. But if you have had a disaster, it sort of kills you to start with.

Mr. PETERSON. The other thing I was interested in is what you have done or are doing or being considered in terms of trying to build a reliable energy program in North Carolina, whether you are interested or not.

As I said, in Minnesota, we have developed a very profitable, successful industry and I was just wondering what is happening here in North Carolina in that regard, if anything.

Mr. STONE. Mr. Peterson, we are currently in the equity drive process for a biodiesel facility here in Wayne County. There are several initiatives to try and start something with an ethanol plant in North Carolina as well. So that is something that as farmers we are looking into here in our State.

Mr. PETERSON. But you do not have any now?

Mr. STONE. None that are currently producing at this point.

Mr. PETERSON. Has the legislature ever considered doing a mandate like we have done in Minnesota? I know some other States are looking at that. Has that ever been an issue here or been talked about?

Mr. GODWIN. I think it has been discussed but never passed.

Mr. PETERSON. We know how to do things with corn and soybeans and canola and I will admit I do not know as much about cotton and some of these other commodities, other than the diesel engine was invented not to run on diesel fuel, the diesel engine was invented to run on peanut oil.

I do not know much about the economics of it, but I would assume it may be feasible to make diesel fuel out of peanut oil. But is there research being done in that area like with peanuts or cotton seed in terms of seeing if this works for biodiesel? We are doing a lot of research in Minnesota now on cellulosic ethanol and also trying to turn cellulosic material into syn fuel so we can replace natural gas. And we think there are some very good economics there.

I was just wondering if there is anything like that being done here in North Carolina, looking at those kind of things.

Mr. GODWIN. There is a lot of research being done and there have been some private grants issued. I know the Golden Leaf Trust Fund in North Carolina is funding some of the biodiesel for soybeans and corn and some other products. Sweet potatoes, we funded some research on developing new varieties of sweet potatoes that had a dryer matter content. It current has too much moisture in it to be able to produce a lot of ethanol, but we are breeding new varieties so that it will have dryer matter content and be more feasible in that production of ethanol. That work is being done, but again, the research is very limited due to funding.

Mr. WARD. Peanuts are an alternative to the soy diesel as far as peanut oil, but it has just a little bit more value as a cooking oil right now. If the supply situation continues on peanuts, it may be price competitive with soybean oils before long.

Mr. PETERSON. One piece of advice I give you. The EPA is going to take sulphur out of diesel fuel and there is going to be a huge market. If we do not get on the stick, we are going to be importing biodiesel from other countries. So we hope you guys get going.

The CHAIRMAN. I thank the gentleman.

It is now an opportunity to introduce to you some of the members of the committee from other parts of the country, starting with Congressman Frank Lucas from Oklahoma. Congressman Lucas is the chairman of the Subcommittee on Conservation, Credit, Research, Rural Development—whole host of other subjects. The floor is yours.

Mr. LUCAS. Thank you, Mr. Chairman—the joys of being chairman of a subcommittee of miscellaneous topics.

To my peanut friends at the table, we have watched in Oklahoma the changing in acreage, and in Oklahoma as much as anything, it is a movement to I guess what you would say is new ground, to lower their costs on herbicides and pesticides. Is that what has reflected here in North Carolina the shift in peanuts?

Mr. WARD. That is exactly. Fresh land with no peanut history, less disease pressure and higher yield.

Mr. LUCAS. Although it does drive the processing industry crazy and all the people that support that. But it is going on in Oklahoma.

And I must confess, having listened to you, there are several different perspectives at the table, so in that regard, you are a typical group of farmers—whole bunch of different opinions.

And some things that reached and grabbed me, no particular order, Mr. Jackson's comments about the shortage of labor. This is being made very clear back home to me in Oklahoma, that we have to be rational in whatever we do. So your comments are not unnoticed.

Mr. Martin, your comments about EQIP and the point system and small farms, let me assure you, having chaired the subcommittee when we put this last bill together, the first thing we tried to do was come up with enough money to fully fund at the time what we thought were all the requests for EQIP programs. And we got really close to that, at least the dollar amount to start with.

But we write as a committee, as Congress, we write the farm bills and then the Department of Agriculture implements those things. And sometimes the rules and regulations that ultimately all of have to deal with out on the farm make it just a bit more challenging. I personally still have a grumble that GRP, the Grasslands Reserve Program, which was envisioned as a way of moving some CRP back into productive livestock use, seems to have become a green zone, a green belt program around urban areas. That was not intended by the subcommittee. And I do not think we intended on the EQIP Program to have the point system work this way or to have a system of allocation work this way. But you are seeing that, is what you were saying, right, Mr. Martin? If you do not have the right combination of projects so that you can score enough points, you get left out.

Mr. MARTIN. Right. I was just saying the smaller farms are competing with ranking for the larger farms, they need to be competing against each other instead of against larger, more established farms that have already got practices and such in place.

Mr. LUCAS. Because the traditional conservation programs are kind of a la carte, I need a terrace or I need a this or a that and if you qualified, you qualified for it. I agree, there is a problem there and we need to look at that.

I also in my district have the privilege of representing one of the 1890 land grant schools. And the funding issues are just an ongoing challenge there. And my folks at Langston University do a very good job in goat research and a number of other topics where they are the best that there possibly is.

Some of our other friends, talking about vegetable and some of those crops, one of the fascinating things to me about farm bills—and my time in college was earning a degree in agricultural economics. I am a farmer by trade, so I live this stuff just like you do. But you look at the history since the 1933 Act, sometimes when Uncle Sam has attempted to put a bottom on things, Uncle Sam has wound up putting a top on it too. I just remind my friends in vegetables and livestock and hay, crops that have not been covered traditionally since the 1930's by these farm bill programs, think very carefully before you get pulled into what the other commodity groups have been a part of because that tends to be the case.

To my cotton friends, how dramatic an impact do you believe the Step 2 ruling by the WTO will be on your industry—that we lost, by the way, after a good and valiant effort to defend our position.

Mr. BURNS. It is certainly going to impact. It helped our export, our mill people. We would like not to have lost the Step 2, but that is part of what I was talking about, was some of the negotiations on the world trade.

Mr. LUCAS. I guess, Mr. Chairman, with a good number of members yet to go, with the thought about working towards this next farm bill together, I will yield back.

The CHAIRMAN. I thank the gentleman.

The gentleman from North Carolina, Mr. McIntyre, is the ranking minority member of the Specialty Crops and Foreign Agriculture Subcommittee and we are pleased to be in his district.

Mr. MCINTYRE. Thank you so much, Mr. Chairman. And let me begin by thanking you for holding the first in a series of these farm field hearings across the Nation right here in southeastern North Carolina. We are thrilled to have you and all my colleagues here. And I hope, to all of our friends in this area, the farmers, that you will particularly thank these folks up here before they leave today because they stood with us as we fought for the tobacco buyout in the past year with all of our colleagues from here in North Carolina. And we are very grateful.

I wanted to pick up on something, Dan Ward, that you said in your statement, "I hope that our trade negotiators do not treat agriculture as a chip to be thrown in exchange for concessions from other countries." I would like you and I know Mr. Stone, Mr. Burleson all referred to this, the administration in its latest offer in the World Trade Organization negotiations, is willing to reduce the amount of money America provides for the farmer's safety net by 60 percent in exchange for increased market access. So, particularly as our subcommittee is considering these foreign agricultural programs, tell us how significant must that increased market access be to justify whether or not you could accept a possible 60 percent cut in the farmer safety net.

I will let you start, Dan, Mr. Stone and Mr. Burleson in particular since you all commented about this.

Mr. WARD. We do not really think we can accept any 60 percent—we really cannot accept any cut. We need market access. We have an over-supply on basically all of our crops right now, especially our peanuts. That was one of the provisions written into this farm bill that we do not feel has been exercised maybe to its fullest. And the exercise was that all peanuts should be allowed to move freely into the export market. And we do not feel like that has ever been quite utilized. We do not understand the formula.

We know that there is a supply of peanuts, a big supply. Right now, I think we are actually redeeming maybe 2004 peanuts that were under loan that have been in storage, redeeming them in 2006. So there is a good supply, we need all of our market access.

Mr. MCINTYRE. Bo.

Mr. STONE. Congressman, if we receive increased market access, in theory, that will raise our commodity prices. If that is the case, then the amount of monies that were paid out through the loan deficiency payments and the counter-cyclical payments will, of course, be lowered. I do not see the need to decrease those levels within the farm bill if you are going to be not having to pay those monies out due to the increase in our commodity prices based on our foreign market access.

So I would not take them out. I would say, OK, if we are going to open these foreign markets, then we will not be paying out these monies anyway, but let us leave them in there in case we do need them for a serious safety net, because that is what they were put in place for.

Mr. MCINTYRE. Do you have a comment, Mr. Burleson?

Mr. BURLESON. I agree. The safety net is what we are looking for. And if we get increased access to foreign markets, we definitely would hopefully increase the price of what we do sell, and therefore, it would reduce the outlay in the loan deficiency payments and the counter-cyclical and those kind of things. So it would not be extended, which might in turn save 60 percent of it. But I would not recommend taking it out of the farm bill, no.

Mr. MCINTYRE. All right, thank you.

In several statements, the Secretary of Agriculture has talked about the difficulty new or young farmers have experienced in obtaining land due to high land values. Bo—and Mr. Chairman, I would like to recognize Bo Stone is National Farmer of the Year, co-recognized for the national award by the Farm Bureau and is the North Carolina Farmer of the Year.

Being a young farmer as well, if you could comment about how this is affecting the opportunity of young farmers, with land value concerns.

Mr. STONE. Congressman McIntyre, as we know, less than 2 percent of the Nation farms. The average age of the U.S. farmer is in the mid-50's. So there is definitely a reason why young farmers are not joining our industry, so to speak. And I do not think it is necessarily because they do not want to, because I cannot see why anyone would not want to do exactly what it is that I do every day. I love what I do and I am thankful that I had the opportunity.

However, I would not have had the opportunity to do what I am doing if it were not for my parents. I was able to start farming because they had set the groundwork and they had the farm in a po-

sition where it was able to, through diversity, to accept myself coming back and adding another family to that.

There do need to be initiatives. I would like to see some ways for some low-interest loans to help young farmers get started, especially those that either, No. 1, whose parents or grandparents do not farm and do not have the opportunity to step into it; or No. 2, whose farms are not of a size that they can help support a second family, so to speak. We were able to counteract some of those through some of the diverse crops that we do grow, but that is not an opportunity for everyone either. So I think some opportunities for some low-interest loans would help. Initiatives such as that. And the revenue-based crop insurance where we can at least help cover our variable costs, so that if you are just getting started and do not have anything to fall back on, and you have a terrible year, you do not have a second opportunity, so things such as that would really help young farmers, as myself, get started, get our feet on the ground.

Mr. MCINTYRE. Thank you, Mr. Stone; and thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. McIntyre.

Congressman Jerry Moran represents about three-quarters or more of the State of Kansas and he is the chairman of the General Commodities Subcommittee. Jerry.

Mr. MORAN. Mr. Chairman, thank you very much. Thank you all for joining us at the panel, as well as those in the audience.

I hate to make this suggestion, but I chair the subcommittee that has responsibility for crop insurance, something I almost never say when I am home among my own constituents. And the farm bill is really a different topic than crop insurance. Those two programs, the farm bill is a separate re-authorization than crop insurance. But I would welcome any written comments from any of you on how we can improve crop insurance, particularly in the specialty crop area.

Mr. Godwin, we are well acquainted with the disaster we had in regard to sweet potatoes. It has become the role model for how not to do things. But as we look for ways to improve crop insurance, welcome your input, be glad to give you my card and e-mail address and we will try to come up with some additional solutions to the way crop insurance works and does not work.

I represent a district that is wheat, cattle, corn, soybeans and the fastest growing cotton State in the country. My impression in listening to you, and please correct me if I am wrong, is that generally there is consensus that the next farm bill ought to look very similar to the current farm bill. Does anybody disagree with that? As best as we can fashion that, that is the direction you would like for us to go; is that true?

I guess I would let the record show that all heads seem to be nodding.

Mr. Godwin.

Mr. GODWIN. We just need to make more provisions for specialty crops, they are not included and we need to make provisions for them.

Mr. MORAN. Let me ask—and I think there is a movement among some in Washington to suggest that there is a desire across

the country for a farm bill that is significantly different than the one we have, and at least from the panel of the folks here today, that is not the case.

Now I have spent some time with specialty crop producers and believe that it is necessary that we bring specialty crops into the program. I use the word program in broad terms, because I think farmers are farmers, wherever you are. Whether you are a wheat farmer in Kansas or you are raising potatoes here in North Carolina, it seems to me that the same goals ought to be in mind, the enhancement of a rural lifestyle and opportunity for rural communities. And that the political reality is that we need to have all of agriculture together, program crops and specialty crops, if we are going to have success in Congress and in Washington.

Is there a tradeoff though—Mr. Burns, you talked about the fruits and vegetables violation, planted acres. Is there a tradeoff when it comes to bringing specialty crops into the farm bill that affects the way we prohibit our acres from being planted into specialty crops?

Mr. BURNS. My guess is that would be the case, if we have a limited amount of money. I guess the pie would have to be cut differently, I do not know. I am not a specialty crop grower.

Mr. MORAN. Well, someone mentioned the importance of making certain that we did not put program acres into specialty crops. Mr. Jackson.

Mr. JACKSON. Yes, sir, I did, Mr. Moran.

We do not want to do that because 1 percent increase in production in the specialty crop is generally a 4 percent reduction in price we receive at the market.

Mr. MORAN. And in regard to payment limitations, and that was mentioned a couple of times. Mr. Burleson, you were one. Is there any changes that need to be made in payment limitation provisions as they currently exist?

Mr. BURLESON. I have got a little bit of comment about payment limitations, how it affects us. I farm in partnership with my son, my brother and his son, my nephew. We own 30 percent and we rent 70 percent of the approximately 4,000 acres that we farm, scattered across 4 counties and 35 miles. We rent 100 different farms owned by 120-plus people with an average size of 27 acres and an average field size of 10 acres. Now most landowners are elderly or either heirs of the elderly that have passed on and have no farm background and do not want to farm, but they would like to have some income from their land.

We then cash rent the land. From a paperwork standpoint, it is an impossibility and an impossibility for them to individually participate in any farm program, they do not understand the program, they do not want to go to the FSA office to sign anything, they do not understand what they would be signing if they were there. So they basically allow us to do the paperwork and we farm their land, pay them a cash rent. We do all the USDA compliance, crop insurance, we take all the inputs, all at our risk and then we, therefore, receive all the USDA payments. Those payments, from an outside party looking in, look to be quite large for one farm, but in the reality of what is really happening is that our farming operation is keeping 100 individual small farms in business.

So the payment limit reflects one farm, but it is actually going to, through my cash rent to those farms, keeping 100 small farms in business. And therefore, if the payment limits were reduced, what it would require us to do is, in order to stay within the payment limits is we would have to give up some of those rented farms and not farm them any more and, therefore, those landowners would no longer have any income from their property.

Mr. MORAN. Mr. Burleson, thank you; Mr. Chairman, thank you.

The CHAIRMAN. I thank the gentleman.

Congressman Bob Etheridge, whose district stretches very close to where we are sitting I think, is the ranking member of that same General Commodity Subcommittee. Congressman Etheridge.

Mr. ETHERIDGE. Thank you, Mr. Chairman. As the Congressman from Kansas reminded you, I sit on that same committee with insurance and a host of other things and very glad to be here.

Mr. Chairman, let me also thank you for bringing the first hearing here. And let me just add one point to what Mr. Burleson said. North Carolina really is a State of small farms. And part of that is because we have had peanuts and tobacco over the years and it has allowed our people to be on small farms. We are proud of that, but if we make major changes we are going to see a lot of these farms turn into concrete and asphalt or grow up.

Let me return—and one thing I did notice in the comments so far, that we are hearing the same thing the Secretary of Agriculture did when he had his listening tour. Farmers like what they got, and that is a credit to the people who took on this task back in 2001 for the 2002 farm bill.

But to you, Mr. Burns and the other cotton folks, Mike asked the question and I want to ask it a little bit differently because if we are looking at proposals under the WTO of a 60 percent cut in exchange for market access, the truth is that cut is going to be accelerated much faster than what may happen in that market access. The market access, if you make the cut over a couple of years and cotton is taking the bigger hit, you would like to have that access right away. Well, we are not talking about getting it that quick. It has been my experience, those boys do not like to open their doors up very easily. And when they say they are going to do it, you do not get it. Comment on that very briefly, if you will, so I can get in a second question. Otherwise, I may have to interrupt you so I can get it in.

Mr. BURNS. I feel the same way. I cannot imagine they would open their markets that quickly. And if they did, how that could affect the price quickly enough to give us any kind of relief. It makes no sense to me.

Mr. BURLESON. I totally agree.

Mr. ETHERIDGE. Anybody else on cotton?

Mr. BURLESON. I totally agree.

Mr. ETHERIDGE. You agree. And that is one of the reasons—you have got to understand, you have got friends on this committee, so we are not in disagreement with you. But I think the issue is that we have a real challenge. I think the chairman agrees with some of these issues, whether he says it or not. The problem is that we have a much bigger fight with a lot of members. We are not fighting, we have to educate. And we will need your help because farm

policy is the food policy. And in this State, certainly in North Carolina, we may be small in numbers of production, but it is still the largest industry in our State and the largest industry in the country.

Let me come back to another point that was made and I guess I will skip you, Mr. Stone, since you are the younger one on the panel, but I would like for the others to just comment on this if you will. I think one of the challenges we face with getting young farmers in is the cost of land today is escalating very rapidly. But in addition to that, everything else—equipment, seed, fertilizer, everything a farmer uses—is going up very rapidly and the margins are shrinking, so it is kind of hard for a guy to get in new and rent 400 or 500 acres.

Give us some ideas of how we are going to get young folks in when the cost of capital is so great to get in an industry that is capital intensive as well as input intensive, for the return. We need to hear from you. How many of you have sons getting into farming behind you, if they had to start from scratch?

Mr. BURLISON. It is hard to say definitely, but my dad help me get into farming and my brother. But I am now that average farmer. Granted, I do have a son and a nephew that came back and are partners in our operation. Part of it would be the transferability of property helps young farmers continue operations.

Mr. ETHERIDGE. Share with me what you are talking about, transfer. You can do that now if you own it.

Mr. BURLISON. Inheritance tax issues, capital gains taxes on timber sales to help maybe create some capital to expand operations. And low-interest loans, I know when I went to borrow money or my son went to borrow some money on his own, you know, they just do not want to let him borrow that money on his own without my signature as well.

Mr. ETHERIDGE. Because of equity.

Mr. BURLISON. Equity, yes. And as far as buying land, I cannot even afford to buy land where we farm. That is an impossibility.

Mr. ETHERIDGE. Anyone else?

Mr. JACKSON. Mr. Etheridge, thank you again for being here and Chairman Goodlatte, I appreciate that.

The low-interest loans probably would be one way, but I would think maybe more guarantee from the Government to these banks. Because when Debby, my wife, and I got into this, we did not have tobacco, never had tobacco. And that is what the banker wanted to see, was tobacco. That was the first question ever asked to us, how much tobacco do you have. We did not have tobacco. So we mortgaged everything up. Yes, sir?

Mr. ETHERIDGE. I know we are running out of time. I hope the members of the committee will understand, when they talk about tobacco, there was a guarantee of how much you would make because you knew what you would get at the end of the year.

Mr. JACKSON. Yes, sir. That sort of guaranteed the bank. They knew they would get a certain amount of what they loaned us.

But it is the matter of putting together a business plan as any other business would. You cannot afford to buy the land to farm. As we all know, land has just extremely got too expensive for that, as has already been mentioned. But if there could be some type of

an apprentice program or some type of, as he said, repealing of the death tax would be an excellent way to pass the farms on down or at least leave it at the level where it is currently, which I understand that is back up for revision here shortly. But some type of apprentice program for an existing farmer to work with a willing new farmer, irregardless if they are family or not. Just some type of program like that to put the two together. I would be more than glad, my oldest son works with me, my youngest son is a senior in high school, but I would be more than glad to bring in another partner to help, if there was some way of doing this.

Mr. ETHERIDGE. Thank you.

The CHAIRMAN. The time of the gentleman has expired.

Next we have the gentleman from Minnesota, Mr. Gutknecht. Gil Gutknecht is the chairman of the Subcommittee on Department Operations Oversight, Nutrition, Forestry and Dairy, so he has got a broad portfolio as well. Mr. Gutknecht.

Mr. GUTNECHT. Thank you, Mr. Chairman. I always say to people that the reason that you gave me the dairy part was because no one else wanted it. I do not know if you have any dairy farmers down here, but that is the most complicated part of USDA policy. The milk marketing orders are incredible, so we wrestle with those regularly.

The other thing that the chairman did not mention—and I want to thank all of you as witnesses, I think you have given excellent testimony and I think you have given us a real good flavor of the various dimensions of agriculture here in the State of North Carolina and I want to thank all of you. I want to thank my colleagues from North Carolina, if you had anything to say about the witnesses.

I just want to raise another dimension of this discussion, and it came up just briefly with a couple of your comments. I had a listening session of my own back in Minnesota about a month ago and we did not have quite as big an attendance as this, but we had a pretty good attendance. I think if I would have polled in that room and based on the comments that we received, I would guess that 95 percent of the people in that room would love to just extend the current farm bill. My sense is that would be a pretty popular notion here.

I just want to kind of cool that thinking a little bit, because when we passed the last farm bill, I was both on the Agriculture Committee as well as the Budget Committee. And I think for the benefit of everybody here, we need to sort of step back a little bit and realize where we were when the last farm bill passed.

At that time, we had moved from \$250 billion deficit at the Federal level to \$250 billion surpluses. And the Congressional Budget Office, which is always wrong, we just do not know how much, was predicting at that time that we would see surpluses over the next 10 years of somewhere in the neighborhood of \$2.8 trillion. OK? They have revised that forecast now. That forecast now calls for deficits of about \$2.3 trillion over the next 10 years. And that was before we passed Medicare part D.

So the circumstance in which we are going to find ourselves as we begin to prepare the next farm bill is going to be entirely different than it was during the last farm bill. And I say that not to

throw cold water on all of our discussions here, but I think if we ignore that, I think we do so at our own peril.

So, Mr. Chairman, I would yield back my time, but I want to thank all of you for coming. I think this has been really exceptional testimony and I think I have a better understanding of all the problems you face in North Carolina. They are a lot different than the ones we face in Minnesota in some respects, but in many respects they are very similar.

Thank you.

The CHAIRMAN. I thank the gentleman.

Also representing North Carolina, the gentleman to the northeast of here, Congressman G.K. Butterfield.

Mr. BUTTERFIELD. Thank you very much, Mr. Chairman.

Let me join my colleagues in thanking you, Mr. Chairman and ranking member for the decision to have this field hearing in North Carolina. This is an honor for all of us and I thank you very much for it. I also want to thank the guests for coming forward this morning, these witnesses, I want to thank you for your testimony.

This 2007 farm bill is a very significant piece of legislation. You know that and we know it as well. It is not theoretical legislation, this is legislation that is going to affect families and it is going to affect real people. We understand that and we thank you very much for your testimony.

I represent the first district of North Carolina, which is the northeastern part of our State. And although we have many different crops that are grown in my district, tobacco is a principal crop there in northeastern North Carolina. And we do not hear a lot these days about tobacco. Seems as though the discussion has now switched over to cotton and soybeans and the other crops. But talk with me for a few minutes about tobacco. What impact has the buyout had on the tobacco industry in North Carolina? Is it good; is it not so good; is the jury still out on that discussion? Where are we with tobacco?

Who is the expert on that? Mr. Burns, let us start with you.

Mr. BURNS. I am not sure we have had enough time to really get a good feel for it at this point. Some of the smaller farmers in particular are not growing tobacco today. They are using that money for various things, to pay off debt. Others are increasing their tobacco production. What kind of margin will be there, I think it is too early to know.

Mr. BUTTERFIELD. The small farmers seem to really be complaining in my region. They are using the tobacco buyout money and a lot of them are getting the lump sum payment and they are trying to pay down their debt but they do not have operational costs and they are not able to maintain the farm, and many of them are fearful of losing the farm. Am I going down the wrong road?

Mr. BURNS. I know that is the situation, I have seen it as well.

Mr. BUTTERFIELD. And it seems that your mega farmers and your corporate farmers are doing much better, even though they have challenges as well.

Mr. BURNS. They do have challenges. It is kind of economies of scale. The ones that are staying in are mostly pretty big tobacco farmers, 100 to 400 acres.

Mr. BUTTERFIELD. Do you find that many of your producers are getting the lump sum payments? Are they going to the banks and the credit sources?

Mr. BURNS. A lot are. I do not know the percentage. The fact that we could use our 1031 exchange has helped some when we take a lump sum and buy land with it, timber land or whatever.

Mr. BUTTERFIELD. Are the banks treating the 10-year payout as a guaranteed payment backed by the Federal Government?

Mr. BURNS. Yes.

Mr. BUTTERFIELD. They are treating it as such.

Mr. BURNS. Yes.

Mr. BUTTERFIELD. We were concerned about that in the beginning.

Mr. Martin, did you want to comment?

Mr. MARTIN. I would like to address that from the small farmer's perspective.

Mr. BUTTERFIELD. Yes.

Mr. MARTIN. As you were saying, I think the jury is still out as far as the small farmers growing tobacco. And the main reason being that most of them did not get a contract to be able to continue in tobacco. And most of them did not have the equipment or the infrastructure, even if they had got a contract. So they are using their buyout money to pay past debts and whatever.

Mr. BUTTERFIELD. Do we need to write something into the farm bill to help the small farmer diversify and go in other directions?

Mr. MARTIN. Anything to help, I mean if you can write something in there. It would be good for the small farmer, like I say, because they were left out just because of the contract situation. Most of them were not even offered a contract.

Mr. BUTTERFIELD. Are most of your small farmers, are their farms encumbered, do they have large debt on their farms or are most of their farms paid for?

Mr. MARTIN. Some of them have debts. It is a lot of different situations with farms.

Mr. BUTTERFIELD. I was just thinking, if they are not able to service that debt and if they are using the buyout money to pay down other obligations that they have, what is going to happen to the farm?

Mr. MARTIN. If they do not get help, they are going to go out of business.

Mr. BUTTERFIELD. They are going to lose the farm.

Mr. MARTIN. The small farms, yes. They need help from whatever, if you can put it into this farm bill.

Mr. BUTTERFIELD. All right. In the interest of time, Mr. Chairman, I want to thank you very much for your leadership on this committee and I am going to yield back the balance of my time.

The CHAIRMAN. I thank the gentleman.

In the interest of time, because the gentlewoman from Winston-Salem area needs to catch a plane flight, we are going to jump ahead to her and we are very pleased to recognize Congresswoman Virginia Foxx and she does represent an area to the north of here.

Ms. FOXX. Thank you, Mr. Chairman. I think I am the farthest west person here from North Carolina. It is good that we have so

many members on the Agriculture Committee because agriculture is very important to our State.

I am sorry that I am going to have to leave now to get back to Washington, but I will be working with all the members of the committee in all the different areas on the issues that have been brought up today. I am sorry I am going to miss my own constituent who is here, Dr. Cooper, who is going to be in the next panel, but I know that he has some very interesting things to share with you.

And I want to thank you, Mr. Chairman, for bringing the committee to North Carolina.

The CHAIRMAN. I thank the gentlewoman.

It is now my pleasure to recognize the gentleman from Louisiana, Congressman Melancon.

Mr. MELANCON. Thank you, Mr. Chairman, I appreciate the fact that I have the opportunity to come to North Carolina. I am a freshman member, so I am going to start my primer on program crops. I used to understand the peanut crop because I came from sugar, but now that has changed in the last farm bill. So I have got to expand my horizon.

One of the things that I believe in and always have, since I grew up in farming, is that food is national security and that these people that want to wrap themselves in the American flag and talk about national security need to start looking at food and fiber and energy. And the people that are sitting here today are the people that will keep America running no matter what. But once we lose that, we are in trouble.

Mr. Burns and Mr. Burleson, I guess the question I have got, last week there was a budget reconciliation bill, it is my understanding that there was a cut to the loan rate or support rate for cotton and I was wondering if you all are familiar with that.

Mr. BURNS. You're talking about the budget that is proposed today?

Mr. MELANCON. No, I am talking about last week's budget reconciliation. I understand cotton got a cut and then you have got a cut proposed in the President's budget coming that was introduced today. So that was one that you were not aware of?

Mr. BURNS. [Shakes head.]

Mr. MELANCON. I did not think you were. I figured I would have somebody knocking on my door wanting to talk to me.

And then they are talking about reducing the support levels for crop insurance. I know where I am, you would just as soon not buy the insurance for sugarcane. I have not had experience with other crops because that is the dominant crop where I am. How does that affect your bottom line? That again takes more money out if you are buying crop insurance.

Mr. BURNS. It does. And for most of us on cotton, most of us have at the lower level, but to get a higher level, the economics would not be there.

Mr. MELANCON. I spoke with some farm credit people when I first came in here. I have been in meetings in Louisiana for years and when farmers are having problems, usually there are bankers that are in the audience. Do we have any bankers here or are all

your bankers waiting for you to come back to their office and tell them what you heard today?

[Show of hands.]

Mr. MELANCON. This is one of the things that bothers me tremendously, because agriculture is not just about the farmer. It is about the landowner, it is about the bankers, it is about the communities, it is about rural America's entire makeup.

I guess rather than asking questions, I am on my bully pulpit, but I just have grave concerns with the dismantling of American agriculture and just hope that we can maybe turn this thing around. It bothers me we are spending billions and billions of dollars in other parts of the world, but we are not spending money we need to spend to keep America going.

Thank you, I yield back my time, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

It is now my pleasure to recognize the gentleman from right across the street in North Carolina, Robin Hayes. A little bit of confusion caused by our committee. We have a subcommittee dealing with specialty crops but specialty crops for us is not what most people talk about. It is tobacco, peanuts and sugar. When you talk about sweet potatoes or tomatoes or a whole host of other things that you think of as specialty crops, that comes under Mr. Hayes' jurisdiction because his subcommittee has very broad jurisdiction over our livestock as well as what we call horticulture and that includes all of that wide array of crops that you are talking about. So without further ado, the gentleman from North Carolina is recognized.

Mr. HAYES. Mr. Chairman, thank you very much for coming to North Carolina. I am extremely proud of our farmers, their families and our agriculture community. And many of them are here and represent the industry very, very well.

I think Ronnie Burleson is younger than Bo, it is just a lot rockier over in my end than it is down there in the sand. That is why he looks weathered.

Let me first thank the Agriculture Committee staff for putting this together. Pam Miller and others have done a wonderful job of getting us altogether and setting this thing up. So I wanted to thank them, to be sure.

It is great to have these folks here with us today from all over the country. It is a good bunch of good old boys and girls, before Virginia left. In this day of let us bash Washington for whatever, you are looking at a large number of your Agriculture Committee members who work very, very well across the aisle to do things for agriculture and for America. And I have enjoyed working with them tremendously.

I would like to point for just a moment to the tobacco buyout for which our chairman was a tremendous help. But again, across the aisle, bipartisan support, support between either side of the Capitol, the House and the Senate made that possible. And that is a pretty small group in terms of overall representation but vitally important to agriculture in North Carolina where it is a \$62 billion industry per year. So be encouraged, there are a lot of good folks. A lot of good folks who come to Washington and work for you all. So thanks for everything you do.

I would like to bring to the committee's attention something very exciting in North Carolina. Dave Murdock from California, talking about specialty crops, is opening a new processing plant for Dole Foods, berries and all types of fruits and vegetable processing and sales and distribution, taking healthier products and making them even healthier so that that distribution will be even more widespread. So that is great for agriculture, it is great for the economy.

Also, a lot of research being done. Somebody mentioned earlier about fruits and vegetables in school lunches. NC State and I am sure others are doing research that is going to enable us to put apple slices that will not spoil or will not turn brown in those lunches and make it much more practical and easy to do that. So the biotech campus plan for Kannapolis will be good for agriculture and as you look at alternative fuels, and many of you have mentioned that, ethanol, biodiesel, we ought to be exporting these fuels to China and other places, to help our economy, our foreign policy and a whole host of things. So thank you very, very much for that. I am proud of our folks.

A question on the payment limit issue. Ronnie, you touched on it, but would the panel speak a little bit more broadly to that issue? Because it is very important, I have got a constituent out there that has got a minimum of 150 family members that work on his farm and it is not like it is one guy getting one payment. Anybody else like to comment on that? Mr. Godwin, Mr. Martin, anybody?

Mr. GODWIN. The payments that our farming operation gets is so small that I am not familiar enough with them.

Mr. HAYES. I did not mean to call on you inadvertently. Anybody else? David.

Mr. BURNS. Congressman, I would really hate to see them cut the program. It is tough enough to live with what we have today; if they are cut more, it is really going to be a problem for most of us.

Mr. HAYES. A classic example, where Ronnie lives, the whole growth pattern from the Charlotte area is moving out and land that should and could be in agriculture has now become attractive as developable housing land. And we need that green space, we need that agriculture to continue.

Mr. Martin, before I forget, Mike East is here today. He is the handsome guy in the yellow tie in the back with FSA. He would love to talk to you and I sure Keith Weatherly would as well.

Let me see, Mr. Jackson, talk some more about the planting prohibitions and allowing producers to plant fruits and vegetables on program crop acres without taking penalty. How would this affect fruit and vegetables if it were changed?

Mr. JACKSON. Well, it would make it more enticing for traditional grain farmers to move into the fruits and vegetable industry. And it is not that we are trying to control a monopoly, but we have a tremendous amount of infrastructure involved in our industry. We have spent more dollars than I want to admit on cooling facilities, packing lines, labor camps, et cetera. And we cannot afford for a grain farmer historically, which is not normally just a grain farmer, but traditionally has been a tobacco farmer, a grain farmer, a livestock farmer—they cannot jump in, if they jump in 1 year or

2 years into the vegetable production, it is devastating to our market and we cannot survive with our cash flows the way it is based upon. Because our profit potential, as someone mentioned, one of the members mentioned already, is if we can net 3.5 to 4 percent on our sales, we have done fantastic. And there is no other industry that I am aware of in this business in the United States that can operate on such a minute percentage of profit. So we do not need any more pressures put on production because it needs—I am not saying it would be mandatory production, but at the same token, we cannot have a free for all where everyone would go out in one particular area and plant X number of whatever.

Mr. HAYES. Thank you, sir. Mr. Chairman, I yield back.

The CHAIRMAN. I thank the gentleman.

Speaking of specialty crops, fruits and vegetables, the gentleman from the Central Valley of California, Congressman Jim Costa, knows a lot about that.

Mr. COSTA. Thank you very much, Mr. Chairman. I want to thank you and your staff and members who are here. Obviously our efforts to set the table and to carefully listen to farmers and ranchers, dairymen throughout the country as we set the table for the 2007 farm bill is critical in order for us to be able to do a good job. I always enjoy when I am having an opportunity to see agriculture around the country, having been and actively still a farmer and I reflect a family that is third generation farm family in California.

I am looking at the information that has been provided by the committee from I believe it is the USDA. And the average size of a farm, according to this information we were given, is about 160 acres here in North Carolina, up a bit by 5 percent—168 acres today, in 2002; it was 160 acres in 1997. We talked a bit in your testimony about what constituted a small farm in North Carolina.

I am wondering, we did not get very close or at least I did not get a good idea where you make that distinction. An average size, if it is 168 acres plus or minus, where do you make—and I know it varies in terms of the commodities that you are growing because some in smaller acreage can produce higher value. But anyone care to give myself and members of the committee what an average size or what a small farm is here in North Carolina?

The CHAIRMAN. Let me take the opportunity to ask a couple of distinguished guests if they would raise their hand so we can acknowledge them. We are pleased to have the North Carolina agriculture commissioner Steven Troxler. He just stepped out of the door. [Laughter.]

The CHAIRMAN. Well, while we are looking for him, I also want to acknowledge that John Cooper is here, he is the State Director for the U.S. Department of Agriculture Rural Development Program. Right back there. We are very pleased to have both you gentlemen and honored that you would take the time to be with us today.

I take it the gentleman from California has yielded back?

Mr. COSTA. Yes.

The CHAIRMAN. Were you going to answer a question?

Mr. BURLESON. I was just going to make the comment that it does vary tremendously by crops and areas of the State. Eastern

part of the State obviously does have lots of larger farms, especially grain farming. More toward where I am from west of here, even around Fayetteville itself near here, they are all small farms like I mentioned awhile ago. Our average farm that we rent is 27 acres. And I am considered one of the largest in our area of what we own and that has been accumulated through my father and my myself and my brother, and we only own 1,200 acres. But it is in 20 different locations, put together.

Mr. COSTA. I think when we try to make a comparison, there is never a sense where one size fits all. I think you all understand the challenges we face in trying to put together a new farm bill and realizing the lack of dollars and the challenges that we face.

Let me ask another question. There has been a lot of discussion on the World Trade Organization hearings that have been taking place last fall. I spoke with Ambassador Portman after the State of the Union last week. How closely are you following these discussions and how much of an impact do you believe they are going to have on farmers in North Carolina's ability to compete in the next 5 years?

Mr. BURNS. Congressman, from the amount of following I am doing on it as a cotton farmer, I am very concerned. As I mentioned, cotton has been singled out, they want to negotiate trade on cotton, talking about reducing 60 percent of the payments on that. I do not know how we can operate that way.

Mr. COSTA. What else would you grow if you were not growing cotton?

Mr. BURNS. What are the options other than cotton?

Mr. COSTA. Right.

Mr. BURNS. Very, very limited for us. Soybeans would be an option but it is not a profitable crop for us.

Mr. COSTA. One of the arguments pretty much my cotton farmers make is that if they have to switch to other areas of production, it is going to impact other commodity groups and that is for those who have the flexibility to switch.

Mr. BURNS. I do not know what we would switch to. Some of the others might have an idea.

Mr. GODWIN. We have seen that even with the shift in tobacco production. A lot of those tobacco farmers shifted to vegetable crops and 4,000 acres was nothing to the tobacco industry in North Carolina, but when you add 4,000 to 5,000 acres of sweet potatoes, that is 12 to 15 percent of the volume that we produce, it is a large impact. So if you cut the cotton acres, a small percentage would be a huge percentage increase in vegetables in North Carolina. I do not know about the other States, but I know it would be in North Carolina.

Mr. COSTA. Thank you very much, Mr. Chairman. I yield back the balance of my time.

The CHAIRMAN. I thank the gentleman.

I believe that Commissioner Troxler has come back in the room. We are very delighted to have you with us as well. Thank you for taking the time today.

Now it is my pleasure to recognize the gentleman from Iowa, Congressman Steve King represents a big portion of, in fact the entire western portion of the State of Iowa. Steve, welcome.

Mr. KING. Thank you, Mr. Chairman. I want to thank you for holding these hearings down here and my colleagues for being here today and testimony of our witnesses and the attendance that is here.

One of the things that I am seeking to do is get a better understanding of the different picture of agriculture across the country and I will do my best to be at every hearing around this Nation because I think it is essential that we hear from each region. One thing that I notice is that everything we do in Iowa, you also do in North Carolina. And I would add to that, thank you for sending your pork production technology up our way. That has been a big help to everybody in this country.

But I was also struck, and I would start with Mr. Burns, by your ability to be quick on your feet and adapt your testimony to the President's budget this morning. I got the message at something like 11:16 this morning, so you were ahead of me in your comments on that. But I would ask you an additional question here. With regard to the farm program, if those dollars increased, and say they increased on average \$10 an acre across all agriculture in North Carolina, where would those dollars end up? Would they end up in the hands of the producer or the hands of the landowner?

Mr. BURNS. Primarily the producer, but for the landlord to some extent.

Mr. KING. I thank you for that.

And what have land prices done? I would ask this question generally across the panel. What have land prices done in the last 3 years?

Mr. BURNS. Gone up significantly.

Mr. KING. Do you know the percentages year by year or generally speaking?

Mr. BURNS. My guess is it would be somewhere 5 to 8 percent a year. Some of the rest may have a better feel.

Mr. KING. OK.

Mr. Stone.

Mr. STONE. Yes, sir, but I would like to point out that the majority of the farms that are sold in our area are not being sold to farmers. This is housing developments and different things like that. I hear it pays well, but there is only one crop that way. That has been an issue with us, farmers are not the majority of the ones buying the land that is being sold in our area, it is being sold for development purposes.

Mr. KING. And I appreciate that distinction. Would anyone care to give a qualified answer as to farmer-to-farmer sales, what they might have done by comparison? Less than the 5 to 6 percent? Mr. Jackson?

Mr. JACKSON. Congressman King, it depends on what location you are at, which is always in real estate, they say location, location, location. But the ones closer to the cities have tended to bring anywhere from \$3,500 to \$5,000 an acre and if it has been a farmer-to-farmer sale, they have been in the \$1,500 to \$2,200 range, is what we have seen in the last few years.

Mr. KING. Thank you. And that helps me a lot.

I would direct my next question over to Mr. Burleson. I noticed in your written testimony that you primarily focus on cotton and

corn production and then you also I believe in your oral testimony added soybeans to that. It seems to me like a real difficult task to get into all those 10-acre fields. But I would ask you, has your acreage shifted say over the duration of this farm bill, percentage of your operations? Has it gone more from corn to cotton or cotton to corn?

Mr. BURLESON. Our operation has tremendously shifted away from corn. Granted where we are at, our capability of growing corn is only 100 bushels, up to 140, that is our potential, whereas in your area, you might grow 200 bushels of corn regularly. So we cannot compete growing corn. Typically, in the 1980's in particular, late 1970's and 1980's, we had a terrible drought about every third year and that tremendously affects a corn crop. Whereas a cotton crop blooming and producing cotton over a 6-week blooming period, you have an opportunity to at least make a decent crop. So therefore, we have switched a lot more over to cotton.

Mr. KING. I thank you and the balance of that expertise I think may well come from my colleague, Mr. Moran, on that subject matter.

Then I would direct my next question back to Mr. Jackson. In your request for an availability of adequate labor supply, I understand that this is an extraordinarily complicated issue and I would just ask you to focus. Can you help direct us towards a model guest worker, temporary worker program somewhere on the globe, somewhere in history where we could learn from that? Or are we blazing a new trail here?

Mr. JACKSON. Well, I do not see where there has been anything done in the past that we need to copy. Because what has been done in the past has not really worked. If you will remember in 1986, I believe in that time frame, or 1988, they had an amnesty program and that did not work. The workers that were on our farm at that particular time, when they got legalized, they went into other occupations, they did not stay on the farm.

Now there is no one in this room that is more against amnesty than I am, but we have got to have bipartisan support on immigration. And with immigration being—they have got to earn their right to be here. We use H-2As. We are an H-2A grower. We love the program, we dislike the wage rate we have to pay and the paperwork we have to go through with to get it here. But at the same token, we have a dependable work force that we can count on. And that does not solve the problem of the 11 million illegals that are here that I know all of you are concerned about, and everybody in America. But we cannot just enforce the border and put up fences and shut down the border completely to immigration or this country will dry up. We will become as the United Kingdom has become, a country that imports more than it can produce, when currently we are producing what we need plus exporting. But if we were to close the borders as has been proposed in the Sensenbrenner bill, we are in for a mess, a real mess.

Mr. KING. I thank you.

Mr. Chairman, I will yield back without comment.

The CHAIRMAN. I thank the gentleman.

Now it is my pleasure to recognize the gentleman from Colorado, John Salazar represents the western part of the State of Colorado. John, welcome.

Mr. SALAZAR. Thank you, Mr. Chairman. And thanks to all of you for making us so welcome here in North Carolina.

I too am a potato farmer from Colorado, my wife and I farm a little over 2,000 acres. You think 2,000 acres would be a very large farm, but in my area, a 2,000-acre farm is about average size, 10 years ago, it was 656 acres and now it is 2,000 acres. So it is just the price competition, the competitive side, the economies of scale that make sense in order for us to make a living.

But we live now in a society where agriculture has become such a competitive business. We not only have to compete with world markets, we have to compete with local markets. And I will just lay a little instance of what we did in the potato industry in Colorado this last year.

As Government funds dried up, and the potato industry basically opposes any Government intervention in vegetable production, but what we did is we set our own set-aside program called Farm Fresh Direct, with the four major potato growing States in the country—Colorado, Washington, Wisconsin and Idaho—and we were effectively able to set aside or lessen the acreage production by 14 percent from last year to this year. That meant that we were able to sell our crops from zero last year—in fact, I had to dig a hole and bury over 40,000, I think it was 50,000 hundredweight because I could not even give those away to charity. This year, we are selling it off the farm for over \$9 a hundredweight. So that is just a little lesson.

But I do not want to take up too much of your time, but I would like to address the issue that Mr. Jackson brought up about immigration because I know that this is a very touchy subject and I understand the impact that it has to agriculture, especially the vegetable and fruit producers.

We do have to secure our borders, but we need to be a little more specific as to how we address the number of workers needed. We talked, Mr. Godwin and I talked a lot about the work ethic is gone in this country. If you look at minimum wage when it as passed back in the 1930's, it was, what, 85 cents an hour, now it is \$5.25 an hour. Almost no American can work for that amount or is unwilling to do the work out in the field for that amount. Many of us with the Guest Worker Program—not the guest worker, but the H-2A programs that are in place right now are paying close to \$14 to \$15 an hour on the average. OK? That's close to minimum wage if it was adjusted from 85 cents an hour back in the 1930's, according to inflation, up to today's economy. Yet we cannot get American workers to fulfill the jobs that immigrant workers are doing out in the field.

Could you maybe comment on that, Mr. Godwin?

Mr. GODWIN. This past year, our H-2A program, we paid an hourly rate of \$8.24, so the minimum wage is a joke to us, because everybody on our farm has to be at that minimum level or higher. So the \$8.24 was our minimum rate, but when we take into account crossing the border, our transportation fees that we pay, \$900 is what, in excess of that, this year per worker that we are

paying, and when we take into account that we are providing their housing, their transportation the whole time they are in the United States, and other costs, our farm paid \$14.10 an hour last year for every hour that an H-2A worker worked last year, \$14.10. So the minimum wage, to us, is a joke, because that is way below what we are actually paying.

We are having to absorb that somehow in what we are getting for our commodity when we sell it. And the margins are getting smaller and smaller.

Mr. SALAZAR. So do you think that you could get an American worker to do the jobs that these folks are doing out in the fields, if you paid minimum wage?

Mr. GODWIN. No, we have not been able to. As we were discussing before the hearing actually started, during this time of the year, we are not allowed to bring H-2A workers in and so we are having to try to find local workers, and we have been unable to do that. Our packing line at Godwin Produce runs about 3 days a week during this time of the year. I have been through 28 local people that I have hired to fill the position for 10 jobs in the last 2 weeks, and I have lost all 28 of them, because they come, they are unwilling to perform any manual labor, even at the rate I am paying. So no, I have not been able to find American workers that are willing to have any work ethic at all and stay with you in manual labor.

Mr. JACKSON. Congressman, could I make a comment?

The CHAIRMAN. Briefly.

Mr. JACKSON. OK, I'll make it brief.

Another thing such as Mr. Godwin and myself, we are trying to do this legal, we try and have a legal work force. Our neighbors who are using illegals are paying \$6 a hour and that is already putting us at an unfair advantage when we are out there on the marketplace dealing with the same chain stores.

The CHAIRMAN. I thank the gentleman.

It is now my pleasure to recognize the gentleman from Michigan, another new member of the committee, Joe Schwarz represents southern Michigan.

Mr. SCHWARZ. Thank you very much, Mr. Chairman.

I represent areas in Michigan that border both Indiana and Ohio. It is intensively agricultural. In the real world, I am a surgeon, so my questions are going to be a little different perhaps than what have been asked before. And perhaps may be more appropriate for the next panel, but I would like any one of you to pitch in even though it is probably going to be associated more with animal agriculture than crop agriculture.

You have an outstanding college of veterinary medicine here in the State of North Carolina, North Carolina State University. Would any of you care to comment on whether or not that college is producing enough in the way of veterinary help for yourselves. Some of you probably have some animals. The others on the next panel, think of this question, I am going to ask the same one. Do you need more large animal vets? Because most veterinary schools, especially the one in Michigan, at Michigan State, another superb school, are producing a lot of people who want to treat cats but they do not want to treat large animals. What is the situation with

the supply of vets in this State, and should the Federal Government have a program in law which makes grants, direct grants, to young men and women who want to go into veterinary medicine? Anyone that wants to jump in, please feel free to do so.

Mr. STONE. Congressman Schwarz, I would like to address that. From the perspective that my younger sister graduated from North Carolina State School of Veterinary Medicine and is a large animal, strictly equine, veterinarian. The problem is she is practicing in Atlanta, Georgia at this point and is not much help to me on the farm except from advice over the telephone.

One of the issues that she had when she came out of NC State's vet school is that for a large animal practice to make close to the equivalent of the same thing that her colleagues were making in small animal practice, she was not able to stay in North Carolina. She had to go to Atlanta where the equine industry is such that where they can afford to pay for those services. A large animal vet in North Carolina would probably not have the opportunities to be strictly equine, as she is where she is located now. They would have to be more beef cattle, more swine, a little more diversified from that standpoint. As we know the margins on cattle farms and all and the profit margins there, do not allow you to hire a veterinarian to do very many services at all for you.

So that is part of the issues there that we are facing with the small numbers of No. 1 large animal vets that are coming back to our State to practice, is the margins that they are—the profit margins that they are able to garner either with small animals or either out of State are much greater than what they can do here.

Mr. SCHWARZ. Should there be Federal subsidies for large animal vets so that you have enough large animal vets in a State like North Carolina or a State like Michigan, whose I would expect agriculture production is very, very similar?

Mr. STONE. As far as subsidies, I do not know the best way to really address that and I am glad that we have members such as yourself that can help us with issues like that. But there does need to be some kind of a way to guarantee through USDA or somehow that we would have those qualified veterinarians at our service when needed, especially if we were to have some issues with some of our animal health such as the mad cow or anything like that, that could possibly at some point in time surface. We need to make sure we have these people in place and the policies in place to where we are protected and to be able to react in a scientific manner.

Mr. SCHWARZ. Thank you. My own research in this, which is personal and only on a person-to-person basis, indicates that in numbers of States we are close to—I do not want to use the word crisis, because everybody uses the word crisis and it probably is not a crisis yet. But there is a paucity of large animal vets.

Second, and this is a comment. In my district, we have large dairy operations, large crop operations. In fact, I have one gentleman who grows all the carrots for V8 juice for Campbell's. In any event, I believe and I agree I think with all of you, that we are going to have to have some sort of an intelligent solution to the cross border problems. Because there is no way that you can exist and no way that the agricultural economy in my district can exist

without it. That is simply a fact of life in 2006. And I thank you for bringing it up.

And I yield back, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

And finally, we are very pleased to have with us from the State of Texas, from west Texas as a matter of fact, Congressman Mike Conaway.

Mr. CONAWAY. Thank you, Mr. Chairman.

I was particularly pleased to hear the comments—not the comments, but pleased to hear the comments from Mr. Jackson and Mr. Godwin. I am one of the lonely voices on our side of the aisle that believes a rational, non-amnesty temporary worker program, Mr. King, is an important issue. It is a piece of control of our border, and I was going to ask you, gentlemen, not to confess any immigration law violations, but talk about the workers that you are using, but you have already answered that. But I appreciate those comments that sometimes get downplayed. There are in fact jobs available that pay a lot more than minimum wage. Now the \$6 that you gave as an example that the illegals are getting, does that including housing and transportation or is that just \$6?

Mr. JACKSON. That is just the \$6.

Mr. CONAWAY. Do they provide housing to those folks as well?

Mr. JACKSON. No, they do not.

Mr. CONAWAY. No, they do not. But a lot of times, the idea that there are jobs out there, good paying jobs, that are hard manual labor, work in the sunshine all day or in the oilfields all day, that are going wanting, that Americans are not willing to do, sometimes gets short shrift in this discussion of a rational temporary worker program.

I would like to turn our attention to the tension between commodity programs and conservation programs. Do you want to give us your wisdom of Solomon as to how that should be resolved as we move forward in the 2007 farm bill? Any thoughts? Do we want them both?

Mr. JACKSON. Would you repeat the question?

Mr. CONAWAY. Well, we have got a set amount of money and we have got conservation programs and we also have commodity support programs. And you guys did a pretty good job of sort of dancing on the commodity support program, individual pieces of it. But flat out, if you had to choose one or the other, commodity programs or conservation programs, which would it be?

Mr. JACKSON. Well, I would say this, and then I will turn it over to Mr. Burns, because he seems like he is ready to grab it. [Laughter.]

Mr. JACKSON. I have found on our own farm and in my neighbors' farms and the farms that I have visited in North Carolina and being president of the National Watermelon Association has allowed me to go up and down the east coast and we will be out in Texas shortly.

Mr. CONAWAY. Bring lots of money, by the way.

Mr. JACKSON. The farmers that I know if are conservationists at heart to start with. Because this is our home, we maintain our land just as my wife maintains our home because we have to live off of this and it produces our income and our livelihood. So that is a

tough question. I do not get a lot of commodity prices, so I will turn it to Mr. Burns.

Mr. BURNS. I would leave the commodities No. 1; No. 2, the conservation. We have done a great deal of work in our area. Understand I am farming in the flat country, there is not as much to be done as might be in the Piedmont or the mountain area. But we have done a pretty good job we contend with conservation. But if you would come to our farms, I think you would be pleased with what you would see.

Mr. CONAWAY. Thank you, Mr. Chairman. I will yield back.

The CHAIRMAN. I thank the gentlemen.

Mr. CONAWAY. Did Mr. Stone have something?

Mr. STONE. That is OK, I was just going to make a quick comment that the best way to protect the environment is through profitable farms. So it is very important that we keep the monies in the commodity title as well, but we also do need to have funding to continue funding the conservation programs that we have in place.

The CHAIRMAN. Thank you, Mr. Stone, good point.

We have used your time for more than 2 hours now, it has been an excellent panel and a great contribution to the committee and we thank you very much. But unfortunately that leaves less than 1 hour for our second panel. So we are going to thank you and excuse you and invite that other panel to come up here right away.

Will the next panel please take their seats immediately, we are going to start the second panel right now.

We would now like to welcome our second panel: Dr. Robert Cooper, tree farmer from Winston-Salem, North Carolina; Mr. John Queen, cattle producer of Waynesville, North Carolina; Ms. Tina Smith, muscadine grape grower of Wagram, North Carolina; Mr. Thomas Porter, pork, poultry and cow-calf producer of Concord, North Carolina; Mr. Dan Kerns, poultry producer of McLeansville, North Carolina and Mr. Jeffrey Bender, dairy producer from Norlina, North Carolina.

We would ask those in the back who want to continue their conversations to take them out into the hallway because we are going to ask Dr. Cooper to start here and we want you all to focus your attention on him.

Dr. Cooper, welcome. I will remind all the members of this panel that we are going to make your entire written statement a part of the record and ask you to limit your remarks to 5 minutes. Welcome.

**STATEMENT OF M. ROBERT COOPER, M.D., TREE FARMER,
WINSTON-SALEM, NC**

Dr. COOPER. Mr. Chairman, I would like to submit a letter in addition to my testimony, if that might be acceptable.

The CHAIRMAN. That is acceptable.

Dr. COOPER. I am Bob Cooper and I am a certified tree farmer here in North Carolina. I represent more than the tree farm system though. I am humbled by the thought that during these moments of testimony, I am representing over 600,000 private landowners in North Carolina with at least 120,000 employees involved in the manufacturing of forest products with an employee payroll of ap-

proximately \$3.8 billion annually and an overall income generation of \$20 billion a year in North Carolina.

Fifty eight percent of North Carolina is in forests and 15.67 million acres or 89 percent of our forests are privately owned. Forestry and forest products industry affects every county in North Carolina and is either the first or second largest manufacturing industry statewide. Across the South, forests is a dominant land use and forestry products is in the top five economic contributors in every southern State.

Let us also recognize there are more forest landowners than there are farmers in the South and in answer to a previous question, 99 percent of the forest owners in North Carolina own less than 100 acres of forest land.

But let us return to the American tree farm system. It is made up of a collegial group of people who have a passion for their land. We believe that family forest owners deserve a favorable, civil and social climate to practice sustainable forestry and our efforts are directed to provide the protection we deserve. Our certification program supports the notion that not only are we concerned about sustainable forestry as a truly renewable resource, but that we are also concerned about water quality, recreation and wildlife preservation. We recognize that whereas timber production is sustainable and renewable, that water can only be a reusable resource.

But the message that I would like to get across to you today is that family forest owners are one of the South's most vulnerable and endangered species and that our forests are fast disappearing from the landscape. Right here in North Carolina, well over a million acres of forest land have been paved in the last 10 years. In the South overall, we are losing about 1.2 million acres of family forest lands a year. What once was the South's invisible forest health crisis is now readily visible from our congestion suburban housing developments, unnecessary shopping malls and frequently flooded properties downstream from this burgeoning urban sprawl.

Beset by this sprawl and subsequent rising taxes, many landowners are forced to sell family forest land to developers that they would rather keep as woody habitat for wildlife and water protection. Yet this is bad news for all of us and it is particularly affecting the following:

The vast majority of hunters and fishermen who depend on private lands for their support.

(2) Our urban neighbors who depend on forests on family farms for clean air, clean water, wildlife habitat, healthy watersheds and for the green space that surrounds their city.

For each ton of wood that I grow, I fix about 1.5 tons of carbon dioxide and return to the environment about 1.1 tons of oxygen. I calculated a few minutes ago that about 3 acres of land would sustain the oxygen that you are consuming in this room today.

(3) Rural communities that depend on forest-based industries to generate a huge share of their income and some of their best jobs.

And finally, families like ours who have been good stewards for generations and would like for our children and grandchildren to have the same opportunities we have had.

It does appear that public values and public policy towards family forest owners are based on a paradox, that their land can sus-

tain itself without cash flow and that vital public goods can be produced without investment. Is it possible to work our way out of this paradox? I hope we can and the 2007 farm bill is an excellent place to start. But let us reflect a moment on the 2002 farm bill.

With all of its achievements, it did have some limitations and this is particularly true for the forest programs across the country. It is obvious to me that forestry was under-emphasized in the 2002 farm bill and the Forest Land Enhancement Program, FLEP, was not a success. And Chairman Goodlatte, we are thankful to you for preserving that, although it was a close shave. But it was preserved with very little or no funding.

You are all aware that funds for this program were initially used to fight forest fires and then subsequently tapered off to a point that forestry was left with no program to maximize forest conservation. It is obvious the 2002 farm bill, in regard to forestry, was out of balance and just has not worked in North Carolina and most of the southern States.

And balance is the point that I want to make. I am not suggesting that more money go into the 2007 farm bill, but I would hope that we could get a better balance of the limited resources that are available and that forestry would be considered, and that the programs are not written to exclude forestry, as they are today. In fact, it is accurate to say that it has been unsuccessful all across the country, as far as funding green tag programs in 2002 farm bill for forestry.

Altogether, our organization estimates that perhaps only \$20 million to \$30 million in cost share funding annually ends up on forest family lands. It is obvious to me that cost sharing as a mechanism to incentivize best practices for forestry is an important issue for the 2007 farm bill.

Another issue that I think we should realize is that the organizations and agencies that traditionally reach out to our farm owners are starved for funding. The centerpiece for these efforts, our Division of Forest Resources, struggles with a continually shrinking budget. USDA funding for forest extension has never exceeded a few million dollars. Often provisions for technical assistance are not fully integrated into the largest conservation programs.

A third area of emphasis would be forest research. North Carolina is blessed with some outstanding forestry schools, with excellent forestry research facilities. Some of the oldest research field stations in the country are at Bent Creek near Asheville and Coweeta in the western part of the State also very close to Asheville.

The CHAIRMAN. Dr. Cooper, I hate to do this, but I am going to need to get you to move to the close of your remarks, you have exceeded the 5 minutes.

Dr. COOPER. OK. I appreciate your willingness to engage in this very important dialog addressing this issue of how we can enhance the 2007 farm bill. And to paraphrase Joyce Kilmer who wrote "Trees", I would like to say that any fool can make a talk like this, but only God can make a tree.

Thank you.

[The prepared statement of Dr. Cooper appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Dr. Cooper.
Mr. Queen, welcome.

**STATEMENT OF JOHN QUEEN, CATTLE PRODUCER,
WAYNESVILLE, NC**

Mr. QUEEN. Thank you, Chairman Goodlatte, Ranking Member Peterson, members of the committee. My name is John Queen, I am a third generation cattle producer from Waynesville, North Carolina. I am a member of the North Carolina Cattlemen's Association and I am currently president-elect of the National Cattlemen's Beef Association.

As with most agricultural producers in the country, we have been anxious for work to begin on crafting the 2007 farm bill. Ranchers are an independent lot, who want the opportunity to run their operations with minimal intrusion from the Government.

As the Nation's largest segment of agriculture, the cattle industry is focused on continuing to work towards agricultural policy which minimizes direct Federal involvement, achieves a reduction in Federal spending, preserves the right of individual choice in the management of land, water and other resources, provides an opportunity to compete in foreign markets and does not favor one producer or commodity over another.

There are portions of Federal agricultural policy that we could work on together to truly ensure the future of the cattle business in the United States. Conservation and environmental issues are two of such areas. Ranchers are a partner in conservation. Our livelihood is made on the land, so being good stewards of the land not only makes good environmental sense, it is fundamental for our industry to remain strong.

The goal of conservation and environmental programs is to achieve the greatest environmental benefit with the resources available. One such program that achieves this is EQIP. Cattle producers across the country participate in this program, but arbitrarily setting numerical caps that render some producers eligible and other ineligible limits the success of the program. All producers, both large and small, should have the ability to participate in programs to assist them establish and reach achievable environmental goals.

Environmental issues are also a huge challenge in our industry. We understand the need for environmental regulations to protect resources downstream. However, the use of other vehicles such as EPA Superfund, to sue agricultural producers in an attempt to get larger settlements is concerning and threatens the future of agriculture producers, both large and small. This, combined with EPA's talk of regulating agricultural dust and other naturally occurring substances, makes us all concerned for our industry. Although those items are not addressed in the farm bill, we ask that the members of this committee step in and help agriculture producers in their fight to have effective and sensible environmental regulations.

Outside of conservation, environmental and activist groups, there are several other issues that have the potential to impact the long-term health of the beef industry. One such area is trade. U.S. cattlemen have been and continue to be strong believers in inter-

national trade. We support aggressive negotiating positions to open markets and to remove unfair trade barriers to our products. We support Government programs such as Market Access Program and Foreign Market Development Program which help expand opportunities for U.S. beef, and we urge sustained funding for these long-term market development efforts.

We also support congressional and regulatory action to address unfair international trade barriers that hinder the exportation of U.S. beef. We appreciate the committee's help in working to reopen foreign markets that were closed to U.S. beef after the discovery of BSE. To grow our business, we have to look outside the U.S. borders to find 96 percent of the world's consumers. We encourage the committee's strong and vigilant oversight of the enforcement of any trade pact to which American agriculture is a party.

When looking at the marketing issues, it is important to note that we support the critical role of Government in ensuring a competitive market through strong oversight. This includes the role of taking the necessary enforcement actions when situations involve illegal activities such as collusion, anti-trust and price fixing. However, Government intervention must not inhibit the producer's ability to take advantage of new marketing opportunities and strategies geared toward capturing a large share of consumers' spending for food. A ban on packer ownership or forward contracting has been a part of the farm bill debates for years. We are strongly opposed to these efforts, because we feel that Congress is trying to tell cattle producers how and when to market their cattle. This strikes at the very basis of our business which is utilizing the market to improve our returns and making a living. Each producer should be able to make their own marketing decisions, whether they market their cattle through traditional channels or new and progressive channels. The market provides many opportunities and cattlemen should be allowed to access all of them.

Another issue of concern is mandatory Country of Origin Labeling, or COOL. Cattlemen across the country realize the benefit of labeling our product because we produce the best beef in the world. The ability to separate our product from everything else in an effort to market its superiority is a fundamental marketing strategy. There are voluntary labeling programs across the country that are being driven by the market, led by cattlemen and are providing a higher return on their cattle. This is what a labeling program should be about—marketing. This will cost producers money, but will not provide them with any return. In addition, mandatory COOL is being pushed by some as a food safety prevention tool or a non-tariff trade barrier. We have firewalls in place to keep U.S. beef safe. COOL should also not be used as a non-tariff trade barrier. To label our beef in an effort to capitalize on the demand for our premium product is one thing. To label it as a way to block the competition is yet another.

As you can see, we are not coming to you with our hands out. Like I mentioned before, American's cattlemen are proud and independent, and we just want the opportunity to run our ranches the best we can to provide a high quality product to the American consumer; and even more importantly, provide for our families and

preserve our way of life. The open and free market is powerful and as beef producers, we understand and embrace that fact.

The CHAIRMAN. Mr. Queen, I am afraid I need to interrupt you too and ask you to sum up your remarks.

Mr. QUEEN. We ask for nothing more than Federal agricultural policy that helps build and improve the business climate for cattlemen. We look forward to working with you on the 2007 farm bill.

[The prepared statement of Mr. Queen appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, and we note for all of you that we will make your entire statement a part of the record and we very much welcome your comments.

We will turn now to Ms. Smith.

**STATEMENT OF TINA SMITH, MUSCADINE GRAPE GROWER,
WAGRAM, NC**

Ms. SMITH. Thank you, Chairman, members of the committee. My name is Tina Smith and I am a muscadine grape grower here in North Carolina. I have been growing grapes for the past 5 years. And just since 2004 have become a new winery owner in North Carolina.

North Carolina farmers who now grow conventional commodities such as tobacco, cotton, corn and soybeans are diversifying by also growing and marketing high value crops such as grapes for juice and wine consumption, along with other value-added products. Specialty crops are a solution to some of the hard problems facing agriculture today.

North Carolina currently ranks 10th in grape production nationally and 12th in wine production in the Nation. The muscadine grape was first discovered in North Carolina in 1524 by French navigator Giovanni de Verrazzano. Many other explorers after this time noted in their journals the abundance and usefulness of the grapes found in the Coastal Plain of North Carolina. The first wine made in this country was produced from the North Carolina muscadine grape. In 1830, Federal census listed North Carolina as the No. 1 producer in the United States.

Vineyards and wineries create jobs and attract tourist dollars to rural communities, while generating revenue for the State. They offer an opportunity for farm diversification and farmland preservation. North Carolina is currently home to 50 wineries and three vineyard tasting rooms. Within the next 24 months, there will be an estimated 20 or more wineries opening in North Carolina. There are 350 individually owned grape vineyards across the State covering approximately 1,500 acres. Based on data generated in other States, the NC Grape and Wine Council estimates the economic impact of the vineyards and wineries in North Carolina is over \$100 million and has created over 1,000 jobs.

Consumers want a wide selection of good tasting fruits and vegetables which are nutritious and fit into their busy lifestyles. Consumers are also looking for interesting value-added products. These products include juice, local wines, jams, jellies, healthy dietary supplements, nutraceutical products and cosmeceutical products. The modern food supplement and nutraceutical industry highly value the muscadine skins and seeds left over from the juice after

it has been pressed out of the grapes. Both the muscadine (*Vitis rotundifolia*) grown in the coastal plain of North Carolina and the bunch grape (*Vitis vinifera*) grown in the piedmont section of North Carolina, contain beneficial medicinal levels in their juice and their seeds. The use of the skins and seed due to their unique phytochemical profiles provide the consumer with a broader range of nutraceutical potential.

The growers in North Carolina depend largely on research, development and extension services provided by North Carolina land grant colleges such as North Carolina State University and North Carolina Agricultural & Technical State University. Federal appropriations through USDA, ARS and CSREES are the major sources we as grape growers look to for continued assistance to further our industry.

The buyers from national supermarket chains, regional farm markets and specialty food markets are ready to support local producers who can grow better tasting fruits and vegetables. North Carolina has the right climate and soils to produce some of the world's finest grapes, strawberries, blackberries, blueberries, tomatoes, peppers, cantaloupes, melons, squash and a variety of culturally diversified crops. We are the future, not the past.

As a grower and producer of 35 acres of muscadine grapes and their value-added products, winery owner and president of the North Carolina Muscadine Association representing our interest as a grower and the interest of 180 grape growers in this State, there are several areas of concern for our growing industry.

Specialty crop producers do not want or advocate inefficient and wasteful payments directly to the producers. Instead, the producers promote targeted research and development in the areas of disease, breeding and genetics, along with better coordination and technology transfer among and between Government, universities and producers. This type of collaborative effort will improve regional and global competitiveness for the grape products. Historically, specialty grapes such as ours have chosen to base their economic decisions on the marketplace and have not relied heavily on farm price support programs. However, in order to promote U.S. programs for value-added marketing and recognizing consumer trends and demands, the need for State block grants is essential.

The recent attention to the phytonutrient value of the muscadine grape would greatly benefit from additional funds for research at NCSU and NC A&T State University and other universities or colleges. It would be of tremendous benefit to our industry as well as increasing existing knowledge base on phytonutrients and health. The main objective is to be able to evaluate and characterize the nutritional effects of grape and wine components.

Government needs to recognize the specialty crop value to agriculture. The long-term economic vitality of agriculture requires that we change the mix of crops and increase our investments in conservation and sustainable agricultural practices, rural developments, research and marketing.

The North Carolina Muscadine Grape Association, along with the North Carolina Grape & Wine Council work continuously to try to effectively determine impact and uniqueness of the national/regional grape products industry to our local economics, tourism and

land use. The recent move of the NC Grape and Wine Council to the Department of Commerce was an important step in recognizing and capitalizing on the NC grape industry support of tourism. Funds made available through block grants could maximize the efforts of these groups to further promote the small family farms agritourism which can breathe new life into declining rural areas.

In summary, the North Carolina grape growers do not want subsidies.

We need targeted research and development provided through funds distributed to our land grant colleges, USDA, ARS, CSREES, NIH and through other collaborative efforts with other colleges and universities.

Further exploration of the phytonutrient compounds of the muscadine grape and the grape in general will not slow down, there will only be more demand for the product and explanation of its medicinal benefits as consumer demand increases.

As the committee moves forward in the process to establish a new farm bill for 2007, the NCMGA and the NCGWC encourage you to strongly carve out a more equitable share of farm appropriations to the direct needs of specialty crop producers. The North Carolina grape industry is set for expansion. Your decisions as you write this new bill will affect the success of our growth. Without the assistance of block grants for research and development, we will not have the tools necessary for sustainability and viability.

Thank you for this opportunity.

[The prepared statement of Ms. Smith appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Ms. Smith.

Mr. Porter, welcome.

STATEMENT OF THOMAS E. PORTER, JR., PORK, POULTRY AND COW/CALF PRODUCER, CONCORD, NC

Mr. PORTER. Thank you and good afternoon, Chairman Goodlatte, Ranking Member Peterson, committee members and other hearing participants.

My name is Tommy Porter. My family and I own and operate Porter Farms in Cabarrus County here in North Carolina. Our farming operation is diversified. It includes poultry production, a cow-calf operation, and pork production with a 2,200 sow, farrow-to-wean hog facility that we operate on contract with a major pork integrator company.

I am here today representing my fellow pork producers in the State of North Carolina. I think I should also tell you that I serve as county president for the Cabarrus County Farm Bureau, a director of Carolina Farm Credit, chairman of our Extension advisory committee and a member of the Cabarrus County Planning and Zoning Committee.

As I come before you today, I want to thank each of you for the opportunity to provide input as you consider the Federal agricultural policies that will affect me and my fellow North Carolina farmers. I thank you for giving producers like me a chance to provide input in your planning.

Let me begin with some general comments and thoughts.

I understand that a farm bill is a comprehensive piece of legislation. From my review of its purpose and history, I also understand that a farm bill's focus should be on farm programs and policies to enhance the competitiveness of U.S. agriculture.

This includes conservation and trade programming that are vital to our country's pork producers. On the other hand, it does not include outside interests on behalf of those who want to hurt farmers, food security and resource conservation.

Please allow me to expand. First, regarding the subject of conservation and natural resource stewardship, North Carolina's pork producers are committed to running productive operations while meeting or even exceeding environmental expectations. We have fought hard for science-based, affordable and effective regulatory policies that achieve the goals of today's environmental statutes. In order for us to meet these costly demands while maintaining production, the Federal Government must provide support to help us defray some of the cost of compliance through conservation programs of the farm bill.

We need simple conservation title programs that give us cost share or technical assistance. By simple, I mean processes and programs that do not complicate or hinder the delivery of services in the field. Whether it is the opportunity for me or fellow producers to install cup waterers in our barns for better water management or the chance to purchase additional irrigation equipment, we need EQIP and other conservation provisions. With air quality objectives and requirements likely ahead of us, we will need EQIP to help us there too.

While we need simple conservation title programs, we must also have programs that increase quality and safety and promote the role of pork in a healthy diet. And that leads me to the subject of market access and trade. Expanded access to foreign markets, continuing promotion of U.S. exports using Market Access Program funding and aggressive pursuit of export business means a great deal to U.S. producers.

At present, there is strong global demand for pork products. With 96 percent of the world's population outside of the United States, programs and trade efforts in other countries are important to America's pork producers. In fact, I understand it is estimated that U.S. pork prices have been \$33.60 per hog higher than they would have been in the absence of exports.

Furthermore, I want to stress another point. Farm programs that help manage or control costs of production related to input costs are vitally important to America's producers like myself. Corn and soybean meal comprise a significant cost of raising pigs. The entire impact of feed grain programs should carefully be considered, including their impact on the cost of raising pork and other livestock.

Also, we realize people and organizations with extreme agendas will be calling on you to expand the focus of the farm bill to include their special interests. In advance of those distractions, I thank you for keeping your focus on a national farm policy that stabilizes food and fiber production for everyone. Outside agendas related to animal welfare guidelines, packer ownership bans, and other activist interests should not be the focus of a national farm bill. Many of these groups who will lobby you are well funded and strategically

coordinated and would like to ban farm animal production. I ask that you not be influenced by people who are not animal care experts and really have no knowledge of the animal care industry and husbandry practices that I employ on my farm every day.

In summary, as a pork producer, I stress the idea that farm bill programs should be aimed at reducing or controlling cost of production, increasing the prices received for pork products, and increasing the quality of U.S. pork products. Simply put, a national farm policy bill that provides stabilization of food and fiber production is a benefit to everyone—farmers and consumers.

Thank you for allowing me to visit with you today and sharing my perspective as a farmer.

[The prepared statement of Mr. Porter appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Porter.

Mr. Kerns, we are pleased to have you. I see you are wearing an appropriate tie and I represent a district that has a lot of those birds in the Shenandoah Valley as well. And Mr. Peterson has plenty in Minnesota too.

**STATEMENT OF DAN KERNS, POULTRY PRODUCER,
MCLEANSVILLE, NC**

Mr. KERNS. I appreciate it. I picked it out especially for today.

I have submitted my speech and I hope you will all have a chance to read it, because I am not going to read it for you. I want to address some of the issues though.

I believe North Carolina farmers could grow coconuts in the mountains and pineapples on the swamps if the market was there. It is like real estate—location, location, location. Farmers can sell, if there is a market, there is a market, there is a market.

I think your duty and assignment is to find the markets for us and that includes exports, exports, exports. Give us a little leeway, let us have the things we need. Do not be too hasty to get rid of all the feed and corn and let it go into biodiesel when chickens need feed, cattle need feed. How can we be world competitive if we are going to use up all of our feed supply?

In light of the World Trade Organization, we have got to learn how to win at that game and I hope you will address that.

The U.S. poultry producers and processors are looking forward to working with the committee to help craft a new farm bill that does not just meet the current challenges and opportunities but truly help set the foundation for generations of American farmers to not only survive but enjoy the successes and the expanding world demands for food and fiber.

Thank you again for the opportunity to share those thoughts in my written notes. The North Carolina Poultry Federation will be ready to answer any questions or comments that you may have.

[The prepared statement of Mr. Kerns appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Kerns, we very much appreciate that concise message and your full statement will be made a part of the record.

Mr. Bender, we are pleased to have you with us.

**STATEMENT OF JEFFREY P. BENDER, DAIRY PRODUCER,
NORLINA, NC**

Mr. BENDER. Good afternoon, Chairman Goodlatte, Ranking Member Peterson and all members of the House Agriculture Committee. I want to thank you for the opportunity to be here today to provide input from North Carolina dairy farmers.

I am a dairy producer from Warren County, North Carolina. My wife and I have farmed there for over 20 years and we have been dairy farmers for 15 of those. I represent and serve on the North Carolina Farm Bureau Dairy Committee, I am a Board member and represent North Carolina Dairy Producers Association, I am a Board member and represent Maryland & Virginia Milk Producers Cooperative Marketing Association and I am a member and represent the Southeast Dairy Farmers Association.

There are currently about 350 dairy farmers remaining in North Carolina. Last year we produced just over 1 billion pounds of milk. Most dairy farmers, if they really looked at all the issues, would say the current farm bill is doing a relatively good job, both for the dairy industry and for the taxpaying public. Milk prices have been strong by historic standards for the past 2 years, although current projections show significantly lower prices for the remainder of 2006. The Commodity Credit Corporation made no dairy product purchases under the Dairy Price Support Program in 2005 and has virtually no remaining inventory at this time. No significant payments have been triggered in the Milk Income Loss Contract Program since early 2004.

Still, you have asked us to come here and look forward to the next farm bill. Under current international trade rules, dairy farmers are looking to maintain their safety net, including the Dairy Price Support Program and a counter-cyclical payment program. The Dairy Price Support Program has sold back nearly its entire inventory to the market. Government programs that do not cost taxpayers are extremely rare, but the Dairy Price Support Program is one of them. No dairy farmer in this country is going to try to produce milk for the support level of \$9.90 a hundredweight. The program simply serves to keep the bottom from falling out while not being a factor in generating production. With no stimulative effect on milk production and the Government able to recoup its costs, there is no justification, in our opinion, for cutting the Dairy Price Support Program under current conditions from the next farm bill.

One current farm bill program that needs to be more effective for farmers and taxpayers alike is the Dairy Export Incentive Program. Export bonuses that should be available under DEIP help support the farm price of milk and reduce potential CCC purchases, yet DEIP goes under-utilized, even in 2002 and 2003 when farm milk prices were the lowest in years. Full utilization of DEIP during the remainder of this farm bill and in the next one is a priority of dairy farmers.

For the past 3 years, dairy farmers have funded and managed their own program to help ensure the milk supply better matches demand. The Cooperatives Working Together, or CWT, program is designed to work with, not replace, the dairy farmer safety net. A fully functional Dairy Price Support Program and DEIP can help

make CWT more effective, just as the CWT program helps reduce CCC purchases.

The dairy counter-cyclical payment program, MILC, or milk program, clearly helped dairy farmers get through the years of 2002 and 2003 when we saw the lowest farm milk prices in a generation. Farmers in North Carolina collected around \$17 million during that time.

What we need in North Carolina are incentives for getting milk into the region to supply our steadily growing market. The Federal Milk Market Order Program has some aspects that are very beneficial. class I location differentials, calculated to reflect the actual cost of moving supplemental milk into the area, are helpful. But those calculations were made before diesel fuel doubled in cost over the past year. In 2005, the pay price at Charlotte, NC, for example, averaged 42 cents below the average Federal order minimum at the same location. As one of the dairy farmers who sees that extra cost of moving that supplemental milk come out of his milk check every month, it is time for reality to set in and for adjustments on the way to recoup that cost be made. In fact, it may be time to consider modifying the traditional link between minimum prices for manufacturing milk and minimum prices for milk sold in beverage form to provide more flexibility in pricing milk that goes into class I sales.

The industry has a proposal in to USDA to increase transportation credits and to establish inter-market credits to help offset the costs of acquiring and moving supplemental milk. One problem, however, is that diesel fuel prices are high now, but getting a decision out of USDA on transportation credits can take months or years. We need a Federal order system that can respond in a timely fashion when changes are needed. Give everyone their say at the hearing and the opportunity to file written comments while the hearing record is open, but then give USDA some deadlines to meet.

One concept that we do not need is forward contracting with private milk handlers. A pilot program mandated by Congress has been conducted and the results were mixed, at best. Most importantly, however, is that forward contracting between producers and private handlers is inconsistent with the role Federal orders are supposed to play.

The conservation title programs in the current farm bill have been very valuable to farmers in North Carolina. EQIP is working. In 2005, North Carolina had over 1400 contracts totaling \$15 million in cost share assistance. Still, the program could do more. Because out of the nearly 3,500 applications, nearly 2,000 requests for assistance could not be funded.

EQIP, CSP and other conservation incentives all work together to help farmers handle environmental impact issues but there must be realistic regulations based on valid science and effective mitigation technologies. Today, farmers are being sued under provisions of environmental laws like the Superfund law that we believe Congress never meant to apply to agriculture. That situation must be clarified by Congress or individual farmers will be at risk of being sued out of business.

Thank you, Mr. Chairman and members of the committee for allowing me to be here today to represent the view of North Carolina dairy industry.

[The prepared statement of Mr. Bender appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Bender.

I do have one question that I would like to direct to all of the livestock members of the panel—Mr. Queen, Mr. Porter, Mr. Kerns, Mr. Bender. Are any of you participating in the Environmental Protection Agency's Clean Air Act Monitoring Program under the recently signed consent agreement?

Mr. QUEEN. [Shakes head.]

Mr. PORTER. No.

Mr. KERNS. No, sir.

Mr. BENDER. No.

The CHAIRMAN. Well, I will ask you the question anyway. Looking ahead a few years, do you believe that current conservation programs such as EQIP will be adequate to meet producers' needs to comply with these and anticipated future EPA orders that may be forthcoming as a result of that agreement, which concerns me greatly frankly.

Mr. PORTER. I will remark to that. Not knowing what the air emission standards may come out to be and what it would affect as far as personally my poultry operation and my pork operation, I strongly feel that agriculture should be exempt from this, but I would suggest that the EQIP would have to be stepped up in funding to address whatever issues would have to take place to come in compliance with that.

The CHAIRMAN. It is scary, isn't it? We want to hear from Mr. Queen too, but the problem is our committee does not have jurisdiction over the standards that get set. We do have jurisdiction over the programs that may help you comply. So we are interested in hearing your thoughts on this.

Mr. Queen.

Mr. QUEEN. Yes, sir, I agree with Mr. Porter in that I do not feel that the emissions should be strictly labeled for our livestock operations. And as far as the EQIP program, certainly, I feel sure that we need to step those up as we go into the future.

The CHAIRMAN. Thank you. Mr. Kerns.

Mr. KERNS. My poultry farm, we do not generate enough emissions to fall under that category where we need to be regulated. I do have 40,000 chickens. But when the EPA started looking at the integrator, the 30 or 40 farms that work for Allen's Hatchery, that sell to Allen's Hatchery, over a four or five county area, when they start looking at that level, then I come under their regulations. I am too small of an operation to be considered a large operation.

The CHAIRMAN. Very good.

The gentleman from Minnesota, Mr. Peterson.

Mr. PETERSON. Thank you, Mr. Chairman.

I was wondering where you guys are with animal ID in North Carolina?

Mr. QUEEN. We do have some organizations within our State that have already provided a database of the sort, like our pure

bred organizations that are identifying their animals. But as far as a national ID program, we have not entered into that at this point.

Mr. PORTER. As far as the pork industry, the integrators somewhat have their own voluntary animal ID as far as crossing State lines with transporting animals and stuff. So part of that would probably be very easy to adapt to the animal ID program. As far as the beef industry, I think that is a much slower forthcoming thing to resolve.

Mr. PETERSON. You have no comment?

Mr. BENDER. [Shakes head.]

Mr. QUEEN. Mr. Peterson, could I add one thing? North Carolina is one of the 10 southeastern States that have joined together with what we call the Southeast Livestock Network, which is an animal ID program that we are initiating within the South; and yes, our State is being involved in that animal ID program and the national database, at this point, the USAIO, they are one of the segments of our industry that is already putting data within that database.

Mr. PETERSON. As I understand it, USDA now has decided there is not going to be a national database and there is going to be these different, I am not sure what, State or private or whatever and then somehow or another, they are going to be put together. Do you know about that? They came out with this about 3 days ago.

Mr. QUEEN. Well, in the cattle industry, what we are trying to do is have an industry-led, industry-managed animal ID that preserves confidentiality and does give traceability also in case of disease. And the database will be held by a private consortium, which is made up of all segments of the meats and meat industries. And it has already been formed and I think they have been on Capitol Hill certainly trying to pass among some of your constituents.

Mr. PETERSON. Well, I am not exactly sure because I have not had time to talk to anybody about it, but there was some announcement made by one of the APHIS people that they are not moving ahead with that. Apparently the 2009 date has now been dropped, and that they are not going to have a consortium, that there is going to be just developed apparently by States or livestock groups, and then somehow or another, that is going to come together. Do you know about that?

Mr. QUEEN. I think what they are saying is instead of having one consortium that holds all the database—

Mr. PETERSON. Right, there is going to be a bunch of them.

Mr. QUEEN [continuing.] that they might have multiple consortiums around the country to do it.

Mr. PETERSON. Right.

Mr. QUEEN. But they will all be linked together.

Mr. PETERSON. Somehow or another.

Mr. QUEEN. Yes, sir.

Mr. PETERSON. Thank you.

The CHAIRMAN. I thank the gentleman.

In the interest of time, rather than going down the row, I am just going to ask members to seek recognition if they have a question they would like to ask of this panel.

I will start with the gentleman from Kansas, Mr. Moran.

Mr. MORAN. Mr. Chairman, thank you, I will be very brief.

Similar question to what I asked the first panel, with the exception of the specialty crop folks who are interested in greater involvement in assistance from the next farm bill, is there general agreement that the current farm bill is something very similar to what we would like to have in 2007? Do we want to stay with the basic concepts of what is in the 2002 farm bill, or do you all see the necessity for something different? I guess I am just looking for a very general consensus answer as to whether the answer to that is yes or no.

Dr. Cooper.

Dr. COOPER. No.

Mr. MORAN. OK. And I guess that does cause me to just ask for a sentence as to your topic.

Dr. COOPER. My interest is forestry.

Mr. MORAN. That part I do remember.

Dr. COOPER. And if you remember in my presentation, although it was fairly fast, the green tag issues, the conservation issues, are excellent and I support those in the current bill. What I am concerned about is the lack of balance and language in the current bill that specifically excludes forestry from most of those environmental programs to improve conservation. And I believe in cooperative conservation, which is an emerging concept. And I think that the forestry should be included in the new farm bill with some provisions that will make it more balanced and not exclude forestry in those programs.

Mr. MORAN. I think in a sense you are answering my question with a yes, except for the specialty crops which now include forests. Thank you very much, Dr. Cooper.

The CHAIRMAN. The gentleman from North Carolina, Mr. Etheridge.

Mr. ETHERIDGE. Thank you, Mr. Chairman. Let me thank each of you and in the essence of time, this is more for my colleagues and for a matter of record. In our book is a profile of the census of agriculture in the State of North Carolina. And I think as we look at this, all of us need to be aware as we write a farm bill the issues that affect every farmer, and each one at this table, and previous testimony. The market value of production agriculture in North Carolina has actually gone down by 11 percent from 1997 to 2002. And Government payments have gone up by 86 percent, and yet at the same time, the market value is going down. That ought to be alarming to all of the people in this country if we are having less funds on the farm for the farmers with the tremendous input cost of being there. And if you do not have a copy of this, I hope we can make it available. And I hope all of our colleagues will take a look at that, Mr. Chairman, because that is an interesting thing. That is an indication of how important an agricultural farm bill really is for production agriculture in America.

Thank you, Mr. Chairman, I yield back.

The CHAIRMAN. I thank the gentleman.

It is also noteworthy that of the nearly \$7 billion in sales in 2002, almost \$5 billion are livestock sales.

Mr. ETHERIDGE. That is true.

The CHAIRMAN. Close to \$2 billion for crop sales. So livestock is not participating in the farm bill the way the crop programs do.

Mr. ETHERIDGE. And for the chairman, he would understand this, with the drop in tobacco in this State by almost half in production since 1997, that had a significant impact on the amount of dollars available in row crops.

The CHAIRMAN. The gentleman from North Carolina, Mr. Hayes, is recognized.

Mr. HAYES. Thank you, Mr. Chairman. I just wanted to clarify. As livestock chairman, we intend to move forward with the animal ID on a voluntary basis. The southeastern folks are ready to go, as are others and we will continue to move forward with that and have not heard anything to the contrary. So just kind of keep that in mind, we appreciate what your efforts are bringing forth there.

Tommy, talk about what the conservation programs can do to help the hog farmers specifically, and Ms. Smith, touch again on the viticulture angle of what is happening there. Those are my two questions.

Mr. PORTER. As far as the conservation programs for the pork industry, with all of the regulations that have been placed on the pork industry, primarily in regard to animal waste and not knowing as far as air quality emissions, what is going to come up; water quality, personally on my farm, expansion of irrigation to apply animal waste, adding water conservation measures inside the facilities to conserve water as far as—which would reduce waste on the other hand, as far as what goes in the lagoon that needs to be land applied. As far as my cattle operating part, heavy use areas to feed cattle, which enhances water quality, reduces soil erosion, makes health issues better for the animals. But all of those programs are very important to the livestock producers.

Mr. HAYES. Thank you, sir. I will get Ms. Smith but in the meantime, the chairman is very, very helpful in working with us to get our poultry producers, especially, out from under the CRCLA thing and been very, very close a number of times. We will continue to work to do that.

Ms. Smith, about the grape growing.

Ms. SMITH. Well, with grape growing, since we are so new to the industry, we are not like California where we know a lot of the things that are going on. We have a lot of things that NC State has helped us with, we have looked at the disease and pest controls and things like that. We still need further research in those areas. As far as water conservation, things like that, some of the vineyards are irrigating but they only need to irrigate at certain times. We are not putting out as much as what some people may think that we are putting out in water or waste. Our biggest waste problem is after we crush grapes and we have the seeds and the skins and the hulls, and what do we do with those. And those are the things that we are looking at as the value-added products coming from that industry.

Mr. HAYES. Last question, Mr. Chairman. Mr. Queen, you are ready to go with the voluntary animal ID program. You have got all the pieces in place, is that correct?

Mr. QUEEN. Yes, sir.

Mr. HAYES. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

The gentleman from Iowa, Mr. King, is seeking recognition.

Mr. KING. Thank you, Mr. Chairman.

In picking up on my colleague from North Carolina's question with regard to the livestock identification program, as I listened to the testimony from Mr. Bender, Kerns and Porter representing in sequence, dairy, poultry and pork, I did not see in your written testimony or really hear in your presentation that you were involved in a livestock identification program. Could you tell us, are you, your organizations, are you associated with livestock ID and in what way? What is the maturity of the development of your organizations?

Mr. BENDER. In my written comments, it does have a section on animal ID, we are strongly in favor of it. And due to the nature of the dairy industry, we are well along the way. The nature of dairy farming requires identification and intense recordkeeping, so we are ready to move forward on that as an industry. And all the industry organizations I represent support it.

Mr. KING. Mr. Kerns.

Mr. KERNS. There is no plans for poultry identification other than recordkeeping that I know of.

Mr. KING. I believe I heard your comments, Mr. Porter, so I would, in the interest of time, thank you.

To Mr. Queen, with regard to the national organization, what is the configuration of the national consortium today?

Mr. QUEEN. It is made up of the National Cattlemen's Beef Association, the Bison Association, the Southeast Livestock Network, the Northwest Pilot Project which are both animal identification pilot projects within our country. We have invited all meat groups, including pork and dairy associations to join our consortium and hopefully as we move forward, we will have more and more people to adapt to it.

Mr. KING. Then let us say with somebody like R-CALF, what is their position towards this?

Mr. QUEEN. Well, I do not think R-CALF is in—they do not want a voluntary program as we do. They would rather have a mandatory program. But we feel that voluntary will eventually become 100 percent usable within our industry, as we add value to our product.

Mr. KING. Do you anticipate the retailers or the packers will make it mandatory at any stage?

Mr. QUEEN. Well, we certainly have heard the voice of the packers and the retailers, such as Wal-Mart and McDonald's and those people that are demanding source and age verification, as well as ID; yes, sir.

Mr. KING. Thank you. Thank you, Mr. Chairman, I yield back.

The CHAIRMAN. Thank you. The gentleman from North Carolina, Mr. McIntyre.

Mr. MCINTYRE. Ms. Smith, I just want to commend you for your work on muscadine grapes and the North Carolina Wine Association. It is my understanding that for those who did choose to stop tobacco production, that several of our tobacco farmers are considering, given the soil conditions and all, to moving over to muscadine grape production. I want to ask you to confirm if that is true, for the panel to hear and the record. And second, I understand that

eastern Europe and Russia may provide great fertile ground for muscadine grape exportation, is that correct?

Ms. SMITH. On the part for the tobacco farmers; yes, we are seeing a lot of the tobacco farmers looking at growing grapes, and we do have several that have already started growing on their land. That is one of the situations that concerns us, because we have not had the extended research that we need to look into our markets and see where our markets are for these grapes. We have a lot of people looking at it saying this is a great thing to get into, it is a good money maker, it is a great thing for our land, it is the perfect soil condition. But the market is not there. We are developing those markets and we are trying to make sure that they are both running parallel on that track, that one does not get ahead of the other. So if we have a market that is going to succeed in the neutraceutical area, do we have enough product to supply them with. But we do not have enough research and dollars right now to make the two things happen at the same time. But people are putting that in and that is one fear. We have too many that want to do it and we do not have enough market for them as yet. So that is all developing at this time, so we are asking people to have caution as they put them in. We have some tobacco farmers that are willing to put in 100 acres of muscadine grapes—100 acres of muscadine grapes is a lot of grapes, 10 to 15 tons an acre.

Mr. MCINTYRE. Thank you.

The CHAIRMAN. Thank you. The gentleman from Michigan, Mr. Schwarz, is recognized.

Mr. SCHWARZ. Very briefly, with globalization of agriculture as well as other sectors of the economy, you will find that you are exposed, your animals are exposed to organisms coming from different parts of the world, whether they are swine or bovine or ovine, which would be pigs, cattle, sheep, goats, whatever, would you be supportive, a yes or no answer is fine, would you be supportive as we look at the farm bill again, of subsidies to veterinary colleges of medicine to look into the—importation is not the word, but the transmission of these organisms, be they viral, be they bacterial, be they whatever, into your stock, because it is going to happen. It is happening elsewhere in the world and it is going to happen. It is going to happen both to animals, it may happen in trees as well, because as Tom Friedman says, the world is flat. Is this something that you foresee or your associations foresee out in say the first half of the 21st century that things you are going to have to look out for are organisms, infections, problems with diseases your animals have never had before, that they will have now because of the importation of other animals into this country. And if you look at the numbers, they are amazing, and the fact that diseases are transmissible between animals and human beings. Just quick comments. Is this something you are thinking of?

The CHAIRMAN. Very quick.

Mr. PORTER. On the pork industry, yes, and personally, I would support that very strongly as far as the safety and economics of the food supply in this country.

Mr. SCHWARZ. Anybody else?

Mr. QUEEN. Yes, sir, I would like to comment on that. The cattle industry as a whole; yes, sir, we would very much be in favor of

research as long as it was science-based, about the safety of our product in the country.

Mr. SCHWARZ. Absolutely science-based and then talk to our good friends in Japan and tell them they are very unreasonable about what they are doing about American cattle exports right now.

And Ms. Smith, just as an aside, is Wagram named after the battle, the Napoleonic battle between Napoleon and the Austro-Hungarians or was it named before that by somebody from that community in Austria?

Ms. SMITH. Yes, to both.

Mr. SCHWARZ. Thank you.

The CHAIRMAN. The gentleman from Colorado, Mr. Salazar, seeks recognition.

Mr. SALAZAR. Thank you, Mr. Chairman.

This question is for Mr. Kerns. You mentioned that you were concerned about the cost of feed that you use for your poultry, as far as moving corn to ethanol production. But it is my understanding that anything that is used in the production of ethanol, such as corn, still has, the byproduct still has the same relative feed value; so therefore, it would not really cut your feed supply.

Mr. KERNS. I did not know that and I do not know that to be true or false. I am sorry.

Mr. SALAZAR. Well, that is the information that we have. And the reason I say that is because many of us I think would like to see some type of a renewable energy provision in the farm bill if possible.

Mr. Chairman, I yield back.

Mr. QUEEN. Could I comment on that? As far as—3 out of every 4 bushels of corn in the United States are put into livestock feed or consumption. Now as far as the byproducts, part of the livestock feeds cannot utilize the byproducts from the ethanol plants at a very large amount within their industry. I think the horse is one other.

Mr. KERNS. May I address part of the energy question as it concerns North Carolina? North Carolina—poultry byproduct, of course is litter, chicken litter, and there are parts of North Carolina that cannot be, the soil can no longer absorb the phosphorus that has been put on it for years. So that litter needs to be moved out of that area. And it is a valuable product. I am in the Piedmont and it is a very usable product and I had five people bidding for my litter this year, most of them wanted to use it for organic growing reasons. The second use of that litter is energy, generation of electricity. And if your committee could support both of those in transportation of that litter, or in subsidizing generation of electricity for that litter, we could alleviate a problem in North Carolina with the excessive amounts of phosphorus.

The CHAIRMAN. I thank the gentleman.

At this point, I would like to recognize our State Agriculture Commissioner Steve Troxler for a few remarks, and then after him, we will hear very briefly from Mr. Cooper, the USDA Rural Development Director.

**STATEMENT OF STEVE TROXLER, COMMISSIONER, NORTH
CAROLINA DEPARTMENT OF AGRICULTURE**

Mr. TROXLER. I want to thank you for coming to North Carolina. It is truly an honor for I believe this to be the first hearing that you have had, to be held here.

It is an honor for me to be commissioner of Agriculture in North Carolina. Farming Future Magazine ranked the top counties in the whole United States in which to farm, and I was lucky enough to have two of them here in North Carolina. Number 1 and 2 and then 9 in the top 25. That is just how important agribusiness and agriculture are to this State, it is the No. 1 industry.

You have heard the issues here today that we have in North Carolina. And last week, we as a department held a leadership forum in Raleigh to start to develop the points that we would want to see in a farm bill. We heard the same issues. Over and over again, the overriding issue that we heard was we have got to have a workable Guest Worker Program that we can afford as a part of any immigration reform. And I think you know just how important that is as far as agriculture and agribusiness in this country.

We are a diverse agricultural State, we rank either No. 3 or 4, depending on how you rank Florida citrus, but we rank 1, 2, or 3 in many of the crops and commodities that feed this Nation. And we once were a tobacco State, now we are a very diverse State where animal receipts are now 60 percent of the farmgate. So every part of this farm bill is going to be very, very important to North Carolina, including the specialty crop provisions and we hope to become a major supplier of fresh fruits and vegetables for the east coast.

So thank you once again. I want to extend thanks also from Keith Weatherly, State Director of FSA, and I was going to extend thanks from John Cooper, Director of Rural Development, but if he is going to speak, I will let him thank you on his own.

One thing that I would like to do, and I talked to you about it awhile ago, this little tractor-trailer truck represents our new marketing program in North Carolina which is Got to be NC. And I apologize because my staff members were supposed to present this to you in Washington and I think it kind of failed to get down the chain in some way. But if I could come forward, I would like to present this to you today and we also have these commemorative trucks for the other members on the panel. To those of you from North Carolina, special thanks for the time and effort you put in listening to our issues in North Carolina in agriculture, but I do know that you already have a truck, so I am going to give these to the members that are not from North Carolina today.

Mr. Chairman, thank you so much.

[A presentation was made.]

The CHAIRMAN. Mr. Cooper.

**STATEMENT OF JOHN COOPER, DIRECTOR, RURAL
DEVELOPMENT, U.S. DEPARTMENT OF AGRICULTURE**

Mr. COOPER. Thank you, Mr. Chairman. It is an honor to be here and I want to thank our entire congressional delegation from North Carolina. For all members, thank you for what you do and the

funding you do for rural development throughout America. I want to assure you that the program is extremely successful.

I particularly want to mention many of our programs. We have three different groups—housing, business and community programs. But Mr. Chairman, for community facilities—police, fire, rescue, medical clinics and educational buildings and things, town halls, things of that nature that is a great success and a need for rural communities throughout America.

I am very proud to say that North Carolina is the leading State in loans and grants. But what I want to bring to your attention, just remember, for every million dollars of budget authority you approve for rural development, especially community facilities, we convert that to \$20 million in loans. And what makes it so successful in our rural communities that are in need is the long-term loans at low interest rates, very affordable. And therefore, that money coming back into the treasury during the course of paying off those loans.

Delinquencies in the State of North Carolina for community facilities is zero, Mr. Chairman. Therefore, no bankruptcies and no delinquencies. So it is a very favorable program.

While we are having great success, I want to also mention to you, sir, and all members, that there is a great need, whether it is water systems, whether it is police, fire and rescue, whether it is repairing homes, establishing homes and the things that we do throughout that town. And without question, we can improve the quality of life and we are doing that throughout these communities. But most importantly, we can build a community as well as strengthen that community.

So doing the quality of life that is so necessary, we will continue to move in the direction that you guide us, but just please rest assured that it is so much needed.

I will leave you with one thought. When I came into this job, one of the first things I did was to help and provide and sign the documents for an 80 year old lady to have a bathroom in her home. She had been walking to an outhouse her entire life. That story exists still today throughout rural America. And she said thank you and God bless for what the Congress is doing, and she praised the Lord.

That thought has never left me, so when you are looking for funding for rural development, bear that in mind, because that need is so much needed throughout.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Director Cooper and Commissioner Troxler. We have all felt very welcome here in North Carolina. This has been a great start to what is going to be a long series of field hearings across the country. And we are glad that you had the first opportunity to have input.

I want to thank all of the witnesses who have testified here today and appreciate their careful consideration in preparing for today's hearing. I would also like to thank Karen Long and all of the staff here at the Crown Center that have worked so hard to make this hearing possible. Let us give them a round of applause.

[Applause.]

The CHAIRMAN. The information you provided here today will be very helpful to us as we begin this review process. We look forward

to maintaining an open dialog with you and your fellow producers across the country as we consider the next farm bill.

The record will remain open for 30 days. Anyone who did not get an opportunity to speak today, anyone who would like to submit a written statement for our consideration is welcome to do so. Please see Lindsey Correa, our clerk, for more information on submitting a statement if you wish to do so. She is right up here at the table, sitting in the middle.

The CHAIRMAN. Without objection, the record of today's hearing will remain open for 30 days to receive additional material and supplementary written responses from witnesses to any question posed by a member of the panel.

This hearing of the Committee on Agriculture is adjourned.

[Whereupon, at 4:25 p.m., the committee was adjourned.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF RONNIE BURLESON

Chairman Goodlatte, Ranking Member Peterson, and members of the Committee. Good afternoon.

My name is Ronnie Burleson. I am a corn and cotton producer from Richfield, North Carolina. I also operate a cotton gin, and I am a proud constituent of your colleague Congressman Hayes. As President of the North Carolina Corn Growers Association and a member of the North Carolina Farm Bureau Board of Directors, it is an honor to testify before you today.

For the most part, farmers appear to be pleased with the current farm bill. As Congress begins to focus on writing the next version of this important law, I urge you to craft a bill that will continue to give us the market based tools we need to succeed. Today, I will briefly touch on four issues: (1) the farm bill budget; (2) the WTO agriculture talks; (3) payment limitations; and (4) crop insurance.

OUR FARM BILL INVESTMENT

When Congress wrote the 2002 farm bill, our nation was in surplus. As of February 2006, our Federal budget is in deficit. This fact will certainly impact the final product you write. It is likely that the pot of money available for farm programs under the next farm bill could be reduced.

As you all know, the farm bill is designed to provide farmers with stable markets, which are critical to keeping family farming operations in business. It is a public investment in food and economic security. Indeed, the farm bill provides U.S. consumers with the world's most affordable and high quality food supply. Because of the farm bill, the average American spends only about 10 percent of their disposable income on food. Payments received by farmers under the law also end up in the cash registers of local businesses. Further, the farm bill helps to preserve our environment, build-up rural communities, and make sure that low-income families do not go hungry.

As you wrestle with the funding authorization levels for the next set of farm programs, I urge you to remember the purpose of the farm bill and the need to fund these important initiatives accordingly.

WTO NEGOTIATIONS

Like other cotton producers, I monitored last year's WTO cotton dispute with concern. Considering the adversarial nature of that dispute, it is easy to see how some farmers may be wary of trade agreements. But reality tells us that trade is the future of North Carolina agriculture.

North Carolina's agriculture sector exported approximately \$1.6 billion in 2004. As the Doha round of WTO talks continue this year, the U.S. must maintain its aggressive stance in opening foreign markets for our products. Unfortunately, the E.U. and the Japanese have been reluctant to negotiate fully with us. I hope their position will change.

In the meantime, I urge the Committee to resist the inevitable calls from some groups to reduce commodity payments. We must not unilaterally disarm. If the

WTO fails to reach an agreement this year on regarding agriculture issues, it would be wise for Congress to re-authorize the current farm bill.

PAYMENT LIMITS

During the course of your hearings and debates on the next farm bill, the issue of limiting farm bill payments will be raised. You will hear a lot of rhetoric about farmers getting rich because of government payments. But the average level of financial returns that farmers receive on assets and equity do not make investors eager to put their resources into agriculture. The risk of producing a crop or raising a herd is formidable. Besides, if farmers were getting rich because of the farm bill, it would seem that more people would take a shot at farming. And we all know people are lining up to farm.

You'll also hear criticism that large farms receive a disproportionate share of government assistance. While this is true, there is a good reason why large farms receive more. To remain competitive, farms must get larger. As farms grow in size, common sense dictates that as long as farm payments are based upon production, the majority of the payments will go to those who produce the most. This system has proven to be the fairest method of distributing support.

CROP INSURANCE

Lastly, farmers need an affordable and reliable crop insurance program. Unfortunately, our current program is often subject to fraud and abuse. It is critical that Congress works to develop a crop insurance initiative that is affordable and provides sufficient protection for farmers. The program should be based on realistic estimates and information, and it should eliminate the temptation for people to "farm the program," instead of their crops.

I appreciate the opportunity to share my views with you this afternoon, and I look forward to your questions.

STATEMENT OF JEFF BENDER

Good afternoon Chairman Goodlatte, Ranking Member Peterson, Subcommittee Chairman Hayes, my Congressman G. K. Butterfield and Members of the House Agriculture Committee. I want to thank you for the opportunity to be here today to provide input from North Carolina dairy farmers at the very first Committee Field Hearing on the next farm bill.

I am a dairy farmer from Warren County, North Carolina. My wife Lisa and I have farmed there for 26 years. We've been dairy farmers for 15 of those years. I am here today representing my cooperative, Maryland & Virginia Milk Producers, the South East Dairy Farmers Association, the North Carolina Farm Bureau Dairy Committee and the North Carolina Dairy Producers Association.

There are currently about 350 dairy farmers in North Carolina. Last year we produced just over 1 billion pounds of milk. The dairy farmers in North Carolina and indeed the southeast would likely tell you that the current farm bill is doing a relatively good job both for the agriculture industry and for the taxpaying public. Milk prices have been strong by historic standards for the past 2 years although current projections show significantly lower prices for the remainder of 2006. The CCC made no dairy product purchases under the Dairy Price Support Program in 2005 and has virtually no remaining inventory at this time. No payments were triggered in the Milk Income Loss Contract Program, which was just extended by Congress, for several months in a row.

Still, you've asked us here to look forward. Under current international trade rules, dairy farmers are looking to maintain their safety net including the Dairy Price Support Program and a countercyclical payment program. As I said before, the Dairy Price Support Program has sold back nearly its entire inventory to the market. Government programs that don't cost taxpayers are extremely rare but the Dairy Price Support Program is one. No dairy farmer in this country is going to try to produce milk for the Support level of \$9.90/cwt. So the program serves to keep the bottom from falling out while not being a factor in generating production. With no stimulative effect on milk production and the government able to recoup its costs, there is no justification for cutting the Dairy Price Support Program under current conditions.

One current farm bill program that needs to be more effective for farmers and taxpayers alike is the Dairy Export Incentive Program, or DEIP. Export bonuses that should be available under DEIP help support the farm price of milk and reduce

potential CCC purchases yet the DEIP goes underutilized, even in 2002 and 2003 when farm milk prices were the lowest in a generation. Full utilization of the DEIP during the remainder of this farm bill and in the next one is a priority of dairy farmers.

For the past three years, dairy farmers have funded and managed their own program to help ensure the milk supply better matches demand. The Cooperatives Working Together, or CWT program, is designed to work with, not replace, the dairy farmer safety net. A fully-functional Dairy Price Support Program and DEIP help make CWT more effective just as CWT helps reduce CCC surplus product purchases.

The dairy countercyclical payment program, MILC, clearly helped farmers in North Carolina get through those months in 2002 and 2003 when we saw the lowest farm milk prices in a generation. Farmers in the State collected \$17 million during that time. Still, we recognize that program is not universally popular among U.S. dairy farmers. In fact, the extension of the program that just passed the Congress includes a compromise.

What we need in North Carolina, and the entire southeast, is incentives for getting milk into the region to supply our steadily growing market. The Federal Milk Market Order Program has some aspects that are very helpful. Class I location differentials, calculated to reflect the actual cost of moving supplemental milk into the area, are helpful. But those calculations were made before diesel fuel doubled in cost over the past year. In 2005, the pay price at Charlotte, for example, averaged 42-cents below the average Federal order minimum at the same location. As one of the dairy farmers who sees that extra cost of moving supplemental milk come out of his milk check every month, it's time for reality to set in and for adjustments on ways to re-coup those costs to be made. In fact, it may be time to consider modifying the traditional link between minimum prices for manufacturing milk and minimum prices for milk sold in beverage form to provide more flexibility in pricing milk that goes into class I sales.

The industry has a proposal in to USDA to increase transportation credits to help bring milk in and to establish inter-market credits to help offset costs. Our problem, however, is that diesel fuel prices are high NOW but getting a decision out of USDA on transportation credits can take months or years. We need a Federal Order system that can respond in a timely fashion when changes are needed. Give everyone their say at the hearing and the opportunity to file written comments while the hearing record is open, but then give USDA personnel, professional staff and political appointees alike, some deadlines to meet.

One concept we don't need is forward contracting with private milk handlers. A pilot program mandated by Congress has been conducted and the results were mixed, at best. Most important, however, is that forward contracting between producers and private handlers is inconsistent with the role Federal Orders are supposed to play. Please don't be swayed by the argument that cooperatives can do it so private handlers should be able to as well. There is no equivalency between the relationship a producer selling to a private handler has with the buyer of his milk and the relationship the cooperative member producer has with his co-op. There is also no equivalency with the contracted purchases farmers make for feed commodities. Those commodities do not have minimum pricing programs in which announced prices are calculated using surveys of current market prices being paid for milk.

Speaking of other commodities, I'd like to point out that the grain and oilseed programs have a great affect on the bottom line for dairy farmers just as the Dairy Price Support Program has an affect on the bottom line for farmers who produce grains and oilseeds. These programs are intertwined and respective safety nets cannot be changed without a likely affect on the other programs. Without a dairy safety net, dairy farmers would have to cut back even further on purchases of grain and oilseed meal during periods of very low prices like we had in 2002 and 2003. We need a careful examination of cause and affect on the other programs before singling out any one industry's safety net for change.

The Conservation Title Programs in the current farm bill have been very valuable to farmers in North Carolina. The Environmental Quality Incentives Program cost-share assistance is working. In 2005, North Carolina had 1,445 contracts totaling \$15 million in cost-share assistance on farms. Still, the program could do more. Those 1,445 projects were chosen from 3,419 applications so nearly 2,000 requests for assistance could not be funded.

The Conservation Security Program is one that holds significant potential, especially for my neighbors and I. My farm is located in a primary watershed for CSP and the funds available for Tier I, II and III environmental improvement practices will be a major incentive to implement those practices. Perhaps more important,

these kinds of programs likely provide a look at how financial assistance may be delivered to farmers if the current production-linked system cannot continue due to future international trade agreements. That transition, however, will not be easy and providing advice and assistance for farmers in making those changes is the only fair way to proceed.

On the same subject, nutrient management is a priority for North Carolina dairy farmers. Opportunities exist for improving incentives for farmers to become energy suppliers. The need is clearly there, current oil prices make it more cost effective and farms produce by-products that can be turned into energy. Transition assistance will be required, however. For example, methane digesters are costly but do fit some operations. Cost-share assistance for installation, tax credits and, in some states, prodding utilities to buy the power produced on farms will help. The next farm bill should include an Energy title with significantly ramped-up incentives for on-farm power generation.

EQIP, CSP and incentives for energy production all work together to help farmers handle environmental impact issues but there must be a realistic regulations based on valid science and effective mitigation technologies. Today, farmers are being sued under provisions of environmental laws like the Superfund law that the Congress never meant to apply to agriculture. That situation must be clarified by the Congress or individual farmers will be at risk of being sued out of business.

Food Programs in the farm bill are very important to some of our most vulnerable neighbors. They are also important to North Carolina dairy farmers. American taxpayers know they are getting bang for their nutrition buck, in part, with dairy requirements in the Women's, Infants and Children Program. Nutrition mandates for other healthful foods can be included in programs like WIC but funding must be made available in order to do that without eroding the positive aspects of the programs as they stand currently.

While this is not a farm bill issue American agriculture, and for that matter anyone in this country who eats, has a stake in getting immigration reform right. I encourage the Members of the House Agriculture Committee to do what you can to help educate your colleagues on the realities facing agriculture and, for that matter the entire U.S. economy if we don't implement a fair, effective and realistic guest worker program.

An important program both for food safety and national security is an effective, mandatory animal identification program. Again, not necessarily a farm bill issue but one that is very much on the minds of livestock producers including dairy farmers. The program must be effective in maintaining consumer confidence in the safety of the food supply in the event of a crisis. But because those benefits go not just to livestock producers but to the general public as well as to national security, it is fair that the costs of such a system not be borne by farmers alone.

Thank you again Mr. Chairman and Members of the Committee for allowing me to be here today to present the views of North Carolina dairy farmers on the next farm bill. I would be happy to try to answer questions you may have about our issues.

STATEMENT OF DAN KERNS

Good afternoon. Thank you, Chairman Goodlatte and committee members for the opportunity to present the views and recommendations of the North Carolina Poultry Federation on the very important and timely issue of reauthorizing the farm bill. The NCPF appreciates your efforts to reach out with field hearings to solicit the views and recommendations of farmers like myself. Your strong and on-going interest is vital to having the best farm bill possible.

My name is Dan Kerns. I manage a 40,000-broiler breeder flock that supplies broiler hatching eggs to Allen's Hatchery in Liberty, North Carolina. Allen's Hatchery is an integral part of Allen Family Foods with headquarters in Seaford, Delaware. Allen Family Foods is a major, vertically-integrated broiler company with operations in North Carolina, Delaware, and Maryland. Allen Family Foods roots in the broiler business started in 1919 and the third generation of the Allen family has managed the company for the past 30 years. The fourth generation has joined the company. Very few companies, in or out of agriculture, have the ability and opportunity to benefit from having four generations involved in the family business.

My family farm has produced fertile, hatching eggs for many years. The arrangement with Allen's Hatchery provides a good, steady income and complements the other operations on my 200 acre farm in McLeansville (Guilford County), North Carolina. I am pleased that I have been elected to serve on the Board of Directors for the North Carolina Poultry Federation.

FARM BILL ACTION TIMELY

A good farm bill that allows U.S. poultry producers/processors to stay competitive in the United States and abroad will help provide the support and business environment for my farm, other poultry farms, and agribusiness companies to continue to grow and thrive. The current farm bill authorization expires in 2007, which on my planning horizon is not that far in the future. I am pleased the committee is taking this timely initiative on the new farm bill. Delaying action by a year or more could prove to be counter productive in the sense the Federal budget pressures will not lessen in future years. USDA will undoubtedly have to administer and manage a leaner budget for agriculture. Also, the new farm bill will need to recognize and be compatible with the outcome of World Trade Organization negotiations. That outcome, if there is one, should be known by mid-year.

THINK MORE BROADLY

Since the challenges to meet budgetary and international trade obligations will likely be greater in the future than in the past, it may be time to think more broadly in terms of crafting a new farm bill. For example, many commodity price support programs are considered safety nets that provide some assurance that a farmer's income will be protected in the event the marketplace cannot provide the sufficient and necessary financial support. Perhaps, it is time to think about providing a safety net for a farmer's income rather than providing a safety net for individual commodities. Such an approach would give greater flexibility to a farmer's production decisions and options. It would also, as I understand the WTO rules, be more compatible with the likely outcome of the current negotiations.

Certain organizations that have studied a shift away from specific commodity support programs recommend that crop producers and other farmers be rewarded for improving environmental benefits, conserving resources, and saving and/or generating energy on-farm. If such beneficial programs are voluntary, incentive-based, and offer better risk management options, it seems very appropriate to consider a new farm bill that contains such provisions.

Need To Be Competitive

Poultry is a major user of feedgrains and oilseeds, perhaps the major user when chicken, eggs, turkeys, and other poultry are added together. It is vitally important that producers of corn, soybeans, and similar crops receive a fair and stable return for their efforts, resources, and risks. At the same time, it is also vitally important that U.S. poultry companies and other U.S. animal agriculture producers be able to purchase corn, soybeans and other necessary feed ingredients at price levels that allow us to be cost-competitive at-home and abroad.

A critical component to help ensure cost-competitiveness is encouraging sufficient cropland to meet feedgrains/oilseeds users needs for domestic and export, both now and in the future. There is a need, driven by market demand, to bring additional farmland back into agricultural production. With continuing loss of land to urbanization around major cities and the large amount of farm land currently enrolled in the Conservation Reserve Program that is not highly erodible, the ability of U.S. agriculture to expand crop acreage is severely limited. This limitation will only grow more serious as a result of increased demand for grains and oilseeds from legislative mandates for ethanol and biodiesel production in the coming years, as well as the growing number of other products produced from corn and soybeans. With the always present risk of drought and crop diseases such as soybean rust, this limitation on expanding crop acreage within the United States raises questions about U.S. ability to remain a dependable, stable, long-term supplier of grains and oilseeds for domestic and global customers.

In light of these factors it is incumbent that new farm legislation provide for USDA to keep as much flexibility as possible in administering the CRP in order to respond to market needs. USDA should extend only those contracts on expiring acreage that have the highest Environmental Benefits Index, require all other expiring contracts to compete for re-enrollment to ensure only the most environmentally-sensitive acres are enrolled, and place greater emphasis on improving water quality, which, according to USDA's own assessment, currently represents only 8 percent of the non-market benefits of enrolled CRP acreage. Further, many young farmers who want to expand their operations lack adequate opportunities to do so when the CRP overly curtails their ability to farm good productive land.

MEET CHALLENGES AND OPPORTUNITIES

U.S. poultry producers /processors look forward to working with the committee to help craft a new farm bill that does not just meet the current challenges and oppor-

tunities but truly helps set the foundation for generations of American farmers to not only survive but enjoying the success of an expanding world demand for food and fiber.

Thank you again for the opportunity to share the thoughts and recommendations of not only the North Carolina Poultry Federation but, I believe, also poultry producers/processors across this country.

STATEMENT OF BRENT JACKSON

Good afternoon Chairman Goodlatte, Ranking Member Peterson, members of the committee. My name is Brent Jackson. I am president and CEO of Jackson Farming Company, which is located in Autryville, North Carolina, in Sampson County, and I thank you for this opportunity to express my views on the upcoming farm bill concerning fruits and vegetables from a North Carolina perspective. We are growers and shippers of fresh fruits, vegetables, and grains. We also own two small country elevators that currently operate for the purchasing and storage of corn, soybeans, and small grains, for our farm and other area farmers. We currently grow 1,200 acres of double-cropped black plastic with drip irrigation for our watermelons, cantaloupes, strawberries, pumpkins, squash and cucumbers. We also grow approximately 2,000 acres of corn, soybeans, and wheat. Jackson Farming Company is celebrating its 25th anniversary this year, and our mainstay has always been our production and marketing of fresh fruits and vegetables.

INDUSTRY OVERVIEW

If we were to ask a random group of North Carolinians to describe North Carolina agriculture, I suspect that most comments would relate to our state's tobacco or animal agriculture industries. For those members of the Committee who are not familiar with North Carolina agriculture, let me tell you that there is more to our state's agricultural economy than meets the eye.

North Carolina boasts the Nation's third most diversified agriculture economy. Our specialty crops production—including tobacco production—is valued at about \$2 billion at the farm gate. We lead the Nation in sweet potato and tobacco production. We rank second in Christmas tree production; third in pickling cucumbers and trout; and fourth in blueberries, greenhouse & nursery production and strawberries.

Over the years the produce industry in North Carolina has gone through tremendous changes in an effort to remain profitable. The cost of production for 2006 is at an all time high due to the current fuel situation, and government regulations and mandates. Our markets are becoming more and more consolidated because our customers, the retail chains, have either merged or just gone away due to the competitive nature of the industry. In the past, we in the fruit and vegetable industry have not received farm bill payments or subsidies. Nor do I suggest subsidies today! This afternoon I will present four points for the Committee to consider as Congress starts working on the next farm bill.

First, as mentioned earlier, Fruits and Vegetables have benefited little over the years from the previous farm bills, which we hope is going to change. There are two programs currently in place that need to remain for our industry. 1. Keep the current planting prohibition in place. U.S. farm policy should not distort our fruit and vegetable markets by allowing production of fruit and vegetables on program acreage. As some members of the Committee may know, a 1 percent increase in plantings could reduce prices by 4 percent. This is simply a matter of equity and I urge you to maintain this long-standing policy.

Second, help specialty crop farmers mitigate risk through realistic and affordable crop insurance. The Non-Insured Crop Disaster Assistance Program has provided growers with a reliable, albeit minimum source of coverage. But specialty crop farmers lack a consistent crop insurance program. In some cases, NAP has proven to be a better deal than the some crop insurance products. We ask Congress to craft a crop insurance proposal that is realistic, honest and affordable to help us to manage our risk.

Third, invest in a specialty crops infrastructure. Specifically, there are three areas in which Congress should invest.

Research/extension and Pest Research: By virtue of its outstanding research and extension programs, North Carolina State University (and NC A&T) is an indispensable part of North Carolina fruit and vegetable production. So are the USDA Research facilities and federal agencies such as the Animal Plant Health and Inspection Service, the entity charged with keeping pests out of our country. Specialty crop

producers depend on these agriculture research institutions and phytosanitary departments. .

School Lunch Programs for Fruits and Vegetables: North Carolina has enjoyed an active School Lunch program that includes fruit and vegetables. The next farm bill should expand this program to all 50 states. Obesity is an epidemic among our children. Providing children with nutritious fruits and vegetables will arm them with healthy eating habits. As these children grow up, those habits will pay off in the form of reduced health care costs.

Specialty Crops program funding for Production and Marketing: Some in the fruit and vegetable industry view the block grants authorized in the Specialty Crops Competitiveness Act as a vehicle for enabling local investment in specialty crops. As Congress' farm bill discussions mature, I am certain this issue will receive a great deal of attention. As you weigh the options relating to possible expansion of the Act in the next farm bill, I urge the Committee to carefully consider the manner in which these block grants funds will be distributed.

Mr. Chairman, my final point touches on an overall issue the Committee must consider.

That is, Congress must realize that the next farm bill has the potential to prevent or speed up the outsourcing of our agriculture economy. Producers face significant challenges due to high energy and labor costs. Candidly, labor concerns are our top worry these days. For me, labor costs are a make or break issue with regard to my long-term profitability. If Congress passes an immigration and border security bill that ignores the unique needs of agriculture, it will strip \$5 to \$9 billion dollars out of the fruit and vegetable industry and send those dollars and jobs into the hands of our foreign competitors. These offshore producers do not face the same regulatory burdens as U.S. producers. The number one threat to American agriculture today is the shortage and lack of a dependable and legal workforce.

Mr. Chairman and committee members, I challenge Congress to write a farm bill that emphasizes the best that American agriculture has to offer to consumers, society and our economy. Do not allow it to become a hammer that could destroy our Nation's small businesses and rural communities. I believe that we are at a crossroads in history, and we must make the difficult, but right choices now.

I appreciate the opportunity to testify before this committee, and I look forward to answering your questions.

STATEMENT OF BO STONE

Mr. Chairman, Ranking Member Peterson, and members of the Committee, my name is Bo Stone. I run a diversified farm in Rowland, North Carolina, which is located in Congressman McIntyre's district. It is an honor to talk with you today.

Mr. Chairman, John F. Kennedy once said that farmers are the only businessmen who buy everything they buy at retail, sell everything they sell at wholesale, and pay the freight both ways. This statement provides perspective on the important purpose of the farm bill.

As price takers, we are unable to pass on increases in our input costs to the buyers of our commodities. Fortunately, the farm bill helps to ensure an abundant and affordable supply of food, helps conserve natural resources, and supports the family farm. As you know, farm payments often receive misguided and negative attention, and as Congress writes the next version of the farm bill, I am certain that the familiar misconceptions about farm programs will be heard yet again. Critics of farm program spending must be reminded that it is impossible to balance the budget by making cuts to a program that accounts for less than one-half of one percent of all Federal expenditures. I realize that with our Federal budget in deficit, the next farm bill budget will be tight. But I remind you that without a strong farm program our rural economy and the backbone of our nation will suffer.

A farm bill that provides a strong safety net and income stability is critical to our farmers. The purpose of the 2002 farm bill was to provide that safety net and stability through its market oriented approach. Candidly, that safety net comes at a bargain because the commodity title accounts for only approximately 25 percent of the total farm bill authorization. This portion of the farm bill provides for the direct, counter cyclical, and loan deficiency payments to farmers. Estimates indicate that the total cost of the 2002 farm bill is approximately \$10 billion lower than anticipated even though farmers have been faced with periods of low prices. Lowering the counter cyclical payments and the loan deficiency payments would devastate our Nation's farms.

Rising fuel prices have increased the energy costs to American farmers by \$6.2 billion over the past 2 years and fertilizer prices have tripled over the last several

years. Continued support of alternative fuels will stimulate the agriculture economy while reducing our dependence on foreign oil. I was pleased to hear President Bush's comments relating to renewable fuels in his State of the Union address, and I applaud this Committee for its leadership in enacting the last year's Federal energy bill. I urge the Committee to consider expanding upon these initiatives as part of the next farm bill's energy title.

As the committee knows, the 2002 farm bill was historic for the levels of funding for conservation. Through programs such as EQIP, CRP, and CSP, farmers have been able to better protect the environment, provide better habitat for wildlife, and conserve our natural resources. Funding of the CSP should be completed to help protect all of our river basins.

As U.S. agriculture looks for ways to be more competitive in the increasingly global marketplace, producers also need access to a wide array of financial services to ensure their success. Farm Credit System's new Horizons initiative offers a number of important suggestions regarding how Farm Credit can better serve farmers like me. This is an important issue that I encourage the Committee to study carefully.

Affordable crop revenue insurance should also be a goal for the next farm bill. With crop inputs rising drastically, farmers need affordable options in which they can guarantee coverage of their variable costs.

Finally, any future farm legislation should not include more restrictive payment limitations, as these caps limit some of the efficiencies of economies of scale for even our average sized cotton farmers.

Without the safety net provided by the current farm program many farmers would be unable to secure the credit needed to finance their operations, forcing them out of business and devastating the rural economy. The current farm bill costs Americans just over 4 cents per meal. Four pennies per meal gives Americans access to the cheapest, safest, and most abundant food supply in the world.

In closing, as William Jennings Bryan said in 1896, "leave our farms and burn your cities and your cities will spring up again as if by magic. Burn our farms and leave your cities and grass will grow in every street." Agriculture is just as vital and important to our economy today as it was then. Please keep that thought in mind as you work on the next farm bill.

Thank you, and I look forward to your questions.

STATEMENT OF LARRY MARTIN

Thanks to each of you for holding this hearing on the upcoming farm bill in North Carolina. My name is Larry Martin and I am a farmer that produces corn, soybeans and wheat in the district of our distinguished Congressman Butterfield. I am also Advisor to the Wayne County Farm Service Agency committee.

I am here on the behalf of myself and other farmers, particularly Black, Native American and Small Farmers. I also represent different minority cooperatives and community based organizations located across the State. I belong to twin rivers co-op located in Rose Hill, NC. I am the secretary of the organization.

My concerns and those of the groups I represent are many. You have a copy of our concerns. I will briefly highlight the issues.

CONSERVATION PROGRAMS FINDINGS—NRCS

- Many of the acres of land owned by Black Farmers are erodible land and wetlands, Small farms with small tracks and small fields.

- Local committees at the county offices approved or set priority for those to receive cost sharing, financial and technical assistance. Many Black Farmers did not receive benefits because of their race and the size of their farm.

- Small farms can not compete with large farms to receive cost share funds from NRCS because of the point system to receive assistance.

Recommendation •I11 Continue and expand the small farm initiative program under NRCS. Like farms would compete for funds.

Credit Findings

- The lack of farm credit to black farmers is one of the major reasons black farmers have declined from 14.4 percent in 1910 to less than one percent today

- If black farmers' did receive loans through FSA, they lost their land through discrimination practices by FSA. Delinquent loan procedure was not applied the same to all races. Black Farmers are still losing land as a result of these actions.

- Loan application process through FSA is too complicated for the average person to understand.

- Loans form FSA are not approved timely.

- Credit worthiness has been lost because of injustices
- Recommendation
- Put a moratorium on Black Farmers foreclosures for the next three years. This also includes interest accrual.
 - USDA should develop and implement a policy that would restore credit to Black Farmers.
- Provide Black Farmers the First right of refusal on USDA inventory lands.
 - Diversify the management team of FSA loan employees.
- FSA County Committee Findings
- The county committee makes determinations on program participation, program violations and hiring managers. In many instances the committees do not reflect the population of the county. The committee is assigned the task of appointing an advisor to the committee to represent underserved farmers. In many situations the person appointed does not represent the underserved community. Appointments to the State committee also fall in the same category. Also, the appointee does not have voting power; what kind of representation is that?
- Recommendation
- State committee and county committee appointments be done in accordance with consultation with the Black Agriculture leadership and community based organizations. Local administrative areas, LAA should be redrawn to reflect the population. This can be done administratively if enforced.
- Land Grant Universities 1890's
- In 1890, congress created the 1890 land grant universities to educate and serve Blacks. This service is still needed.
 - 1890 institutions are under funded. In North Carolina, North Carolina A&T State University, a 1890 institution received 6 million dollars in State funds and North Carolina State University received 62 million. Big difference in funding.
- Recommendation
- Fund 1890's at an adequate level to enable these institutions to implement the same programs currently supported at the 1862's
- Commodity Crops and Marketing Findings
- Socially disadvantaged farmers and ranchers grow a higher proportion of non-commodity crops than the general farm population; thus their support from Federal programs is less than most.
 - Many Black Farmers produced tobacco however; the tobacco buyout has eliminated most Black tobacco farmers.
 - These farmers are producing specialty crops and livestock that do not have safety net programs.
 - The infrastructure to support these new adventures are not in place, such as slaughtering facilities
 - Many Black Farmers lost commodity bases because they were not aware that the operator of the farm did not enroll in the AMTA program.
- Recommendation
- Provide safety net program for specialty crops similar to commodity programs.
 - Develop incentives to construct needed infrastructure for the farming changes.
 - Allow farmers the opportunity to enroll their farm in safety net programs where bases were lost due to misinformation or hardships that can be documented.
- Programs and Outreach Findings
- Outreach is the most important component of USDA services. Lack of outreach in USDA has contributed to many of the problems such as loss of land and farms to the minority community.
 - 2501 program which was designed to assist in providing outreach and technical assistance to Black Farmers is badly underfunded. There is so much competition for the funds and not many funds available that the program is losing its effectiveness.
 - USDA agencies outreach programs with FSA, NRCS and RD do not reach the Black community. Other options should be tried.
- Recommendations
- Fund 2501 program at an adequate level
 - Fund USDA agencies with outreach monies, with the stipulation that community based organizations assist in the development of the outreach plan. Obviously the present system is not working.
 - Diversify the staff in these offices. Studies have shown that diversified staff significantly improves outreach impact.

STATEMENT OF JOHN QUEEN

Mr. Chairman, Ranking Member Peterson, Members of the Committee, thank you for the opportunity to present the North Carolina cattle industry's perspective on

the upcoming 2007 farm bill. My name is John Queen, and I am a cattle producer from Waynesville, North Carolina. I am a member of the North Carolina Cattlemen's Association and am currently the Vice President of the National Cattlemen's Beef Association.

As with most agricultural producers in the country, we've been anxious for work to begin on crafting the 2007 farm bill. As cattle producers, our livelihood is tied to many other agricultural commodities. Livestock consumes three out of four bushels of the major feed grains like corn, sorghum, and barley. Cattle in feedlots account for nearly one-fourth of the total grain consuming animal units, and all beef cattle account for nearly 30 percent. We are dependent upon this Nation's agricultural system and infrastructure to feed, transport, market our cattle, and provide beef for America's table; and as such, we are interested in seeing this segment remain healthy and viable.

Unlike other agricultural commodity groups, however, we tend to take a different look at portions of U.S. agriculture policy. Our industry is made up of over 800,000 ranchers in all 50 states, and we have over 95 million head of cattle in this country. Cash receipts from cattle and calves in 2005 are over 48 billion dollars, and those sales account for nearly 40 percent of all livestock sales and nearly half of all farm receipts. Ranchers are an independent lot who want the opportunity to run their operations as they see fit with minimal intrusion from the government. As the Nation's largest segment of agriculture, the cattle industry is focused on continuing to work towards agricultural policy which minimizes direct Federal involvement; achieves a reduction in Federal spending; preserves the right of individual choice in the management of land, water, and other resources; provides an opportunity to compete in foreign markets; and does not favor one producer or commodity over another.

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

CONSERVATION AND THE ENVIRONMENT

There are portions of Federal agriculture policy that we can work on together to truly ensure the future of the cattle business in the United States. Conservation and environmental issues are two such areas. Some of the cattle industry's biggest challenges and threats come from the loss of natural resources and burdensome environmental regulations. Ranchers are a partner in conservation. Our livelihood is made on the land, so being good stewards of the land not only makes good environmental sense, it is fundamental for our industry to remain strong. Our industry is threatened every day by urban encroachment, natural disasters, and misinterpretation and misapplication of environmental laws. We strive to operate as environmentally friendly as possible, and it is here where we can see a partnership with the government.

The goal of conservation and environmental programs is to achieve the greatest environmental benefit with the resources available. One such program that achieves this is the Environmental Quality Incentive Program or EQIP. Cattle producers across the country participate in this program, but arbitrarily setting numerical caps that render some producers eligible and others ineligible limits the success of the program. Addressing environmental solutions is not a large versus small operation issue. All producers have the responsibility to take care of the environment and their land, and should have the ability to participate in programs to assist them establish and reach achievable environmental goals. Accordingly, all producers should be afforded equal access to cost share dollars under programs such as EQIP.

Second, many producers would like to enroll in various USDA conservation programs such as CSP and CRP to reach environmental goals. However, to enroll in these programs requires the producer to stop productive economic activity on the land enrolled. We believe economic activity and conservation can go hand in hand. As such, we support the addition of provisions in the next farm bill that will allow managed grazing on land enrolled in CRP. This will have tangible benefits on environmental quality, for example, helping to improve lands threatened by invasive plant species.

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

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

ACTIVISM

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

TRADE

Outside of conservation, environmental, and activist issues, there are several other issues that have the potential to impact the long-term health of the beef industry. One such area is trade. U.S. cattlemen have been and continue to be strong believers in international trade. We support aggressive negotiating positions to open markets and to remove unfair trade barriers to our product. We support government programs such as the Market Access Program and the Foreign Market Development Program which help expand opportunities for U.S. beef, and we urge sustained funding for these long-term market development efforts.

We also support congressional and regulatory action to address unfair international trade barriers that hinder the exportation of U.S. beef. We appreciate the Committee's help in working to reopen foreign markets that were closed to U.S. beef after the discovery of BSE on December 23, 2003, in a Canadian cow in Washington State. As you are aware, we continue to fight to get our product into several countries and have seen recent setbacks in places such as Korea and Japan. We ask that you continue to support the effort to see that sound science is being followed in bringing down these artificial trade barriers. To grow our business, we have to look outside of the U.S. borders to find 96 percent of the world's consumers. We encourage the Committee's continued strong and vigilant oversight of the enforcement of any trade pact to which American agriculture is a party.

ANIMAL ID

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

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

RESEARCH

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

ENERGY

Research is also needed to identify and develop alternative methods of producing energy. Renewable energy is going to become an increasingly important part of our country's energy supply and there are many ways that cattle producers can contribute and benefit. Research and development is needed to find cost-effective methods of utilizing manure and animal waste as a fuel supply. Gasification and other methods hold a lot of promise for our industry. When looking at ethanol, however, we must be careful not to act in a way that is detrimental to the livestock industry. Livestock consume the majority of U.S. corn. As ethanol continues to grow, we must make sure it does not do so at the detriment of the cattle feeding industry. We must take all opportunities to look at ways to balance feed demand, price, and the benefit of renewable fuels.

PROPERTY RIGHTS

In turning to business matters, one of the biggest concerns to cattlemen right now is their private property rights. The Supreme Court's ruling in *Kelo v. the city of New London* sent a shockwave through the cattle community. The thought that our ranches could be taken by municipal governments and turned over to private developers in the name of economic development is disturbing. Our country is great for many reasons, but one of them is the ability to own property, use it how you see fit, and not worry about it being taken from you on someone else's terms. We believe in the rights of cattlemen to keep their property and applaud the Committee's efforts to protect those rights.

TAXES

Reducing the tax burden on ranchers has always been a top priority for our industry. We continue to support permanent repeal of the Death Tax. Regardless of how many or how few are effected, if even one rancher has to sell off part of their operation to pay this tax, it is unacceptable to us. Cattlemen pay their fair share of taxes, and resent the fact that many are being penalized for wanting to pass their operations on to future generations. Our priority is to keep families in agriculture, and this tax works against that goal. We do not see this as a tax cut for the rich. The rich can afford high priced attorneys and accountants to protect their money now. Ranchers operate in an asset rich but cash poor business environment. Ranchers must spend money that would otherwise be reinvested in their businesses to hire the resources necessary to protect their assets and pass their operations on to their children. At the same time, however, they may have several hundred acres of land whose value has been driven up by urban sprawl and the unintended consequences of Federal crop supports. We also support keeping the Capital Gains Tax at a lower rate, repeal of the Alternative Minimum tax, and full 100 percent deductibility of health insurance premiums for the self-employed.

MARKETING ISSUES

As with the 2002 farm bill, we fully expect to deal with several marketing issues in title X of the bill. Although we believe that the farm bill is not the place to ad-

dress these issues, they continue to come up and we must be prepared to defeat them. When looking at these issues, it is important to note that we support the critical role of government in ensuring a competitive market through strong oversight. This includes the role of taking the necessary enforcement actions when situations involve illegal activities such as collusion, anti-trust, and price-fixing. The USDA Office of Inspector General's recent report on the audit of GIPSA is concerning, but we have faith in the new Administrator's ability to comply with the OIG's recommendations and tighten up GIPSA's enforcement of the Packers and Stockyards Act.

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

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

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

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

As you can see, we are not coming to you with our hand out. Like I mentioned before, America's cattlemen are proud and independent, and we just want the opportunity to run our ranches the best we can to provide a high quality product to the American consumer, and even more importantly, provide for our families and preserve our way of life. We are coming to you in an effort to work together to find ways to use the extremely limited funds available in the best way possible to conserve our resources, build our industry, and provide for individual opportunity at success. We ask for nothing more than Federal agriculture policy that helps build and improve the business climate for cattlemen. We look forward to working with you on the 2007 farm bill.

STATEMENT OF DAVID L. GODWIN

Mr. Chairman and Honorable members of this committee, first let me say welcome to North Carolina, and thank you for allowing me to participate in today's hearing. My name is David Godwin, and I am co-owner of Godwin Produce Company in Dunn, North Carolina. Together with my Father, I am continuing the farming operation started by my Grandfather in 1946. I am probably one of the smaller farming operations represented here today, but I can assure you that none are more proud of their background and heritage than I.

Godwin Produce Company is a grower and shipper of sweet potatoes. We also grow a few other vegetable crops, but our main focus is sweet potatoes. We are not "program crop" farmers.

I am also president of the North Carolina Sweet Potato Commission which represents the over four hundred growers of sweet potatoes in North Carolina. Our State is number one in sweet potato production with nearly forty thousand acres planted annually.

So, as you can guess, I have a keen interest in the upcoming farm bill, especially in any specialty crop provisions. I do realize however, that this Committee is not sitting on a pile of free money and just asking farmers to line up to receive their allotted hand-out. You see, I believe that any monies that you may be sitting on are mine already—mine and the other millions of tax-payers in this great country. However, I do believe that agriculture is a resource that cannot be wasted; in order for our country to remain viable, agriculture must be protected and, when necessary, it must be supported.

I have two major concerns, or problems, with the 2002 farm bill. First, I feel that specialty crops were basically left out in the cold in the previous bill. Specialty crops account for approximately one-half of the total farmgate value in this country, however only a very small portion of the Federal resources were allocated to our needs. Only forty percent of the farmers in this country receive subsidies, and ninety percent of these subsidies are for the five program crops. Now I do not want to get in a competition with these crops, because, quite frankly, I am an advocate for their programs as well. However, I do feel that it is time for specialty crops to be considered in the development of the U.S. farm policy. We have our own unique challenges that need to be addressed, especially with research and marketing.

My second major concern with the 2002 farm bill relates to the equitable distribution of subsidy monies. According to the USDA, 60 percent of farmers receive no subsidies—40 percent receive it all. And, in fact, 10 percent of the farmers in this country receive over seventy percent of all subsidies paid. Is this fair? It is thoroughly disheartening to look up on the Internet and see the same people getting the top disbursements year in and year out. And, if you take in account the same individuals that have multiple farming entities, it looks even worse.

As we look forward to a new farm bill, I hope that these issues can be addressed.

Specifically related to specialty crops, I hope more significant provisions for research and marketing can be included. Our land-grant universities, including my alma mater, North Carolina State University, are fully capable and quite willing to assist us, however money is always an issue. The Sweet Potato Commission funds limited research, however our money is not enough. Each year, our industry loses chemical labels and is unable to get new product registrations—not because a particular chemical is unsafe, but simply because the chemical companies cannot afford research and development on products for such few planted acres. It would not help their bottom line.

We also need assistance with other research. N.C. State has been a leader for years in biotechnology, genetic research, and pharmaceutical product development. Research work is already underway, and because of this, we even look forward to producing ethanol from sweet potatoes. But we need help.

And finally, in order for our farmers to survive, we must be able to compete in the global market. In order to compete, we need equity. We need to expand our markets internationally while at the same time increasing our domestic consumption of fresh fruits and vegetables. Any assistance with these efforts would be most appreciated.

In closing, please let me again say thank you, Mr. Chairman for allowing me to be here today. As the FFA creed I learned in high school reminds me, "I believe in the future of agriculture, with a faith born not of words but of deeds." I hope that some of my ideas and opinions today can become deeds, or provisions, in any new U.S. farm bill. Thank you.

STATEMENT OF THOMAS E. PORTER, JR.

Good afternoon, Chairman Goodlatte, Ranking Member Peterson, Committee members and other hearing participants.

My name is Tommy Porter. My family and I own and operate Porter Farms in Cabarrus County here in North Carolina. Our farming operation is diversified—it includes poultry production, a cow-calf operation and pork production with a 2200 sow, farrow-to-wean hog facility that we operate on contract with a major pork integrated company.

I am here today representing my fellow pork producers in the State of North Carolina. I think I should also tell you that I serve as county president for the Cabarrus County Farm Bureau, a director of Carolina Farm Credit, chairman of our Extension advisory committee and a member of the Cabarrus County Planning and Zoning Committee.

As I come before you today, I want to thank each of you for the opportunity to provide input as you consider the Federal agricultural policies that will affect me and my fellow North Carolina farmers. I thank you for giving producers like me a chance to provide input in your planning.

Let me begin with some general comments and thoughts.

I understand that a farm bill is a comprehensive piece of legislation. From my review of its purpose and history, I also understand that a farm bill's focus should be on farm programs and policies to enhance the competitiveness of U.S. agriculture.

This includes conservation and trade programming that are vital to our country's pork producers. On the other hand, it does not include outside interests on behalf of those who want to hurt farmers, food security and resource conservation.

Please allow me to expand.

First, regarding the subject of conservation and natural resource stewardship, North Carolina's pork producers are committed to running productive operations while meeting or even exceeding environmental expectations. We have fought hard for science-based, affordable and effective regulatory policies that achieve the goals of today's environmental statutes. In order for us to meet these costly demands while maintaining production, the Federal Government must provide support to help us defray some of the costs of compliance through conservation programs of the farm bill.

We need simple conservation title programs that give us cost-share or technical assistance. By simple, I mean processes and programs that do not complicate or hinder the delivery of services in the field. Whether it's the opportunity for me or fellow producers to install cup waterers in our barns for better water management or the chance to purchase additional irrigation equipment, we need EQIP and other conservation provisions. With air quality objectives and requirements likely ahead of us, we will need EQIP to help us there too.

While we need simple conservation title programs, we also must have programs that increase quality and safety, and promote the role of pork in a healthy diet. And that leads me to the subject of market access and trade. Expanded access to foreign markets, continuing promotion of U.S. exports using Market Access Program (MAP) funding and aggressive pursuit of export business all mean a great deal to U.S. producers.

At present, there is strong global demand for pork products. With 96 percent of the world's population outside of the United States, programs and trade efforts in other countries are important to America's pork producers. In fact, I understand it is estimated that U.S. pork prices have been \$33.60 per hog higher than they would have been in the absence of exports.

Furthermore, I want to stress another point—farm programs that help manage or control costs of production related to input costs are vitally important to America's producers like me. Corn and soybean meal comprise a significant cost of raising pigs. The entire impact of feed grain programs should be carefully considered, including their impact on the cost of raising pork and other livestock.

Also, we realize people and organizations with extreme agendas will be calling on you to expand the focus of the farm bill to include their special interests. In advance of those distractions, I thank you for keeping your focus on a national farm policy that stabilizes food and fiber production for everyone. Outside agendas related to animal welfare guidelines, packer ownership bans, and other activist interests should not be the focus of a national farm bill. Many of these groups who will lobby you are well-funded and strategically coordinated and would like to ban farm animal production. I ask that you not be influenced by people who are not animal care experts and really have no knowledge of the animal care and husbandry practices that I employ on my farm everyday.

In summary, as a pork producer, I stress the idea that farm bill programs should be aimed at reducing or controlling costs of production, increasing the prices received for pork products, and increasing the quality of U.S. pork products. Simply put, a national farm policy bill that provides stabilization of food and fiber production is a benefit to everyone—farmers and consumers.

Thank you for allowing me to visit with you today and sharing my perspective as a farmer.

STATEMENT OF TINA SMITH

North Carolina farmers who now grow conventional commodities, such as tobacco, cotton, corn and soybeans are diversifying by also growing and marketing high-value crops such as grapes, for juice and wine consumption along with other value-added products. Specialty crops are a solution to some of the hard problems facing agriculture.

North Carolina currently ranks 10th in grape production nationally and 12th in the Nation for wine production. The Muscadine grape was first discovered in North Carolina in 1524 by the French navigator Giovanni da Verrazzano. Many other explorers after this time noted in their journals the abundance and usefulness of the grapes found in the coastal plain of North Carolina. The first wine made in this country was produced from the North Carolina Muscadine Grape. In 1840 the Federal census listed North Carolina as the number one wine producer in the U.S.

Vineyards and wineries create jobs and attract tourist dollars to rural communities, while generating revenue for the State. They offer an opportunity for farm diversification and farmland preservation. North Carolina is currently home to 50 wineries and 3 vineyard tasting rooms. Within the next 24 months there will be an estimated 20 or more wineries opening in North Carolina. There are 350 individually owned grape vineyards across the State covering approximately 1500 acres. Based on data generated in other states, the NC Grape & Wine Council estimates that the economic impact of vineyards and wineries in North Carolina is over \$100 million with over 1000 jobs created.

Consumers want a wide selection of good tasting fruits and vegetables, which are nutritious and fit into their busy lifestyles. Consumers are also looking for interesting value-added products. These products include juice, local wines, jams, jelly, healthy dietary supplements, nutraceutical products and cosmeceutical products. The modern food supplement and nutraceutical industry highly values the Muscadine skins and seeds left over after the juice has been pressed out of the grapes. Both the Muscadine (*Vitis rotundifolia*) grown in the Coastal Plain of North Carolina and the Bunch Grape (*Vitis vinifera*) grown in the Piedmont section of North Carolina, contain beneficial medicinal levels in their seeds and juice, but the use of Muscadine skins and seeds due to their unique phytochemical profiles provides the consumer with a broader range of nutraceutical potential.

The growers in North Carolina depend largely on research, development and extension services provided by the North Carolina Land Grant Colleges, NC State University and NC Agricultural & Technical State University. Federal appropriations through USDA, ARS and CSREES are the major sources we as grape growers look to for continued assistance to further our industry.

The buyers from national supermarket chains, regional farm markets, and specialty food markets are ready to support local producers who can grow better tasting fruits and vegetables. North Carolina has the right climate and soils to produce some of the world's finest grapes, strawberries, blackberries, blueberries, tomatoes, peppers, cantaloupes, melons, squash, and a variety of culturally diversified crops. We are the future not the past.

SPECIALTY CROP/GRAPES: ISSUES & CONCERNS FOR FARM BILL 2007

As a grower and producer of 35 acres of Muscadine grapes and their value added products, winery owner and president of the North Carolina Muscadine Association representing our interest and the interest of 180 grape growers in this state, there are several areas of concern for our growing industry that I would like the committee to consider when addressing the construction of the 2007 farm bill.

Specialty Crop Grape Producers do not want or advocate inefficient and wasteful payments directly to producers. Instead, the producers promote targeted research and development in the areas of disease, breeding, and genetics along with better coordination and technology transfer among and between governments, universities and producers. This type of collaborative effort will improve regional and global competitiveness for grape products. Historically specialty crops such as ours have chosen to base their economic decisions on the market place and have not relied heavily on Federal farm price support programs. However, in order to promote U.S. programs for value added marketing and recognizing consumer trends and demands, the need for State block grants is essential.

Every State is different and every commodity group is different. Agricultural research is critically important to sustain and build our grape production in North Carolina. Increased funding programs to USDA ARS (Agricultural Research Services) and CSREES through our Land Grant Colleges would enable current research to be funded and additional research to be done to improve grape production, mak-

ing our producers more efficient and competitive. Funding these Specialty Crop Grants designed to help these types of initiatives would enable the State to promote research, education and training.

(2) The recent attention to the phytonutrient value of the Muscadine Grape would greatly benefit from additional funds for research at NCSU, NC A & T State University, other universities or colleges. It would be of tremendous benefit to our industry as well as increasing the existing knowledge base on phytonutrients and health. The main objective is to be able to evaluate and characterize the nutritional effects of grape and wine components. This provides additional opportunities for the enhancement of public health through diet by understanding the nutritional benefits apparently derived from grape components. This will further expand the availability of nutritionally rich fruits and vegetables in school lunch and breakfast programs and other domestic feeding programs such as WIC and DOD.

(3) Government needs to recognize the specialty crop value to agriculture. The long term economic vitality of agriculture requires that we change the mix of crops and increase our investments in conservation and sustainable agricultural practices, rural developments, research and marketing.

The North Carolina Muscadine Grape Association along with the North Carolina Grape & Wine Council work continuously to try to effectively determine impact and uniqueness of the regional/national grape and grape products industry to our local economics, tourism and land use. The recent move of the NC Grape and Wine Council to the Department of Commerce was an important step in recognizing and capitalizing on the NC grape industry support of tourism. Funds made available through block grants could maximize the efforts of these groups to further promote the small family farms agritourism which can breathe new life into declining rural areas.

SUMMARY

- The North Carolina grape growers do not want subsidies.
- We need targeted research and development provided through funds distributed to our Land Grant Colleges, USDA, ARS, CSREES, NIH and through collaborative efforts with other colleges and universities working on similar projects.
- Further exploration of the phytonutrient components of the Muscadine Grape and the grape in general will not slow down, there will only be more demand for the product and explanation of its medicinal benefits as consumer demand increases.

As the committee moves forward in the process to establish a new farm bill for 2007, the NCMGA and the NCGWC encourage you to strongly carve out a more equitable share of farm bill appropriations to the direct needs of specialty crop producers. The North Carolina Grape Industry is set for expansion. Your decisions as you write this new bill will affect the success of our growth. Without the assistance of block grants for research and development we will not have the tools necessary for sustainability and viability.

Thank you for allowing me to present this information to the committee.

STATEMENT OF DAN WARD

Mr. Chairman, Members of the Committee, I am Dan Ward, a peanut, tobacco, corn and soybean farmer from Bladen County, North Carolina. Today I am speaking on behalf of the North Carolina Peanut Growers Association. I am currently serving as Treasurer and a member of the Executive Committee. I want to thank you and the Committee for coming to North Carolina and holding these hearings. I appreciate the opportunity to speak today.

Last year, together with my father, we planted 92 acres of tobacco, 175 acres of peanuts, 1,336 acres of corn and 165 acres of soybeans. Today I would like to address how the 2002 farm bill has affected my farming operation and how it has affected peanut production in North Carolina.

When the Peanut Quota System was ended in 2002, North Carolina had planted 125,000 acres of peanuts in 2001. In 2005, North Carolina planted 91,000 acres. Virginia planted 75,000 in 2001 and 22,000 in 2005. South Carolina on the other hand, went from 11,000 in 2001 to 59,000 in 2005. The North Carolina numbers don't tell the whole story of what happened. In North Carolina there was a shift in where the peanuts were planted. In 2001, peanuts were planted in 28 counties, but in 2005 peanuts were planted in 39 counties. Northampton county, located in the north-eastern part of the state, was the number 1 county with 20,228 acres of peanuts, but in 2005 only planted 4,508 acres of peanuts. On the other hand, Columbus coun-

ty in the southeastern part of the state, planted 753 acres in 2001 and in 2005 planted 5,946 acres of peanuts. Other counties in the central coastal plain also increased their acres or planted peanuts for the first time.

There were several reasons for the shift, one of which was the planting flexibility provided in the 2002 farm bill. For some peanut farmers, cotton was a better option than peanuts. Some were not satisfied with the price and decided to sit out a year or two. Some wanted to stretch their rotation. Because of the decoupling of payments they were able to make that decision based on market conditions and production costs.

Counter-cyclical and direct payments are of utmost importance to North Carolina Farmers. Without target price protection, many of the state's farmers would be out of business. The marketing loan program for peanuts is working well. I hope the target price and loan rate will be retained. Since counter-cyclical payments are market price sensitive, they are higher in times of low prices, when the farmer needs them most.

Because of the way the peanut provision of the 2002 farm bill was scored, an important part of the loan program, storage and handling, will not apply to 2007 crop peanut loans. Peanuts are a semi-perishable crop, and in order to protect the producers and allow orderly marketing, storage and handling are necessary. They have been an important part of the loan program and should be restored for the 2007 crop year and included in the peanut provision of the next bill.

An important part of the loan program is the producers' ability to get the loan in a timely manner at the FSA office. I hope that Congress will adequately fund FSA to allow staffing at the level necessary to continue the excellent service that the agency has provided in the past.

North Carolina, like most of the southeastern United States, is a very agriculturally diverse State. Farms are getting larger because of economics. Larger farms mean larger amounts of personal money put at risk. Critics of the current level of payment limits fail to recognize how important these payments are to minimizing risk. North Carolina's corporate farms are family farms. Please help us: keep the payment limit provisions just like they are.

Conservation programs have helped farmers comply with wetland and highly erodible requirements. But there is no way that they can replace direct or counter cyclical payments. I hope the Committee will fight any effort by trade negotiators to replace these payments with so-called green payments. I can't feed my family on grass waterways.

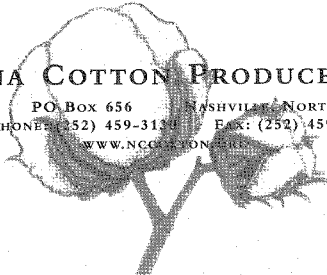
I hope that our trade negotiators do not treat agriculture as a chip to be thrown in exchange for concessions from other countries. I know that there are many facets to the trade negotiations, but the basic underpinning to our economy is agriculture. The proposed 60 percent reduction in U.S. agricultural supports would be devastating to America's farmers.

The 2002 farm bill instructed USDA to set the repayment rate at a level that would allow peanuts to move freely into the domestic and export market. Since 2002 our peanut exports have declined drastically because the repayment rate has been too high to compete on the export market.

We support country of origin labeling for peanuts and peanut butter. If my underwear must be country of origin labeled, I think the American consumer should know where the peanut butter in their child's PB&J sandwich was produced.

Mr. Chairman, I know it will be hard to please everyone when writing a new farm bill, but you have an excellent starting place if you use the 2002 bill as your guide. I hope that the American farmer will not be hit twice: once by reductions in a new farm bill, and again by a new WTO agreement. For that reason, extension of the current Bill would allow you to assess any reductions mandated by a trade agreement before writing a new farm bill.

Mr. Chairman, I want to thank you and the Committee for your dedication to U.S. agriculture in the past and the work you are doing now. I hope that you are successful in writing a new farm bill that will benefit the American farmer and protect the consumers' access to reasonably priced, high quality and safe food.



NORTH CAROLINA COTTON PRODUCERS ASSOCIATION

103 TRIANGLE COURT PO BOX 656 NASHVILLE, NORTH CAROLINA 27856-0656
 TELEPHONE: (252) 459-3134 FAX: (252) 459-7396
 WWW.NCCPA.ORG

Statement of
 David L. Burns
 Laurel Hill, North Carolina
 Before the
 House Agriculture Committee Hearing
 Fayetteville, North Carolina
 February 6, 2006

Mr. Chairman, thank you for the opportunity to provide remarks on national farm policy and the next farm bill. My name is David Burns. I operate a cotton, soybean and timber farming operation in southern North Carolina. I appear today on behalf of the North Carolina Cotton Producers Association. I have served as president and now serve as a member of the board of directors. The North Carolina Cotton Producers Association is a grower association representing virtually all cotton producers in our state.

I am honored to join others in welcoming you and the members of the committee to North Carolina. I am proud to be a constituent of Congressman Hayes and thank him for bringing this hearing to 8th Congressional District.

About 25 years ago cotton acreage declined to 45,000 acres, but has made a comeback to over 800,000 acres.

The principle reasons for the resurgence in cotton production in North Carolina are the successful eradication of the boll weevil and an effective farm program. That is why North Carolina cotton producers strongly support the current farm bill. Current law provides a balanced approach to commodity, conservation, nutrition, and rural development programs.

We believe the farm bill provides a stable and effective national farm policy for this country. It includes benefit delivery provisions that provide needed support in times of low prices without distorting overall planting decisions. An effective marketing loan provision allows U.S. cotton and other commodities to be price-competitive in a global

DAVID DUNLOW
 PRESIDENT
 GASTON

JAY BRINN
 VICE-PRESIDENT
 BELHAVEN

RONNIE BURLESON
 SECRETARY
 RICHFIELD

TAYLOR SLADE
 TREASURER
 WILLIAMSTON

BILLY CARTER
 EXEC. VICE-PRESIDENT
 NASHVILLE

market. The current law contains sufficient planting flexibility provisions that allow producers to react to market signals. We strongly believe the 2002 farm bill should serve as the basis for the next farm bill debate.

And it is critical that current law be allowed to operate, without major modification, through its scheduled expiration with the 2007 crop so producers can continue to make responsible investment, cropping and marketing decisions. This farm bill has also been significantly less expensive than projected when enacted. I would doubt that any other major entitlement program can make that claim.

It is also significant that no farm or commodity organization has proposed changes to the law, and in fact, at its recent annual meeting last month, the American Farm Bureau expressed support for extension of the current law. Mr. Chairman, as your committee begins consideration of the next farm bill, we believe it is critical for Congress to provide adequate budget authority in order to craft an effective farm bill. We understand that the budget deficit situation facing this country is different than the last farm bill debate, but we urge Congress to protect the budget baseline for all aspects of the farm bill.

Secondly, we understand that the outcome of the current Doha trade negotiations could impact the makeup of our next farm bill. The cotton industry is very concerned about the attempts by some to single out cotton for treatment that is different from the remainder of agriculture in both level of reduction and timeliness of implementation. We urge our negotiators to insist that the negotiations be conducted as a single undertaking for all programs regarding levels of domestic support and that no reductions in domestic support be agreed upon unless accompanied by meaningful increases in market access for all WTO countries.

Given the challenges of these two critical policy areas, we support continuation of the current structure of farm programs as contained in the 2002 Act. The combination of direct and counter-cyclical payments provides an effective means of income support, especially in periods of low prices without distorting planting decisions. We strongly support the continuation of the marketing loan. It is critical that all production remain eligible for the marketing loan to ensure that farmers are able to make orderly production and marketing decisions and that U.S. commodities are competitive in international markets. When prices are extraordinarily low, it is important to maintain existing authority, which allows farmers to redeem loans with marketing certificates.

In addition to sound farm program provisions, it is critical to ensure that commercially-viable operations are eligible for program benefits and to recognize that the size and structure of farming operations varies by region and cropping pattern. A significant majority of farmers oppose all forms of payment limitations. However, at a minimum, we urge Congress to maintain current payment limits and eligibility requirements.

Mr. Chairman, we were deeply disappointed to learn that the Administrations budget proposal released this morning once again includes unworkable limitations on loan eligibility and payment limitation provisions that penalize commercially viable operations. We urge you and your colleagues to once again reject these proposals, which if enacted would significantly disrupt farming operations in North Carolina and across the country.

Planting flexibility is one of the principles of the current farm bill that is most strongly supported by virtually all farmers and should be maintained in future law.

Conservation programs will continue to be an important component of farm policy. These programs should be operated on a voluntary, cost-share basis and can be a valuable complement to commodity programs, but they would not make an effective substitute for the safety-net provided by commodity programs. The Conservation Reserve Program, the Conservation Security Program, and Environmental Quality Incentives Program are proven, valuable ways to promote sound conservation and environmental practices through cost-share, incentive-based approaches.

As with the current farm bill, Congress should strive to maintain the proper budgetary balance between all aspects of farm law, including commodity, nutrition, conservation and rural development programs. We recognize the challenge this will present given the budget deficit situation facing Congress.

Continuation of successful export market promotion programs such as the Market Access Program is important in an export-based agricultural economy. It is also important to continue WTO-compliant export credit guarantee programs.

The U.S. cotton industry understands the value and benefits of an effective promotion program. Because of advertising campaigns financed with grower monies, the average U.S. consumer buys 35 pounds of cotton textiles and apparel each year. In the rest of the world, cotton consumption is only 6 pounds per person. Promotion works, and it is imperative that the authority for farmers to operate self-help, self-financed commodity promotion programs continue.

Mr. Chairman, we recognize that your committee and Congress will face many challenges from many different interests in crafting new farm legislation. I would emphasize that adequate spending authority and the current farm program form a solid foundation for the next legislation. The cotton industry will work closely with Congress to ensure that our country maintains an effective national farm policy.

Thank you again for the opportunity to present these remarks.

Testimony of Dr. M. Robert Cooper, MD
Before the
House Committee on Agriculture
February 6, 2006

Crown Expo Center Section A
Fayetteville, North Carolina

My name is Bob Cooper. My wife Jean and I are Tree Farmers from Winston-Salem. I was born in North Carolina, studied medicine at Wake Forest, practiced for my entire career in the state and now serve as director of emeritus affairs at the Wake Forest School of Medicine.

But today's not about medicine or research. It's about my other passion: family forests.

I'm here as a representative of the American Forest Foundation, and the 50,000 members of its American Tree Farm System. Together we manage about 33 million acres of certified sustainable forests here in North Carolina and around the nation.

Our Tree Farm, Meadowbrook Farm, is just one of five million family-owned forests in the South.

And we're one of six hundred thousand North Carolina families who own about three-fourths of the state's forestland. We grow most of the raw material for North Carolina's second biggest industry – forest products – supporting over 300,000 jobs and generating near \$30 billion for the state's economy.

So I was pleased when Chairman Goodlatte asked me to come here today. If ever there was a time when we needed to have a serious talk about the future of family owned forests in North Carolina, in the South, and nationwide – it's now.

The fact is, family forest owners are one of the South's most vulnerable endangered species, and our forests are fast disappearing from the landscape.

Right here in North Carolina, well over a million acres of forest have been paved in the past decade. We'll lose even more in years to come. That's the equivalent of plunking down a city the size of Raleigh every ten months.

And if you look at the South overall, the picture's just as bleak. We're losing about 1.2 million acres of family forests a year – the equivalent of paving a parking lot the size of Raleigh every month!

The foundation of much that we treasure in the South – our rich and diverse forestland – is oozing away. That's bad news for all of us:

- For the vast majority of hunters and fisherman who depend on private lands for their sport.
- For our urban neighbors who depend on family-owned forests for clean air, clean water, wildlife habitat, healthy watersheds and for the green space that surrounds their cities.
- For rural communities that depend on forest-based industries to generate a huge share of their income, and some of their best jobs.
- And finally, for families like ours who have been good stewards for generations and would like our children and grandchildren to have the same opportunities we did.

Please understand me. I'm not anti-growth or anti-development or anti-anything, except maybe the Seattle Seahawks. For some owners, the opportunity to earn a return on their investment in land makes a lot of sense.

However, many other family forest owners want the opportunity to consider other choices too: to keep their forests healthy, growing and working, to keep rural communities intact and local economies strong.

Every day, it gets more difficult to make this choice. This is what I call the South's "Invisible Forest Health Crisis" ... a crisis where many forest owners don't see a way to preserve their family's heritage of voluntary, private stewardship.

I've talked to numerous Tree Farmers and here's what they have to say. [Remember this is a "Dr. Bob" sample, not a Gallup Poll. But I'm confident it's a good reflection of what's on their mind.]

Economically, they feel trapped. The value of the land under our forests is making it almost impossible to justify further investments in forestry. There are a number of factors that have put us in this spot.

Markets for wood are sluggish, near non-existent for lower-value trees. Land prices and taxes are high, and getting higher as cities and towns grow closer to the woods. In many places, we're taxed on the potential value of our land, rather than the current value – an idea that might have made sense 150 years ago. It sure as heck doesn't make sense today.

It's a fact that most families don't own forests just for the money. Most say they're in it for pride and pleasure first; a profit on timber falls further down the list. But even the most conservation-minded owner needs cash. For taxes, insurance, to invest in the future of their forests.

The problem is -- more and more these days, even that cash can't be found just by working in the woods.

This backs me and the millions of other Southern landowners right into the corner.

Our timber crop is among the most valuable in the South -- supporting over 770,000 direct jobs, and about \$120 billion in total industry output. Many rural industries depend on our wood. Just as important, our city neighbors prize the "environmental goods" we produce. Our forests are the green places suburbanites want to get away to. Their water is cleaner and cheaper because of the watersheds we manage. We produce oxygen in our forests, and take up carbon dioxide. We provide the habitat for game species our neighbors can hunt, and we take care of the special places endangered species need to survive.

It seems public values and public policy toward family forest owners are based on a paradox -- that their land can sustain itself without cash flow, and that vital public goods can be produced without investment.

Can we work our way out of this paradox? I hope we can, and the 2007 Farm Bill is an excellent place to start.

First, we all win if we choose to invest more in sustaining our nation's family forests.

That investment can take many forms:

- find, through research, new markets for low value wood;
- support for outreach, education and technical assistance to owners;
- direct incentives that owners can match with their own resources to protect watersheds, water quality and wildlife;
- facilitate private markets for ecosystem services;
- and there are many others.

Let me offer a few preliminary thoughts on some ways Farm Bill programs might help.

Incentives. Cost-share funding for family forest owners has historically varied from slim to none. The Forest Land Enhancement Program has not been able to achieve its goals, and while it's slowly growing, only a fraction of EQIP funds -- less than 2 percent -- are allocated to forestry activities. Altogether, our organization estimates that perhaps \$20 to \$30 million in cost-share funding annually ends up on family forests.

The need is much, much greater. We hope Congress will recognize that as it considers the future of the Farm Bill forestry programs and conservation programs like EQIP, the Conservation Security Program, the Wildlife Habitat Incentives Program, and even a better version of FLEP or expanded Forest Stewardship Program.

Please don't leave with the impression that I'm asking for a welfare program for family forest owners. I'm not. We don't need it or want it. But to keep our forests growing, and our wood-based economy intact, we need some kind of return on all the investments we make, including the things you can't chip or saw: like water quality, habitat, green space.

Outreach, Education and Technical Assistance. As a physician, I learned pretty quickly that people will work hard to help themselves – if they know what to do, and if they're confident in their ability to do it. It's the same with forestry. Unfortunately, most family forest owners in the US don't know much about their forests, or understand how they can do more to keep them healthy and growing.

At the same time, all the organizations and agencies that traditionally reached out to these owners are starved for funding. The centerpiece for these efforts – our state forestry agency – struggle with continually shrinking budgets. USDA funding for forestry extension has never exceeded a few million dollars. Often, provisions for technical assistance aren't fully integrated into the largest conservation programs.

We hope the 2007 Farm Bill will re-energize existing vehicles and spur development of new and creative delivery systems for outreach, education and technical assistance. A well-funded Forest Stewardship Program will be critical, along with new approaches to knitting together the work done by the Forest Service, NRCS, Extension and the various state agencies that "connect" with family forest owners.

Which brings me to my second "hope" for the 2007 Farm Bill.

Just as important as investing more, is investing smart. Serving as a board member of the American Cancer Society, I learned pretty quickly how tempting it is to plan for next year by repeating what you did this year, simply because you did it last year.

For the sake of our nation's family forests owners, we all have to get beyond that. As a neighbor of mine once told me: If you're not catching fish in your favorite pond, you need to at least think about finding a new pond, or a new way to spend the afternoon.

We need to take a hard look at what's working, what's not – and make certain that every dollar we invest in public programs for family forests does at least a dollar's worth of work. Where it counts. In the woods. For all of us.

As Congress takes up the next Farm Bill – in an era of ever-tighter budgets – we hope you will consider ways to get the most out of what we do spend.

Planning and Priority Setting. There's a whole alphabet soup of Federal programs, all with somewhat different objectives but in many cases working toward the same end and often on the same land.

We could maximize return on our Federal investment by seeking more joint priority-setting and planning among the different Federal agencies at the national and state level – at best, assuring that all programs mutually support the highest priority objectives, or, at least, reducing the potential for duplication and overlap.

Coordination. All effective rural conservation programs are rooted in effective state leadership. In some cases, that leadership is provided locally through Federal offices – for example, NRCS state committees and local work groups or through state extension offices. At the same time, state forestry agencies have traditionally assumed a leadership role in delivering programs for landowners and as a source of technical assistance. All these folks are good people; they understand what needs to be done. We could help them do it better by seeking more coordination among programs, more sharing of information, more joint planning and program delivery.

Results. You can't know if you're winning if you don't keep score. But you'll never know why you're winning if you don't measure carefully what works or what doesn't. We hope Congress will seek ways to assess the impact of programs based on outcomes, not just number of acres or contracts. By using compatible yardsticks across a range of different programs, we'll be able to see where we're doing the best job – and where we might be doing the same job twice.

Landscapes. Our family-owned forests are fragmenting. Our problems are not. Whether it's protecting water quality or enhancing wildlife habitat, solutions often stretch across boundary markers. Programs should encourage owners with common interests to identify common challenges and seek ways to solve them together.

Taking Advantage of All Resources – Public and Private. We were excited to hear so much talk about cooperative conservation at the White House Conference in St. Louis. It's simple common sense. There are so many different organizations – public, private and non-profit – interested in forest conservation. All make a unique contribution, but if we find ways to weave their efforts together, we'll be able to do more, and do it more creatively. We'll be able to build flexibility into the total system so we aren't trapped with 20th century tools to reach 21st century landowners, and we'll be able to produce better results more efficiently.

I'm a realist. I know this is going to come down to dollars, and there aren't many of them out there. But I believe the debate over the Farm Bill shouldn't be seen as "us" versus "them." We truly are in this together, because we all share the same ultimate goal -- to keep rural America a vibrant, vital and growing part of our economy, our environment, and our national life.

M. Robert Cooper, M.D.
 Director of Emeritus Affairs
 Professor Emeritus of Internal Medicine-Hematology/Oncology
 Wake Forest University School of Medicine

Dr. Cooper, a North Carolina native, has spent forty-three years at The Wake Forest University Baptist Medical Center. He began his medical career here as one of the original William Neal Reynolds scholars in 1956 and completed his formal career on December 31, 2001 after thirty-four and one-half years of service to the School of Medicine in the section on Hematology/Oncology.

His medical career began after he received his undergraduate degree from North Carolina State University and served for two years in the United States Army. After medical school he received post-doctoral training at the University of Virginia for one year and then returned to the North Carolina Baptist Hospital, where he completed his training as a medical oncologist.

As one of the pioneers in developing the Comprehensive Cancer Center of Wake Forest University, his contributions included more than 350 professional publications and more than 130 scientific presentations. In addition to his clinical practice, research and teaching, he has served as Acting Director of the Comprehensive Cancer Center, Associate Director for Community Research and Education, and Interim Chief of the Section on Hematology/Oncology.

Service to the American Cancer Society for more than twenty years is among his numerous leadership roles outside the Medical Center. In recognition of his dedication to this volunteer endeavor, he was awarded the St. George Medal, the top National Division Award. The American Cancer Society also chose him to serve as Professor of Clinical Oncology at the Medical School.

Grants from the National Cancer Institute and the National Institutes of Health have enabled Dr. Cooper to provide national recognition to the Medical Center.

In 1997 he received the MAA Distinguished Faculty Service Award from the Bowman Gray School of Medicine.

He has retired from clinical practice but continues to be active in the areas of teaching, research, writing and lectures. He was appointed Emeritus Professor and maintains an office at the Emeritus House at the Wake Forest University School of Medicine.

A citation from Wake Forest University describes Dr. Cooper as "a venerated authority on cancer...His extraordinary leadership sets a standard of professionalism to be emulated by those who follow."



Building Rural America
National Association of Credit Specialists
of the
USDA – Farm Service Agency
A Federal Managers Association Conference

FARM BILL AUGUST 2005

The National Association of Credit Specialists of the Farm Service Agency (NACS FSA) is a professional organization, which strives to enhance FSA programs, services and efficiency. NACS FSA's membership consists of loan officials and program managers who administer the FSA Title V Credit programs. NACS FSA is affiliated with the Federal Managers Association (FMA), an organization that represents over 200,000 federal managers, which advocates excellence in public service through effective management and professionalism.

In order to enhance FSA programs, services and efficiency to the fullest extent possible, a number of provisions are requested for the new Farm Bill. We ask for your support in making these Legislative and/or Farm Bill changes that are necessary to accomplish the following:

- 1) **ABOLISH TERM LIMITS** – Arbitrary term limits place unnecessary burdens on customers at a time when they are growing in their business or recovering from financial hardships and unable to obtain private/commercial credit at reasonable rates and terms. The present Direct Loan term limits are 7 years for Operating (OL) loans and 10 years for Farm Ownership (FO) loans. These term limits do not allow adequate time for a beginning farmer to become financially stable and grow his/her business. Term Limits assume that over a lifetime a producer will experience no more than 7 years of financial distress or adversity due to natural disasters or depressed prices.

Guaranteed loan term limits were suspended during the last farm bill and are due to be reinstated. These limits should be suspended permanently. Commercial lenders should have the flexibility to make prudent business decisions, including the request for a guarantee, without having arbitrary limits imposed on individual customers.

Therefore, term limits are restraining the potential success of beginning or financially stressed farmers, while creating burdensome administrative requirements for the Agency and Commercial Lenders. We solicit your support in permanently removing term limits from direct loans, as well as from Guaranteed Operating (OL) loans.

2) **INCREASE LOAN LIMITS FOR DIRECT FARM OWNERSHIP (FO) AND OPERATING (OL) LOANS**

The current limits of \$200,000.00 for FO Loans and \$200,000.00 for OL Loans were set over 20 years ago. Production costs and real estates values have greatly increased over the past 20 years. These low lending limits are greatly limiting our ability to help beginning farmers, socially disadvantaged farmers; and financially stressed or expanding farm operations. Loan Limits should be increased to \$400,000.00 for FO and OL direct loans.

Also, in an effort to help beginning farmers, we would ask that the \$250,000 limit on the purchase price or appraised value for property in FSA's Beginning Farmer Down Payment Program be increased to \$350,000.00.

3) **ALLOW FSA TO GUARANTEE LOANS MADE BY COMMERCIAL LENDERS ON TAX-FREE BONDS**

The aging farm population is a major concern and the limited allocation of Direct Farm Ownership (FO) funds has hindered efforts to get the next generation started in farming. FSA procedure prohibits the use of guaranteed loans in conjunction with many beginning farmer programs conducted in various states due to the fact the funds are generated by tax-free bonds. The use of tax-free funds by guaranteed lenders would be a valuable tool to help these producers obtain rates and terms that they can reasonably meet. This prohibition from financing in conjunction with tax free funds hinders FSA's ability to provide loans through participation and other types of joint financing, which involve these Aggie bonds and other tax free bonds.

Many states are promoting tax free bonds as an avenue to assist beginning farmers. Changing the rules to allow the use of FSA guaranteed loans in conjunction with tax free bonds will provide an excellent opportunity for a federal-state partnership in their effort to assist beginning farmers.

4) **PROVIDE INCENTIVES AND ALLOW FSA TO OFFER INNOVATIVE FINANCIANG SOLUTIONS FOR BEGINNING FARMERS**

Present regulations limit FSA's Beginning Farmer options. We propose the following options to address the entry-level challenges of beginning farmers and ranchers:

- Provide tax incentives or benefits to landowners that sell or rent property to beginning farmers.
- Increase the maximum FSA loan term for Beginning Farmer Down Payment loans to 20 or 25 years, from the present 15.
- FSA be permitted to offer guarantees of seller financed contracts for deed, and to facilitate a secondary market to purchase these contracts under specified conditions.
- Facilitate a secondary market for contract for deed transactions that are guaranteed by FSA. Obtaining a fixed interest rate often depends on the ability of the creditor to sell the loan in the secondary market.
- Eliminate or modify capital gains taxes payable by sellers on land sales to beginning farmers.
- Allow tax incentives for interest paid to sellers on land contracts to beginning farmers.
- Allow tax incentives for interest income received by commercial lenders on guaranteed long term loans to beginning farmers for acquisition of capital assets.

**Testimony of Kay Doby
Poultry Grower
Cameron, North Carolina**

**Submitted at the
Fayetteville, North Carolina Field Hearing
of the
House Committee on Agriculture
February 6, 2006**

In 1993, my husband and I built two 500-ft poultry houses at a cost of \$188,000 dollars. The houses were built by the company's specs. The companies have what they call a new house manager who oversees the building. The houses were financed through the poultry company with 20 acres of land put up. The first contract I signed was for 5 flocks a year for 10 years, the length of the loan. The first year we got six flocks, good; I will get the loan paid off before 10 years. Little did I know that after 1 year the company would bring us another contract to sign for 3 years with no guarantee of the # of flocks. The next contract was for 2 years with an arbitration clause added. Then a few years ago, I was presented with a contract that is only "flock to flock." Talk about job security!! At that time, we still owed 60,000 dollars on the houses and now we're told that we might get chickens to raise or we might not. If we don't get birds we can't make the payments and we lose the land we built the houses on. By now I hope you are asking yourself, how can they do that?

Recently the poultry companies discovered by way of technology that if you put a chicken in a house and keep the temperature at 72 degrees after it feathers out and keep it virtually in the dark 24/7 for 8 weeks, you can raise a bigger bird on less feed. The feed is the company's only expense. Now this would be good if only the companies would share the profits with the growers, but they do not.

This new technology is achieved through what is known as tunnel houses. When you see a house with the big fans, usually 4 side by side, that is a tunnel house. The curtains look white on the outside but they are black on the inside, no light can come through. Companies are now completely walling up one side of the houses. Some are even going so far as to wall up both sides. The only way the birds can get air is inlets in the ceiling that open when the fans come on to suck in air.

Our houses are what they call conventional houses. We have curtains that light can come through; the curtains come down automatically when it gets too hot. The company wanted us to convert our houses to tunnel when we still owed 80,000 dollars on them. This would cost us an additional 80,000 dollars. The company will give you what they call improved pay.

Growers are ranked against each other for their pay. The company will group you with maybe 14 other growers. They will take the average for that week of how much feed it took to grow the average weight bird. Then you will fall somewhere in the ranking system to get what you will be paid. There will be half the growers making above the 50% mark and half of the growers will be in the minus. The companies will use the minuses to say you are a bad grower.

Now keep in mind that you had no control over the birds you received to begin with. Maybe you received chicks that came from hens that just started laying, therefore you got little tiny chicks that have a hard time living and if they live they never get to the weight of the others, but still probably eat as much. Now don't forget that your goal is to raise the heaviest bird on the least amount of feed. Maybe you received chicks that had an egg explode during the hatching process and penetrated the other eggs with bacteria. If that happens, then you have sick little chicks. Maybe the driver that brought your chicks stopped to get a Coke and take a break before he got to your farm and your chicks were chilled or overheated.

The next problem is that you have no control over is the feed. What if you get the wrong feed mixture for your age birds? Get a low calorie feed and the birds are going to eat it and not put on any weight. Remember you are going to be paid based on how you measure up to other growers. Now suppose that your birds are held over to 58 days and the other grower's birds are picked up at 53, 54, 55 days. Make a difference? You bet. Your birds have just been sitting there for extra days eating thousands more pounds of feed and just adding to your litter. They have finished growing because the last days of feed are withdrawal, not packed with the calories for weight gain. Oh, and let's not forget when they pick up your birds. Depending on the time they sit on the trucks before they go to processing, some of the birds may die. You aren't paid for a dead bird but you sure are charged for the feed that bird ate. There is no way it can be fair to rank growers against one another when they never start out on the same level. There are too many things beyond the grower's control to base his pay on a ranking system.

Integrators determine pay for individual flocks therefore resulting in declining pay as other producers shift to the tunnel houses. This deceptive practice has the effect of shuffling an average producer with a conventional house down the pay scale in a subtle way. I have looked at the figures and you can not make your additional loan payment with the improved pay they offer you to shift to tunnel ventilation. Not only can you not pay your loan, but you also have the additional expense of electricity because you must run fans to bring in fresh air in the summer when before you could just open the curtains.

This brings us back to the flock-to-flock contract. In other words it means that the company want you to make your houses tunnel so they can make more money off you, or they won't give you any more chickens and you will lose your farm. Poultry houses are a single-use structure and at the present time there is nothing else that can generate the revenue to pay for them that poultry can.

I personally know growers that have been cut off. In other words, the companies will not bring them birds to raise. Others have given in and borrowed the money to do the upgrades to tunnel and now stand to lose everything including the house they live in if the company so desires.

With a traditional bank loan on a dwelling or land, one normally obtains equity as the loan is paid off. With loans for poultry houses and equipment, little equity is earned because the houses and equipment have limited salvage value. While loans are being paid off, cash flow is typically negative. After loans are paid off, cash flow may be positive, but inadequate to recover earlier losses.

Even with that dismal projection, the grower still works for the day that he will have the loan paid off. But guess what? The grower will never get to that day because the company won't let him. When a grower gets his houses paid for, the company wants the newer updated equipment in the houses or they will cut you off. So here you are with two choices, go back even deeper in debt or just sell your farm and salvage what you can.

Farm business records show that contract producers who once had acceptable incomes from their poultry operations now put up a few hundred thousand dollars of equity, and borrow several hundred thousand more to hire themselves at minimum wage with no benefits and no real rate of return on their equity. Yet, integrators continue to earn 10 – 25 % rates of return on equity.

Consumers have benefited from vertical integration in both quality and consistency of poultry products with lower prices. Reports show that many poultry integrators have benefited from vertical integration. Contract poultry producers have been left behind with a poverty level of existence.

A question often asked is: "If returns are really so low, why are people lined up to become contract producers?" Although no detailed studies are available, it appears that there are four major reasons why people continue to be interested in becoming contract producers. First, there are few other job opportunities in areas where poultry operations are often located. Second, many potential producers do not understand that cost and return budgets may use unrealistically long depreciation periods. In the past, some producers have been strongly discouraged by integrators from making public their contracts and financial information. And there may be deception in the information presented to potential producers by some integrators in that not all costs are shown, or costs are underestimated. Third, many potential producers may feel that they can be above average, even though the payment system prevents more than half of them from being above average. Fourth, the manner in which most integrators determine pay for individual flocks may result in declining pay as other producers adopt new, more efficient technology. Potential new producers may not recognize this and thus may not account for it in their profitability analyses.

Now we are back to the question, how can the companies do that? Because they have a contract that is written solely to benefit them. Because there are no laws that say they cannot do it.

Here is a section of one contract:

(company) agrees to sell and deliver to Producer day old flocks of chicks (each such flock being referred to as a "Flock"), as such Flocks are available for placement from time to time under prevailing market and production conditions and other relevant factors. (company) shall not be obligated to deliver a certain number of Flocks to Producer or to deliver Flocks to Producer at any certain time.

The North Carolina Contract Poultry Growers Association is made up of poultry growers and supporters that are working to educate the public and lawmakers to how bad the contracts and conditions are for the poultry growers. The companies are not going to change things unless they are made to do so. The growers don't want anything that they are not entitled to, but they want things to be fair. And I have a few suggestions in that regard:

- 1) The Packers and Stockyards Act needs to be updated to give USDA's Grain Inspection, Packers and Stockyards Agency full authority, like the authority they already have in the red meat sector, to crack down on unfair and deceptive trade practices. Right now, their authority is very limited for poultry, and that means that there's no cop on the beat to make sure that poultry growers are not being abused. And once that have that authority, we need to make sure that GIPSA is doing everything possible to fully enforce the law.
- 2) Pass legislation to specifically prohibit certain abusive contract clauses. For example, poultry growers, and some hog producers, are being forced to sign mandatory arbitration clauses. Often the company will force you to sign a new version of your old contract, but will add the arbitration clause, and threaten to stop sending you new chicks until you sign. This arbitration clause has the effect of saying that you can't seek justice in court, no matter what the company does to you. Even in the case of illegality, or breach of contract, or fraud, you can't go to court. Instead you have to go into a private arbitration system where you have no rights, and where they ask you to pay thousands of dollars up front just to start the arbitration process. Arbitration should be voluntary for both parties, not something forced on you by the company. Congress passed a law a few years ago to stop car manufacturers from using these abusive arbitration clauses on car dealers. Farmers would like the same protections that Congress has given to car dealers.
- 3) And what would be really best of all is if companies would be required to bargain in good faith with grower associations, instead of insisting on dealing with each grower individually. This is not a new idea. In fact in some states, like California and Michigan, the state laws have "good faith" bargaining requirements for some agricultural contracts. And it works well there. But the laws had to be there first to make this happen. We should do this at the national level too, by changing the Agricultural Fair Practices Act to require good faith bargaining in contract negotiations.

If large agribusinesses are allowed to control the terms of these take-it-leave-it contracts, and as long that Congress lets them abuse growers, companies will continue to shift the poultry model into other parts of agriculture, as we have already seen in many other commodities in North Carolina.

I would like to thank you for your time and willingness to read some of the things that are going on with today's poultry growers and would like to close with the following:

The contract producer has been transferred into a "mere servant of a corporation." Or, as some have said, contract producers are serfs – with a mortgage.

Chairman Goodlatte, Ranking Member Peterson, Members of the Committee-

I am Laura Deaton Klauke, Director of the Contract Agriculture Reform Program with the Rural Advancement Foundation International (RAFI) - USA based in Pittsboro, North Carolina. Thank you for this opportunity to submit this testimony on behalf of the Campaign for Contract Agriculture Reform, a coalition of which RAFI- USA is a founding member.

RAFI-USA, a nonprofit in Pittsboro, in Chatham County, creates conditions for a dependable supply of safe food. Based on equity, diversity and community, these conditions include: Strong family farms & rural communities; Close connections between consumers and producers of food; Environmentally sound farming; Safeguarding of agricultural biodiversity.

The Campaign for Contract Agriculture Reform (CCAR) is a national alliance of organizations working to provide a voice for farmers and ranchers involved in contract agriculture, as well as the communities in which they live. The goal of the campaign is to assure that the processor-producer relationship serves as a fair partnership, rather than a dictatorship.

Traditionally, farm bill debates have focused on issues such as research, credit, conservation, and the structure of commodity price support mechanisms and direct farmer assistance programs. Undoubtedly, those themes will continue to be a central part of the debate on the upcoming farm bill.

However, the structure of U.S. agriculture is rapidly changing and therefore the focus of the farm bill process must also be broadened to keep pace with the modern realities facing farmers and their communities.

Unfortunately, the traditional model of independent producer selling their product to independent processor is rapidly shifting toward an environment in which contractual arrangements between farmers and vertical integrators and processors are commonplace. In addition, agribusiness firms are rapidly consolidating to gain market control. It is critical that the farm bill not only address the structural issues of agriculture to help independent farmers stay independent and viable. But it is also important to acknowledge the rapid shift toward contract production, and to address the unique needs and challenges of contract farmers.

With the rapid rise of vertically integrated methods of agricultural production, farmers are increasingly producing agricultural products under contract with large processors. In 1998, USDA's Economic Research Service estimated that 35 percent of all agricultural production was produced under contract (need to cite report, or add more up to date information) For North Carolina specifically, most of our state's major commodities are governed by contract relationships, including poultry, hogs, tobacco, peanuts, and increasingly nursery crops. These contractual relationships take many different forms. The dominate forms are marketing contracts and production contracts.

Marketing contracts, now common in the production of beef, hogs, and tobacco, describe a relationship where a farmer or rancher contracts with a processor or integrator to sell product in the future at a certain price. Often the contracted price is benchmarked off a market, such as the Chicago Mercantile Exchange.

Production contracts - which are nearly universal in poultry production, and are becoming more common in hog production - describe an arrangement in which the farmer never actually owns the product they produce, but instead makes large capital investments on their own land to build the facilities necessary to raise animals for an "integrator."

Under such arrangements, farmers and growers are often given take-it-or-leave-it, non-negotiable contracts, with language drafted by the integrator in a manner designed to maximize the company's profits and shift risk to the grower. In many cases, the farmer has little choice but to sign the contract presented to them, or accept bankruptcy. The legal term for such contracts is "contract of adhesion." As contracts of adhesion become more commonplace in agriculture, the abuses that often characterize such contracts are also becoming more commonplace and more egregious.

Under both of these contract models, but particularly with production contracts, farmers and growers lose their autonomy and any bargaining power that they once had as independent farmers. This corporate control of production unnecessarily replaces farm-level decision making with centralized corporate planning and leaves farmers trapped in long-term debts tied to short-term, non-negotiable production contracts. Contracts are often signed as a last resort. In many parts of the country, farmers have little choice but to sign a contract. For example, for broiler production, with very few exceptions, there really are no alternatives other than producing under a production contract.

Compounding the problems of contract production is the rapid consolidation of agribusiness firms. Today, a small handful of corporations overwhelmingly dominate the nation's food supply. The market control of the top four firms in food retailing, grain processing, red meat processing, poultry processing, milk processing, and nearly every category of food manufacturing is at an all time high. Corporate mergers and buyouts have concentrated the power of these firms and increased their ability to unfairly manipulate market conditions in their favor. This unprecedented level of horizontal market consolidation effectively eliminates free market competition to the detriment of independent family farmers and consumers.

In the recent past, this Committee has taken a very "hands-off" approach to the issues of market consolidation and contract agriculture. As the market concentration of agribusiness firms reaches historical levels, and as the contract model spreads quickly throughout other sectors of agriculture, it is time for Congress to take notice, and to legislate commonsense protections to assure that basic standards of fair dealing and good faith apply, and that fair contracting standards are defined and enforced. In many sectors, such as poultry, growers have no viable option for production other than through

a contract relationship. And because total control over the contract terms and contract implementation is in hands of the integrator, farmers and growers are very vulnerable to abuse.

In previous decades, Congress recognized the need to regulate the behavior of powerful packers, integrators and processors in their dealings with farmers and growers. The two most notable examples are the Packers and Stockyards Act of 1921 and the Agricultural Fair Practices Act of 1967. In both cases, Congress recognized the danger of allowing integrators and processors to have unfettered power over agricultural markets, and the need to regulate the behavior of integrators and processors to prevent abuse to farmers. Unfortunately, both statutes are in great need of reform in order to respond to widespread abuses that farmers are experiencing today.

Therefore, because of the importance of competitive markets, where farmers and processors can work together in a balanced and transparent marketplace, I urge the Committee to make the issue of agricultural competition and market concentration a top priority for the 2007 farm bill.

Specifically, I urge the Committee to hold hearings on the issue of agricultural competition and market concentration, in preparation for the inclusion of a Competition Title in the 2007 farm bill. This Title should include the following provisions:

Producer Protection Act/ Minimum Contract Standards. In a September of 2000, sixteen State Attorneys General issued a joint statement that regardless of any benefits, *"contracting poses serious risks for producers and, ultimately, for consumers."* The statement further noted that spread of contracts within highly concentrated agricultural markets and warned of the "greater and greater disparity between processors and farmers with respect to market information and bargaining power." The Attorneys General also noted that "[c]ontracting can result in the unfair shifting of economic risk to farmers" and that contracts with confidentiality clauses destroy market transparency, limiting the ability of farmers to negotiate a fair deal.

In response to these problems, the Attorneys General provided model state legislation, referred to as the Producer Protection Act, designed to set basic minimum standards for contract fairness and promote meaningful competition in agriculture, and to address the worst abuses contained in processor-drafted boilerplate contracts. Highlights of this proposal include:

- (1) Clear disclosure of producer risks;
- (2) Prohibition on binding arbitration in contracts of adhesion;
- (3) Recapture of capital investment (so that contracts that require a significant capital investment by the producer cannot be capriciously canceled without compensation); and,
- (4) A ban on unfair trade practices including "tournament" or "ranking system" payment.

In recognition of the national nature of the problem, the issue of minimum contract standards was debated by the Senate during the 2002 farm bill debate. The House declined to debate the subject. As a result, the Senate version of the bill included a provision to prohibit the use of certain confidentiality clauses in agricultural contracts, and another provision prohibiting mandatory arbitration clauses in livestock and poultry contracts, to assure that arbitration is a voluntary decision agreed upon by both parties in writing after a dispute arises.

While the confidentiality clause provision was included in the final 2002 Farm bill package and is now law, the arbitration provision was unfortunately dropped during the farm bill Conference.

Arbitration clauses have emerged in recent years as being one of the most egregious examples of abusive contract clauses faced by contract growers. Many livestock and poultry growers are being forced to sign away their constitutional rights to jury trial upon signing a contract with an integrator, and instead must accept a dispute resolution forum that denies their basic legal rights and is too costly for most growers to pursue.

Because basic legal processes such as discovery are waived in arbitration, it becomes very difficult for a farmer or grower to prove their case. In these cases, the company has control of the information needed for a grower to argue their case. In a civil court case, this evidence would be available to a growers' attorney through discovery. In an arbitration proceeding, the company is not required to provide access to this information, thus placing the farmer/grower at an extreme disadvantage. Other standard legal rights that are waived through arbitration are access to mediation and appeal, as well as the right to an explanation of the decision.

In addition, it is often assumed that arbitration is a less costly way of resolving dispute than going to court. Yet for the farmer, the opposite is usually true. The high cost of arbitration is often a significant barrier to most farmers. The up-front filing fees and arbitrator fees can exceed the magnitude of the dispute itself. For example, in a recent Mississippi case, filing fees for a poultry grower to begin an arbitration proceeding were \$11,000. In contrast, filing fees for a civil court case are \$150 to \$250. Lawyer fees in a civil case are often paid on a contingent-fee basis.

Legislation has been introduced in the Senate (S. 2131) to address the arbitration issue, with strong bipartisan support. While this legislation has been referred to the Senate Judiciary Committee, it could easily be redrafted in the House to be relevant to the farm bill process, if necessary.

Closing Poultry Loopholes in the Packers & Stockyards (P&S) Act: The Packers and Stockyards Act prohibits unfair, unjustly discriminatory, and deceptive acts and practices, including some anti-competitive practices, in the livestock and poultry sectors.

However, the Act provides different levels of protection for livestock producers and poultry growers. While the Act makes it unlawful for a livestock packer or a live poultry dealer "to engage in or use any unfair, unjustly discriminatory or deceptive practice or device, or to give any unreasonable advantage to any particular person or locality,"

USDA's Grain Inspection, Packers and Stockyards Administration GIPSA has neither general authority to stop the unfair practices nor the authority to penalize the *poultry* dealers. As one former GIPSA Administrator commented during his tenure, "We have the responsibility but not the authority."

When violations of the Act are discovered in the livestock industry, GIPSA has the authority to take administrative actions, including holding hearings and assessing civil and criminal penalties. However, GIPSA does not have this administrative enforcement authority in the poultry industry.

When violations of the Act are discovered in the poultry industry, GIPSA can only issue an order to cease illegal conduct. In extreme cases, GIPSA can send the complaint to the Justice Department. From the poultry company's perspective, breaking the law and increasing company profits through fraudulent or deceptive practices carries little financial or legal risk.

In addition, even the inadequate level of protection provided by the Act for broiler growers does not extend to breeder hen or pullet growers. This is because the definition of a "poultry grower" in the present Packers and Stockyards Act (P&S Act) is "any person engaged in the business of raising and caring for live poultry for slaughter by another..." This definition has been interpreted by the courts to mean that the Packers and Stockyards Act applies only to broiler growers because the birds they care for go directly to a processing plant, whereas breeder hen and pullet growers raise their birds as an intermediate step in the poultry process.

Legislation should be included in the 2007 farm bill, similar to H.R. 582 introduced in the 108th Congress, to give all contract poultry growers the same legal protection under the Packers and Stockyards Act as other livestock producers, and to assure that all poultry growers enjoy those protections.

While some of the problems faced by poultry growers relate to GIPSA's lack of statutory authority, chronic lack of enforcement under the Agency's existing authorities have been a problem as well. We have been pleased by efforts made by GIPSA in recent months to meet with poultry growers and to better understand the pervasive problems in the poultry sector, and we are hopeful that this constructive dialogue between GIPSA and poultry growers will continue. However, the enforcement problems at GIPSA are legendary.

In January of 2006, USDA Office of Inspector General issued an audit report highly critical of USDA's Grain Inspection, Packers and Stockyards Agency (GIPSA) and its management and oversight of the Packers and Stockyards Programs. The OIG report noted many problems with GIPSA enforcement of the Packers and Stockyards Act, including inaccurate and incomplete investigative tracking systems, inadequate process for managing investigations, inability to make decisions on policy and guidance matters, and incomplete actions to strengthen program operations. If GIPSA does not act swiftly to implement the reforms suggested by the OIG audit report, additional legislation may be necessary to facilitate the Agency's enforcement procedures.

Amendment to the Agricultural Fair Practices Act of 1967 to provide Bargaining Rights for Contract Farmers:

Responding to the retaliatory practices of processors in the 1950's and 1960's, the Agricultural Fair Practices Act of 1967 was passed to ensure that family farmers could join together in authorized cooperative associations to market their produce without fear of interference or retribution from processors. Unfortunately, loopholes in the legislation and changes in markets are making it increasingly difficult for producers to organize and attain a fair price for their products or fair treatment in contract terms, and increasingly easy for processors to retaliate against producers who seek to join together to demand better treatment under their contracts.

The primary weakness of the Act is that handlers are not required to bargain in good faith with producer associations. While the Act prohibits processors from discriminating against producers simply because they are part of an association, it includes a disclaimer clause permitting the processors to refuse to do business with a producer for *any* other reason. This makes discrimination based on a producer's membership in an association extremely easy to disguise.

Legislation requiring good faith bargaining would give marketing cooperatives the leverage to compel negotiations. It provides farmers a means of participation in contract negotiations with processors, participation reflective of the farmers' substantial financial investments in the industry. This would mirror State statutes in California, Maine, and Michigan which require good faith bargaining for contracts in the fruit and produce sectors.

Legislation should be included in the 2007 farm bill to update the Agricultural Fair Practices Act to close the loopholes that limit its effectiveness, to promote bargaining rights, and to prevent processor retaliation. (See H.R. 230 from the 107th Congress as an example)

In addition, the consolidation of agribusiness firms and the efforts by those firms to dominate markets has manifested itself in different ways in different sectors of agriculture. While CCAR's expertise is focused more specifically on the poultry sector and other sectors where contract agriculture is taking hold, we strongly believe that the issues of concentration and competition must be addressed in other sectors as well. Therefore, we argue that the following legislative initiatives should also be included in the 2007 farm bill, as part of a comprehensive Competition Title:

Prohibition on Packer-Owned Livestock: Packer-owned livestock is a major market power tool for meat packers such as Tyson, Cargill, and Smithfield Foods. This practice fosters industrial livestock production and freezes independent farmers out of the markets. Packer-owned livestock has been proven to artificially lower farm gate prices while consumer food prices continue rising. A packer ban -- prohibiting direct ownership of livestock by major meatpackers -- addresses the problem of captive supply which packers use to manipulate markets. A packer ban would help increase market access for America's independent

producers who currently experience great restrictions in market access due in part to packer ownership of livestock.

Transparency/Minimum Open Market Bill: In the absence of a mandatory minimum open market volume, all producers will be forced into unfair contracts with specific packers. This bill will require meat packers to purchase at least 25% of their daily hog and cattle needs from the open market and will limit the ability of packers to use their owned and contracted livestock to manipulate prices down artificially.

Captive Supply Reform Act: This legislation will bring secret, long-term contracts between packers and producers into the open and create a market for these contracts. The Captive Supply Reform Act would restore competition by making packers (and livestock producers) bid against each other to win contracts. Currently, forward contracts and marketing agreements are negotiated in secret, in a transaction where packers have all the information and power, with the result that these contracts and agreements depress prices and shut small and independent producers out of markets. The Captive Supply Reform Act would require such contracts to be traded in open, public markets to which all buyers and sellers have access.

Clarification of "Undue Preferences" in the Packers & Stockyards Act: Packers commonly make unjustified, preferential deals that provide unfair economic advantages to large-scale agriculture production over smaller family owned and sustainable farms. Courts have found current undue preference legal standards virtually impossible to enforce. Additional legislative language is needed to strengthen the law and clarify that preferential pricing structures (those that provide different prices to different producers) are justified only for real differences in product value or actual and quantifiable differences in acquisition and transaction costs.

Mandatory Country of Origin Labeling: Country of origin labeling (COOL) was passed as a provision of the 2002 Farm Bill. This popular measure allows consumers to determine where their food is produced while allowing producers to showcase their products for quality and safety. It also limits the ability of global food companies to source farm products from any country while passing them off as U.S. in origin. The meat packers and retailers have successfully stymied the effort to implement this law. Congress should immediately implement COOL to benefit producers and consumers as intended in the law.

All of the legislative proposals discussed in this testimony have been endorsed by over 200 organizations representing farmer, consumer, labor, religious, environmental, and wildlife concerns, which collectively sent a letter to the Committee last summer decrying unfair competition and increasing consolidation in agriculture, and urging the Committee action as part of the 2007 farm bill debate.

Laws to promote fairness and healthy competition, such as those outlined above, are key to achieving the goal of promoting an economically healthy and diverse agricultural production sector and providing consumers with healthy, affordable food.

The Committee has an opportunity to address the changing structure of agriculture through this farm bill, or to ignore the trends and remain focused exclusively on the traditional farm programs. In our view, and the view of thousands of farmers and their communities throughout the country, the issues of competition and concentration in agricultural markets have as much importance to the health of our agricultural economy as do federal price support and direct assistance programs. I urge the Committee to give these issues their due attention.

Thank you for this opportunity to present my views.

National Campaign for Sustainable Agriculture

July 29, 2005

The Honorable Bob Goodlatte, Chair
The Honorable Collin Peterson, Ranking Member
Committee on Agriculture
United States House of Representatives
Washington, DC 20515

The Honorable F. James Sensenbrenner, Jr., Chair
The Honorable John Conyers, Jr., Ranking Member
Committee on the Judiciary
United States House of Representatives
Washington, DC 20515

Re: Unfair Competition and Consolidation in Agriculture

Dear Chairmen and Ranking Members:

The hundreds of organizations signed below strongly urge you to make the issues of agricultural competition and market concentration a top priority as Congress considers the crafting of agricultural legislation. During the 2002 Farm Bill debates, public testimony provided clear and compelling evidence of the need for free market competition and fairness for America's farmers and ranchers. Since that time these concerns have become even more urgent and prominent in the public eye.

Today, a small handful of corporations overwhelmingly dominate the nation's food supply. The market control of the top four firms in food retailing, grain processing, red meat processing, poultry processing, milk processing, and nearly every category of food manufacturing is at an all time high. Corporate mergers and buyouts have concentrated the power of these firms and increased their ability to unfairly manipulate market conditions in their favor. This unprecedented level of horizontal market consolidation effectively eliminates free market competition to the detriment of independent family farmers and consumers.

Compounding the problem associated with horizontal consolidation is the rapid trend toward vertical integration. Manufacturers, processors, and packers increasingly control all stages of production and inventory through commodity ownership and one-sided contracts. This corporate control of production unnecessarily eliminates market transparency, creating an environment ripe for price manipulation and discrimination. It replaces farm-level decision making with centralized corporate planning and leaves farmers trapped in long-term debts tied to short-term, non-negotiable production contracts. In addition, top retailers and packers increasingly engage in relationships with dominant suppliers that exclude smaller competitors and minimize price competition. Because both supply and demand are controlled by the same players in the market, the basic principles of supply and demand cannot function.

The role of government should be to facilitate properly operating markets and to bring balance to the economic relationships among farmers/ranchers, consumers and food companies. Instead, inadequate federal legislation and the lack of enforcement of anti-trust policies have allowed a handful of corporations to continue to consolidate market power, manipulate prices, and create anti-competitive market structures. Government inaction has a dramatic, negative impact on not only farmers and ranchers, but also on rural communities, the environment, food quality, food safety, and consumer prices. It undermines sustainable production practices and state and local laws that support family-scale, sustainable farm and ranch operations.

Policy makers often state policy goals of maintaining a diverse, farm-and-ranch-based production sector and providing consumers with a nutritious, affordable food supply. However, government failure to redress industry concentration -- both vertical and horizontal -- is thwarting these policy goals and driving farmers' earnings down and consumer prices up.

National Campaign for Sustainable Agriculture

To address these problems, the following legislation should be enacted:

1. Prohibition on Packer-Owned Livestock: Packer-owned livestock is a major market power tool for meat packers such as Tyson, Cargill, and Smithfield Foods. This practice fosters industrial livestock production and freezes independent farmers out of the markets. Packer-owned livestock has been proven to artificially lower farm gate prices while consumer food prices continue rising. A packer ban -- prohibiting direct ownership of livestock by major meatpackers -- addresses the problem of captive supply which packers use to manipulate markets. A packer ban would help increase market access for America's independent producers who currently experience great restrictions in market access due in part to packer ownership of livestock.

2. Producer Protection Act: This proposal is designed to set minimum standards for contract fairness in agriculture. It addresses the worst abuses contained in processor-drafted boilerplate contracts. It includes: (1) Clear disclosure of producer risks; (2) Prohibition on confidentiality clauses; (3) Prohibition on binding arbitration in contracts of adhesion; (4) Recapture of capital investment (so that contracts that require a significant capital investment by the producer cannot be capriciously canceled without compensation); and (5) A ban on unfair trade practices including "tournament" or "ranking system" payment.

3. Transparency/Minimum Open Market Bill: In the absence of a mandatory minimum open market volume, all producers will be forced into unfair contracts with specific packers. This bill will require meat packers to purchase at least 25% of their daily hog and cattle needs from the open market and will limit the ability of packers to use their owned and contracted livestock to manipulate prices down artificially.

4. Captive Supply Reform Act: This legislation will bring secret, long-term contracts between packers and producers into the open and create a market for these contracts. The Captive Supply Reform Act would restore competition by making packers (and livestock producers) bid against each other to win contracts. Currently, forward contracts and marketing agreements are negotiated in secret, in a transaction where packers have all the information and power, with the result that these contracts and agreements depress prices and shut small and independent producers out of markets. The Captive Supply Reform Act would require such contracts to be traded in open, public markets to which all buyers and sellers have access.

5. Clarification of "Undue Preferences" in the Packers & Stockyards Act: Packers commonly make unjustified, preferential deals that provide unfair economic advantages to large-scale agriculture production over smaller family owned and sustainable farms. Courts have found current undue preference legal standards virtually impossible to enforce. Additional legislative language is needed to strengthen the law and clarify that preferential pricing structures (those that provide different prices to different producers) are justified only for real differences in product value or actual and quantifiable differences in acquisition and transaction costs.

6. Closing Poultry Loopholes in the Packers & Stockyards (P&S) Act: USDA does not have the authority to bring enforcement actions against poultry dealers. The P&S Act oddly omits this authority even as USDA can enforce the law against packers and livestock dealers. We seek to clarify that USDA's authority over poultry applies not only to broiler operations, but also to growers raising pullets or breeder hens. These loopholes should be closed.

7. Bargaining Rights for Contract Farmers: Loopholes should be closed in the Agricultural Fair Practices Act of 1967 (AFPA), and processors should be required to bargain in good faith with producer organizations. The AFPA was enacted to ensure that livestock and poultry producers could join associations and market their products collectively without fear of retribution by processors. These goals have not been attained due to loopholes in that Act. Retaliation by processors is commonplace in some sectors. This legislation should be passed to promote bargaining rights and prevent processor retaliation.

8. Mandatory Country of Origin Labeling: Country of origin labeling (COOL) was passed as a provision of the 2002 Farm Bill. This popular measure allows consumers to determine where their food is produced while allowing producers to showcase their products for quality and safety. It also limits the ability of global

National Campaign for Sustainable Agriculture

food companies to source farm products from any country while passing them off as U.S. in origin. The meat packers and retailers have successfully stymied the effort to implement this law. Congress should immediately implement COOL to benefit producers and consumers as intended in the law.

Our country's farmers, ranchers, and consumers—both rural and urban—are asking for nothing more than a fair market and a competitive share for family farmers of the \$900 billion dollars that consumers insert into the food and agriculture economy annually. Market reforms remain a key ingredient for rural revitalization and meaningful consumer choice. Laws to promote fairness and healthy competition, such as those outlined above, are key to achieving the goal of promoting an economically healthy and diverse agricultural production sector and providing consumers with healthy, affordable food.

Sincerely,

NATIONAL ORGANIZATIONS NATIONAL ORGANIZATIONS REGIONAL ORGANIZATIONS

Alternative Energy Resources
Organization
American Com Growers Association
American Raw Milk Producers Pricing
Association
Animal Welfare Institute
Campaign for Contract Agricultural
Reform
Campaign for Family Farms & the
Environment
Center for Rural Affairs
Community Food Security Coalition
Corporate Agribusiness Research
Project
Defenders of Wildlife
Earth Cluster of Franciscans
International
Farm Aid
First Nations Development Institute
Food First
FoodRoutes Network
Global Exchange
GRACE Public Fund
Grassroots International
Humane Society of the United States
Independent Organic Inspector's Assoc.
Institute for Agriculture and Trade
Policy
Justice and Witness Ministries, United
Church of Christ
Land Stewardship Project
National Assoc. of Latino/Hispanic
Farmers and Ranchers
National Campaign for Sustainable
Agriculture
National Catholic Rural Life Conference
National Center for Appropriate
Technology

National Contract Poultry Growers
Association
National Family Farm Coalition
National Farmers Organization
National Farmers Union
Organic Consumers Association
Organic Farming Research Foundation
Organization for Competitive Markets
Oxfam America
Public Citizen
RAFI-USA
R-CALF United Stockgrowers of
America
Sierra Club National Agriculture
Committee
Small Farm Today
Small Planet Institute
Soybean Producers of America
Sustainable Agriculture Coalition
The Urban Agriculture Network
Union of Concerned Scientists
Weston A. Price Foundation
Women, Food and Agriculture Network
World Hunger Year

REGIONAL ORGANIZATIONS

Agriculture of the Middle
Appalachian Sustainable Development
Concerned Citizens of Central Ohio
Delmarva Poultry Justice Alliance
Federation of Southern
Cooperatives/Land Assistance Fund
Midwest Organic and Sustainable
Education Service
Michael Fields Agricultural Institute
(WI)
New England Small Farm Institute
Northern Plains Resource Council

Rocky Mountain Farmers Union
Southern Institute for Justice (MS)
Southern Sustainable Agriculture
Working Group
Western Organization of Resource
Councils
Western Sustainable Agriculture
Working Group
Action for a Clean Environment (GA)
Agricultural Missions (NY)
Agriculture & Land Based Training
Association (CA)
Alabama Contract Poultry Growers
Association

State and Local Organizations

Alaska Farmers Union
Alm Hill Gardens (WA)
Alliance for Sustainable Communities
(MD)
Amanecer, Inc. (TX)
American Agricultural Movement of
Texas
Appalachian Crafts (KY)
Archdiocese of Dubuque Rural Life
Office (IA)
Arkansas Farmers Union
Berkeley Farmers Market (CA)
Bottega Restaurant(AL)
Boulder County Farmers Markets(CO)
Bronx Greens (NY)
Brykill Farms (NY)
C.A.S.A. del Llano (TX)
California Certified Organic Farmers
California Coalition for Food and
Farming
California Dairy Campaign
California Farmers Union

National Campaign for Sustainable Agriculture

- Caretaker Farm CSA (MA)
 Catholic Charities of Kansas City-
 St. Joseph, Inc. (MO)
 Catholic Charities Parish Social Ministry
 Dept. Archdiocese of Louisville KY
 Catholic Charities, Diocese of Sioux City
 (IA)
 Catholic Rural Life, Archdiocese of
 Dubuque (IA)
 Chemung County Council of Churches
 (NY)
 Chez Fonfon Restaurant (AL)
 Church Women United of Chemung
 County, NY
 Church Women United of New York
 State
 Churches' Center for Land and People
 (WI)
 Citizens Action Coalition (Indiana)
 CitySeed (CT)
 Colorado Genetic Engineering Action
 Network
 Commission on Peace and Justice of the
 Roman Catholic Diocese of Albany (NY)
 Commodity Growers Cooperative (KY)
 Community Action Resource Enterprises
 (OR)
 Community Alliance with Family Farmers
 (CA)
 Community Farm Alliance (KY)
 Cornucopia Institute (WI)
 Court St Joseph #139, Catholic Daughters
 of the Americas, Coming, Elmira, NY
 Dakota Resource Council
 Dakota Rural Action
 De Comunidad a Comunidad (Community
 to Community Development) (WA)
 Delta Land and Community (AR)
 Diocese of Jefferson City (MO)
 East End Community Organic Farm (NY)
 Ecological Farming Association (CA)
 Ecology Ministry, Social Justice Office,
 Archdiocese of Santa Fe (NM)
 Endangered Habitats League (CA)
 Environmental Action Committee of
 Westmar (MO)
 Faces of Food (MO)
 Family Farm Defenders (WI)
 Family Farms for the Future (MO)
 Farm to City Pittsburgh (PA)
 Farmer John's Organic Produce (NJ)
 FH King Students of Sustainable Agriculture
 at UW Madison (WI)
 Florida Organic Growers and Consumers
 Foodshed Alliance of the Ridge and Valley
 (NY)
 FORGE, Inc (AR)
 Future Harvest - CASA (MD)
 Genesis Farm (NJ)
 Georgia Organics
 Georgia Poultry Justice Alliance
 Go Wild Campaign (WA)
 Good to Go Foods (NE)
 Grass-Roots (NY)
 Grassworks (WI)
 Heartland Center, Office of Peace and Social
 Justice, Diocese of Gary (IN)
 Highlands Bar and Grill (AL)
 Hmong American Committee (CA)
 Horseheads Grange #1118 (NY)
 Idaho Rural Council
 Illinois Farmers Union
 Illinois Stewardship Alliance
 Indiana Campaign for Economic Justice
 Iowa Citizens for Community Improvement
 Iowa Farmers Union
 Jackson County, WI Democratic Party
 Just Food (NY)
 Kansas City Food Circle (MO)
 Kansas Farmers Union
 Kansas National Farmers Organization
 Kansas Rural Center
 Kirschenmann Family Farms (IA)
 Ladies of Charity of Chemung County (NY)
 Maine Organic Farmers and Gardeners
 Association
 Maysie's Farm Conservation Center (PA)
 Michaela Farm (IN)
 Michigan Farmers of Union-Kent County
 Michigan Farmers Union
 Michigan Land Trustees
 Mid Nebraska Pride
 Minnesota Farmers Union
 Minnesota Food Association
 Minnesota Project
 Minority Agriculture Producers Co-op (TX)
 Missouri Farmers Union
 Missouri Organic Association
 Missouri Rural Crisis Center
 Montana Farmers Union
 Nature's International Certification Services
 (WI)
 Nebraska Farmers Union
 Nebraska Sustainable Agriculture Society
 Nebraska Wildlife Federation
 New Entry Sustainable Farming Project
 (MA)
 North Carolina Contract Poultry Growers
 Association
 North Dakota Farmers Union
 Northeast Organic Farming
 Association/NY
 Northeast Organic Farming
 Association/Vermont
 Northern Thunder (WI)
 Northwest Coalition for Alternatives to
 Pesticides (ID)
 Office of Peace & Justice, Diocese of Gary
 (IN)
 Ohio Ecological Food and Farm Assoc.
 Ohio Environmental Council
 Operation Spring Plant, Inc. (NC)
 OR Sustainable Agriculture Land Trust
 Past Regents Club of the Diocese of
 Rochester NY
 Pennsylvania Association for Sustainable
 Agriculture
 Platte County Farm Bureau (NE)
 Politics of Food Program, Inc. (NY)
 Powder River Basin Resource Council (WY)
 Provender Alliance (OR)
 Red Tomato (MA)
 Research, Education, Action and Policy on
 Food Group (WI)
 Rhio's Raw Energy (NY)
 Ross' Creek Farm (KY)
 Rural Vermont
 Save Family Farms & Ranches (SD)
 Seedcorn (NY)
 Shinn Estate Vineyards (NY)
 Sisters of Providence, St. Marys of-the-
 Woods (IN)
 Sisters of St. Francis of Tiffin, OH
 Slo Buy Fresh Buy Local (CA)
 Small Farm Resource and Training Center
 (CA)
 Social Concerns Department, Catholic
 Charities, Diocese of Sioux City, IA
 Social Concerns Office of the Diocese of
 Jefferson City (MO)
 South Dakota Farmers Union
 Southern Research & Development Corp.
 (LA)
 Sprout Creek Farm
 St. Joseph's Catholic Church in Easton
 (MD)
 St. Matthew's Episcopal Church, Iowa Falls,
 Iowa
 Sustainable Earth (IN)
 Sustainable Food Center (TX)
 Sustainable Lancaster (PA)
 The Second Chance Foundation (NY)
 Watershed Alliance of South Kent (CT)
 Texas Farmers Union
 Three Roods Farm (MI)
 Tilth Producers of Washington
 Trappe Landing Farm & Native Sanctuary
 (MD)
 Tree Roots Buying Club (MI)
 Tufts Food Awareness Project (MA)
 Tuscarora Organic Growers Cooperative
 (PA)
 Urban Nutrition Initiative (PA)
 Valley Stewardship Network
 Valley Watch, Inc. (IN)
 Venable Vegetable (CA)
 VA Association for Biological Farming
 Washington Farmers Union
 Washington Heights Little Seed Gardens
 CSA (NY)
 Wellspring CSA in Wisconsin
 Western Colorado Congress
 Willow Creek Farm (WI)
 Winter Garden Sustainable Agriculture
 Coalition (TX)
 Wisconsin Farmers Union

Phone: 845 361-5201 Fax: 845 361-5204 Email: campaign@sustainableagriculture.net

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REVIEW OF FEDERAL FARM POLICY

TUESDAY, FEBRUARY 7, 2006

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Auburn, AL.

The committee met, pursuant to call, at 10:00 a.m. in the Foy Union Ballroom, Auburn University, Auburn, AL, Hon. Bob Goodlatte (chairman of the committee) presiding.

Present: Representatives Everett, Lucas, Moran, Gutknecht, Bonner, Rogers, King, Schwarz, Peterson, Melancon, Costa, Salazar, and Davis.

Staff present: Kevin Kramp, Pamilyn Miller, Pelham Straughn, Alise Kowalski, Lindsey Correa, assistant clerk; Daniel R. Moll, Tobin Ellison, Mike Dunlap, Rob Larew, and Clark Ogilvie.

OPENING STATEMENT OF HON. BOB GOODLATTE, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF VIRGINIA

The CHAIRMAN. This hearing of the Committee on Agriculture of the U.S. House of Representatives to review Federal farm policy will come to order.

I want to welcome everybody today. I am Bob Goodlatte, chairman of the committee, and it is nice to be here in Auburn, and I want to particularly thank the Auburn University folks who have been a wonderful host for us for this farm bill hearing.

I also want to particularly recognize three members of our committee who provide excellent representation for the State of Alabama on our committee. Congressman Terry Everett to my immediate left, Congressman Jo Bonner—Jo, let everybody see who you are there—and Congressman Mike Rogers in whose district we are very pleased to be today.

This is a great opportunity for members of the committee from all across the country to hear from Alabama farmers and ranchers who need to have their opportunity to let us know what they like about the current 2002 farm bill, and as we look forward to writing a new farm bill next year we want to have your input. I can assure you that your three representatives on the committee will do an outstanding job making sure that Alabama's voice is heard in this process, but this is an opportunity for you to talk to people from all across the country.

We have representatives here today from Michigan, California, Louisiana, I am from Virginia, and almost every section of the country in between is represented here as well. I will introduce all of them to you as we move through the hearing.

I do not want to take too much time this morning with an opening statement since we came to hear from our witnesses, and I want to allow plenty of time for them to share their thoughts with our members.

The purpose of this hearing is to gather feedback from the producers as we begin the process of reviewing the 2002 farm bill which is set to expire in September 2007. Our producers are working on the front lines, and their daily lives are directly affected by the policies of the farm bill. As we travel throughout the Nation, the feedback we receive from our producers will give us a good sense of how these policies work in practice, and what improvements can be made within the financial constraints we face in Washington. Strong agricultural policy is vital to our farmers and ranchers to ensure that American agriculture remains competitive, and that our producers can continue to provide fellow Americans with a safe, inexpensive, and wholesome food supply we must hear from the front lines.

I would like to thank the Alabama delegation on the committee. I would particularly like to thank the witnesses who will be testifying today.

Today's witnesses are themselves producers with livestock, crops, fields, and forests to tend to, and I appreciate time they have devoted to preparing and delivering their testimony to us this morning. I look forward to the testimony of our witnesses.

We are on a tight schedule today, and have to return to Washington this evening. I respectfully request Members submit their opening statements for the record with the exception of the gentleman from Minnesota, Mr. Peterson, the ranking Democrat on the committee, so that we may proceed with our first panel of witnesses and allow enough time to answer all questions that the panel may have directed to it by the members of the committee.

Now at this time it is my pleasure to recognize the gentleman from Minnesota, the ranking member of the committee, Mr. Peterson.

OPENING STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. PETERSON. Thank you, Mr. Chairman, and thank you for getting us out on the road here so we can hear from the real folks of America.

I want to also thank Auburn University and our Alabama colleagues. We have a good working relationship between all the members on this committee, but your folks here in Alabama even though they are on the other side of the aisle are some of my best friends, and we work together which we have to do in agriculture. There just are not enough of us left that represent farm country for us to be fighting with each other, and one of the things that we need to do during this process is figure out how we can come up with a bill that is good for all parts of the country.

I am here like all the members to listen to you about what you think about the 2002 bill, how it has worked, and where you think we need to go, and where we need to improve it.

We are still in my opinion, however, trying to deal with some issues that have not been resolved that are immediate. Some of us have been trying to get a disaster bill for this year, not only for the people that were affected in the Gulf region, but there are people all over the country. I have people in my district, there are people in the middle part of the country that had drought, and we still need to do something here. We need to have a disaster program. We should have done it in my opinion before we left for Christmas, but we are not going to give up, and we are going to try to get that done.

I would like to see us as we do this new bill put a permanent disaster program as part of the farm bill. I think that is one part of the safety net that we missed in 2002, and I have introduced a bill to that effect.

The other thing that I would like to get some sense about either in your testimony or in questions is what you are doing in this part of the country in terms of making agriculture products into energy. In Minnesota we have been a leader in this area. It is probably the most successful thing that is going on right now in Minnesota, and I think this is a big part of the future of agriculture. I have been looking at some ways that we can jiggle the farm program so that we can make it push this even a little bit faster than it is going, and I would be interested to find out what is going on down in this part of the world in terms of making ethanol, biodiesel, and some other kind of alternative energy, because these fuel prices are eating us alive. This is one of the biggest problems we have in agriculture right now, not only the fuel prices, but the fertilizer, natural gas, all of these things. I have been hearing around the country that they are doubling, tripling what the cost was a year ago, and I assume that same thing is going on here.

One of the ways I think that we can solve this is if we shift some of our agriculture policy to try to make the energy here in this country out of crops that we can grow here, so I would like some input on that.

I appreciate you all being here, and look forward to your testimony, and hopefully we can have a good discussion.

The CHAIRMAN. Well, I thank the gentleman. I strongly endorse and appreciate his noting the bipartisan work of this committee. It is not possible to write a farm bill that affects every region of this country without strong bipartisan cooperation. That has been the history of this committee, and I look forward to that continuing.

I also appreciate his mention of disaster relief. I know Alabama has firsthand experience with that following Hurricane Katrina, and we are very interested in what is happening here. I think you have made some progress, your Governor has done an outstanding job leading this State through an extraordinarily difficult time, and we are glad to be here to hear from you about every aspect of farm programs that we can work on to make sure that Alabama's agricultural future remains strong and bright.

At this time we would like to welcome our first panel. Mr. Jerry Newby, row crop, cattle, and timber producer from Montgomery, Alabama; Mr. Hilton Segler, pecan grower of Albany, Georgia; Mr. Bob Yates, poultry, timber, and cattle producer of Woodland, Alabama; Mr. Walter Corcoran, cotton and peanut producer of

Eufaula, Alabama; Mr. Stanley Scarborough, blueberry grower of Baxley, Georgia; and Mr. Bill Thomas, forest landowner of LaFayette, Alabama.

Mr. Newby, we are pleased to have you. You will begin. I will remind all members of the panel that your entire written statement will be made a part of the record, and ask you to strictly limit your remarks to 5 minutes so that we can have enough time to allow for this and the second panel.

Mr. Newby, welcome.

**STATEMENT OF JERRY A. NEWBY, ROW CROP, CATTLE, AND
TIMBER PRODUCER, MONTGOMERY, AL**

Mr. NEWBY. Good morning, Mr. Chairman, and members of the House Agriculture Committee.

I appreciate this opportunity to testify before the committee today. I also want to echo what you said, Mr. Chairman, about our three members from Alabama on the committee. We are very proud of them, and thank them for their service to Alabama and this country.

My name is Jerry Newby, I am a partner in a diversified farming operation. I am also president of the Alabama Farmers Federation, a general farm organization, with 460,000 members with producer leaders in all 67 counties.

I want to thank this committee and its leadership for holding these hearings. It is important to the future of American agriculture.

We do not feel that the farm bill should be substantially changed when it is reauthorized. We need the safety net that is in place now so that the American farmer can continue to produce the most affordable, dependable, and safest food in the world. Having the ability to produce this Nation's food is a matter of national security, and we only have to look at our situation with energy to see what happens when we depend on others.

Net incomes have fallen from \$82.5 billion in 2003 to \$71.5 in 2005, while total crop cash revenue and Government payments have risen from \$128 billion to \$138.6 billion. With farm net income down due to increased input and lower prices, farmers are getting more of their income from the farm program, proving that without safety net on the farm bill our agriculture economy could collapse. Every year we are told that the budget cuts require reopening of the farm bill. This causes a great hardship for farmers and their lenders. We understand about budgeting, and have always been willing to accept our fair cuts, but we think that agriculture has paid more than its fair share in these budget cuts. We just ask that cuts in the Federal budget be done across the board equally. The farm bill has cost less than what was originally projected by the CBO. Agriculture should get credit for these savings.

I am aware that the World Trade Organization, WTO, negotiations are currently underway and have an April deadline for completion. If negotiations are not completed as scheduled, the 2002 farm bill should be extended as it is until they are. If the farm bill is written before negotiations conclude, we will get no credits or concessions in later negotiations for any cuts. Agriculture would be the big loser again. I am pleased that the Agriculture Committee

has been in constant contact with our trade negotiators, and I hope you will continue to stress the importance of having our domestic farm programs classified as nontrade-distorting.

Updated bases, which were part of the 2002 farm bill should continue to be allowed. We are seeking profitability of taking advantage of flexibility in the current farm bill, and production has shifted in many growing areas. For example, peanut production has now expanded to southwest Alabama. Growers and peanut shellers have new infrastructure in place and bases should be updated to reflect those shifts.

Growers are very happy with the new Peanut Program, and it should be continued. There should be no further payment limitation decreases. Southern crops like cotton and peanuts demand higher input costs from our farmers. Therefore, there is more risk than from most commodities grown in other parts of the country. Any further payment cuts would make these crops unprofitable, causing producers to shift to other commodities, therefore increasing Government cost because of increased production in those crops.

The Farmers Federation supports the intent of the Conservation Reserve Program, but there is concern over the continued expansion of the program which has resulted in a decrease in productive farmland. This has led to difficulties in obtaining productive land, particularly among our young farmers. The CRP should not act as a disincentive.

In regard to crop insurance we would like to see more pilot revenue assurance plans such as AGR, adjusted gross revenue, and AGR light. Policies such as AGR light embodies the whole farm concept and allow farmers and ranchers to cover their entire farming operation, regardless of what they grow. This along with the MPCI is attractive to lenders because they know how much revenue the farmer is guaranteed. Since it is based on a 5-year income average from Federal income tax forms there is less chance of fraud, which is very important to the crops.

If planting restrictions are removed for fruits and vegetables, these producers should be compensated just as other commodities. As you know, the recent WTO decision held that certain payments to farmers cannot be classified as nontrade-distorting because of the farm bill prohibition that prevents planting of fruits and vegetables on program land. This policy has acted as a kind of safety net for those growers who do not receive traditional subsidies. A 1 percent increase in fruit and vegetable planting would mean a 4 percent decrease in prices for those. So any removal of this prohibition would require support for fruits and vegetables.

We support rural development initiatives, especially those that support bioenergy. President Bush's State of the Union message stressed the use of animal and plant waste as an alternative fuel source, and I feel the use of renewable fuels as an alternative fuel source represents a win-win for the farmer and the environment. Wood and poultry litter could be used to deliver energy if there was adequate research to make this technology cost efficient.

The Tree Assistance Program, TAP, should include trees, shrubs, and vines that are themselves the crops just like crop-producing trees now covered under natural disaster.

We strongly support the Seniors and Farmers Market Nutrition Program. This program should be continued and expanded to allow honey producers to participate. This would further the goal of increasing participation of small or limited-resource farmers. The 2002 farm bill has not been perfect, but it has served the American farmer well during difficult times. For agriculture to continue to be a strong economic force in the United States solving the number one problem of profitability must continue to be the focus of the Agriculture Committee. The increases in energy, chemicals, fertilizers, and other production costs along with the uncertain future of the safety net and the ongoing WTO negotiations make future prospects for production agriculture seem very bleak. While the 2002 farm bill has in many cases enabled producers to continue to farm, it is clear that many farmers continue to struggle with an uncertain future.

I humbly request that you not lose your focus on the number one concern of all farmers, profitability.

[The prepared statement of Mr. Newby appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Newby.

Mr. NEWBY. Thank you, sir.

The CHAIRMAN. Before we recognize Mr. Segler, let me take note as the gentleman from Louisiana has helpfully pointed out, we have a great many producers here from Georgia since we are located to close to the Georgia border, and wanted to reach out to folks on the other side of the State line. We have some witnesses who will be participating, including Mr. Segler, but also a number of folks in the audience, and we are obviously very interested in what is going on in Georgia as well. So, Mr. Segler, welcome.

STATEMENT OF HILTON R. SEGLER, PECAN GROWER, ALBANY, GA

Mr. SEGLER. Thank you, Mr. Chairman, and the other members of this committee.

I am going to share with you today a little history about pecans and what this crop should mean to the people of the United States. Pecans grow in 20 States. Most of our improved varieties are grown along the Gulf Coast from Texas to South Carolina. Georgia has the most production followed by Texas. Pecans are the only major crop that is native to the United States. All other major crops were imported to America from other countries. Before the 16th century no European had ever seen a pecan nut.

George Washington was fond of pecans, and in 1774 he planted several young trees at Mount Vernon. Thomas Jefferson started growing pecans in Monticello in 1779. It took about four centuries for pecans to become an important crop in the United States. Most edible tree nuts are essentially a one-state crop. Pecans, on the other hand, is a multiple-state crop stretching across the country from the Southeast to the Southwest throughout some 20 States.

Pecans are one of our national treasures. Over 40 percent of both houses of Congress regardless of party affiliation have pecans growing in their State, and I wanted today for you to understand the importance of pecans to our Nation.

I chaired the committee that began in 1980 to get Congress to pass a bill that would enable RMA to provide Federal crop insurance to our pecan growers. Only in 2005 was a national program approved, 25 years after we started.

There are some small changes, but important provisions that need to be made to the current policy to bring it in line with other crops. In the event of a crop failure, insurance coverage cannot be adjusted down more than 10 percent of the individual's farm APH yield average. This is referred to by RMA as a 10 percent cut. Long-range weather forecasters predict that the Gulf Coast region weather pattern will continue for the next 15 to 20 years. If this is true, our crop insurance will be worthless in a few years without this cut.

RMA has a restriction that penalizes growers from thinning their trees more than 12½ percent. This is completely contrary to all recommendations by the Extension Service and the USDA. We have provided data from all over the Southeast from pecan specialists, and RMA simply refuses to accept this data and make these significant changes.

We have no provision in the policy to cover loss of trees. It is our contention that a simple rider could be attached to our present policy that would provide coverage for tree loss in the event of a disaster. The Tree Assistance Program, the criteria that growers must have a minimum of a 15 percent tree loss limits the amount of grower participation, and basically makes it ineffective for most all Georgia growers. We feel that this was not the intent of Congress, and that the 15 percent should be removed.

We need annual Federal funding for our Byron Fruit and Nut Lab in Byron, Georgia. It is the only USDA research station that provides research on pecans nationwide. In addition to this research funding, we need a one-time expenditure of \$3 million to repair and upgrade the buildings and needed replacement of equipment. Most States have either stopped or drastically cut their spending research on pecans, and the Byron Station is basically all that we have left to sustain continued research for our pecan growers.

We feel that the \$80,000 limitation on disaster should be removed from pecans. When I see items like \$10 million in the 2002 farm bill for Orange County, New York for farmers that suffered loss on onions, another \$94 million for apple producers with a statement that says the secretary shall not establish payment limitations, I wonder why our pecan growers do not deserve the same consideration when they have lost thousands of dollars due to a national disaster.

The 2002 farm bill provides time limit on country of origin labeling crops such as pecans, and at this point in time no action has been taken to enforce this provision. We feel that labeling so that the consumer should have the opportunity to select the pecan nuts that they want to use for their family consumption is most important.

It was a pleasure for me to appear before you today, and I hope that the Members of Congress will be sensitive to the needs of our pecan growers, and I say again that we are farmers of our national treasure, pecans.

Thank you.

[The prepared statement of Mr. Segler appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Segler. As a pecan lover with you, I appreciate your remarks and your pronunciation.

Mr. Yates, welcome.

**STATEMENT OF BOB YATES, POULTRY, TIMBER, AND CATTLE
PRODUCER, WOODLAND, AL**

Mr. YATES. I would like to express my appreciation for the opportunity to come before you folks and to see that you are listening.

One thing I have always been impressed about our own Congressman, Congressman Rogers, is that when he comes to the farm and he asks questions he does listen for an answer. We thank you for that.

When I looked over the information requested by Chairman Goodlatte's office I reasoned that you were looking for what we might call professional testimony rather than from our Poultry and Egg Association or our Farmers Federation. However, Whitney of Congressman Rogers' office assured me that you would rather hear from actual producers rather than our PR people. I did consult other growers, Johnny Adams of Poultry and Egg, and Guy Hall of the Farmers Federation, Wayne Lorder of Goldkist which is my poultry contractor, and concluded that the following issues should be addressed on the Federal level.

Number one, disease prevention and/or control. We must have adequate staff to alert watchful and responsible authorities, and they must be ready and well equipped to act or react on a moment's notice so that outbreaks can be prevented hopefully, and if not prevented, that they can be contained with a minimum of damage.

Our second issue is environmental. All decisions on the environmental level should be based on sound, solid, scientific fact. Please do not allow competing interests to dictate environmental regulations so as to further their own selfish agendas. Case in point. Most of our land needs more chicken litter, not less, to be fertile and environmentally friendly.

Our third point, field supplies. We just put in a flock of chickens, baby chicks, Saturday and yesterday, and if the weather continues as it is projected for the next week we will not make a dime off of this flock of chickens. We may even wind up owing the gas company. Energy costs have become extremely critical to us.

Energy cost and unreliable supplies are major concerns for our entire Nation, not just the poultry industry. It is appropriate that the Federal Government take the lead in researching and developing economical alternatives to petroleum products. For instance, in the poultry business a chicken house seems to be an ideal place to capture sunlight and store it for energy, or using chicken litter to make methane gas, things like that. We need the research to get that done, and the mechanics of doing it that make it economical.

Our fourth point is fair trade. Now, there is always a need to keep the other guy fair and honest, and in a global economy this applies to other countries as well. We want fair trade, not just free trade.

Now, is public money invested in these matters good policy. We certainly think so. Helping these items will assist tens of thousands of poultry growers equally all over the country, not just here in Alabama. Also, a healthy poultry industry assures the grain growers of the Midwest that their major market is secure.

Here in Alabama there are 34 people employed in servicing, processing, and marketing each poultry farmer's production, and this has been a major help for us in the northeast Alabama and west Georgia area to find jobs for the people whose jobs were moved to China, so to speak. Our textile industry has left us.

Now, one last request as a citizen with eight grandchildren. Please let us not allow this country to become dependent on foreign entities for our food as we did for oil, and as we are doing for our clothing. I was asked after I prepared my testimony to bring to our attention our Alabama Farm Analysis Program which is important to us farmers. My banker tells me that we have the best set of records prepared by Farm Analysis of anybody that he deals with. The program is important to us, and you have a copy of this for your record.

Thank you.

[The prepared statement of Mr. Yates appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Yates.

Mr. Corcoran, welcome.

**STATEMENT OF WALTER L. CORCORAN, JR., COTTON AND
PEANUT PRODUCER, EUFAULA, AL**

Mr. CORCORAN. I would like to thank each of you for being here this morning and for conducting this hearing here in Auburn, and to give me the opportunity to give my thoughts on behalf of the Alabama Farmers Federation and the cotton producers of our State.

As you all know, we are approaching the end of the 2002 farm bill, and we believe it has served us well. Because of this, it is essential that the current law be allowed to operate without modifications through its scheduled expiration at the end of the 2007 crop. This will allow producers to continue to make responsible operating decisions for all aspects of their business.

In today's agribusiness atmosphere there are very few certainties. We as producer of agricultural commodities can control very few things, a fact that was really driven home last fall as Hurricanes Katrina and Rita slammed into the Gulf Coast. Not only did this destroy the actual crops in the affected area, but it sent shockwaves through the economy as fuel prices skyrocketed in our most critical harvest season.

Input prices such as fuel, fertilizer, technology, and seed, commodity prices and weather are all for the most part out of the producer's control. That is why we need a stable and consistent farm policy. It provides the essential foundation upon which we build long-term plans. We have such a policy in the 2002 farm bill, and I believe that this 2002 farm law should serve as the foundation for the next program.

There are many different interrelated concepts in the 2002 law that work together to accomplish its goals. One such concept is the

direct and countercyclical program. These two payments work together to provide an effective means of income support, especially in times of low prices. They do this without distorting planning decisions.

Another concept is the marketing loan program. It is critical that all production remain eligible for this program. This will assure farmers are able to make quarterly production and marketing decisions, and that the U.S. commodities are competitive in international markets.

Planning flexibility is also an important concept in the current law, and it should be maintained. This principle allows farmers to make decisions based on economic principles and market conditions instead of Government regulations.

I farm in a family partnership. We raise about 4,500 acres of row crops, mostly cotton and peanuts, so payment limitations are very important to me. A significant majority of farmers oppose all forms of payment limits, and I ask you to at the very least maintain the current limits and eligibility requirements.

In recent years conservation programs have been and will continue to be important components of the farm bill. They should not be considered a substitute for the safety net for commodities, but should operate on a voluntary, cost-share basis, and therefore complement commodity programs.

I know we do not live or operate in a vacuum, and that future budget authority and the provisions of the DOHA WTO negotiations, if completed, will ultimately shape our next farm bill. That is why it is critical that Congress protect the current base baseline for all aspects of the farm bill. Without adequate budget authority, the safety net provided by the 2002 law cannot be maintained in the next farm bill.

As for the DOHA WTO negotiations, we in the cotton industry are very concerned with the direction the negotiations are taking. Cotton should not be singled out, not under any circumstances, but the negotiations should be conducted as a single undertaking for all programs regarding levels of domestic support.

We also believe no reductions in domestic support should be agreed upon unless accompanied by meaningful increases in market access for all WTO countries. Market access has become increasingly important in recent months, and our success as farmers hinges greatly on free and fair trade.

In closing I emphasize that the continuation of the current law would serve agriculture well. The current law provides planning flexibility to growers and effective safety nets, and it does so without having impact on planning or price decisions.

Thank you again for allowing me the opportunity to make these comments.

[The prepared statement of Mr. Corcoran appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you.

Mr. Scarborough, I note you are another representative of the great State of Georgia, and we are welcome to have your testimony as well.

**STATEMENT OF STANLEY SCARBOROUGH, BLUEBERRY
GROWER, BAXLEY, GA**

Mr. SCARBOROUGH. Good morning, Chairman Goodlatte and members of the committee.

My name is Stanley Scarborough, I am a blueberry grower from Baxley, Georgia. I am here today representing over 200 producer members of the Georgia Fruit and Vegetable Growers Association.

The fruit and vegetable industry is growing at a rapid pace in the State of Georgia. We are adding jobs and dollars to rural economies throughout the State, but this group is not limited to our State. Specialty crop producers produce approximately 50 percent of the farm gate value of total plant and agricultural production in the United States. Our 2006 Southeast Regional Fruit and Vegetable Conference saw record growth at this past months' program in Savannah, Georgia with over 1,650 producers and suppliers in attendance.

Despite the impact of the U.S. economy, specialty crop growers receive a very small percentage of Federal resources aimed at promoting and sustaining efficient agricultural production. We hope the committee will take a hard look at a balanced farm bill that includes an increased emphasis on specialty crop production.

This morning I would like to focus my remarks on several key areas of the farm bill that we hope the committee will consider during your deliberations in the coming months. Fruit and vegetable grower organizations have been meeting to discuss common interests for the farm bill, and we hope to share with you the fruits of those meetings soon.

Restrictions on planting flexibility. We support this long-standing provision as a fundamental matter of equity among farmers. As long as some farmers receive direct payments from the Government, they should not be allowed to plant crops on that land subsidized that compete with unsubsidized farmers.

Unique attributes of specialty crop producers. Due to the nature of high-value specialty crop production many current farm bill programs and disaster programs are of limited benefit to specialty producers due to Government payment caps.

Limits on adjusted gross income, limit on all farm income even if integral to farm managing operations. We support a thorough review of all farm programs to ensure that specialty crop producers have access to benefits comparable to other farmers rather than be excluded or limited simply due to higher cost of production.

State block grants. We support an expansion of the State block grants for specialty crops program originally authorized in the Specialty Crop Competitiveness Act of 2004, and funded through appropriations in the fiscal year 2006 Agriculture appropriations bill. Due to the wide diversity and localized needs of specialty crop production, State departments of agriculture are uniquely able to assist local growers with the specific investments they need to increase competitiveness. This was certainly the case in 2002 when State departments of agriculture received block grants as a part of disaster appropriation.

In Georgia these funds helped increase consumer awareness and consumption of locally-grown fruits and vegetables through the Georgia-Grown campaign. The block grant funds were matched

with other organization funds, including the Georgia Fruit and Vegetable Growers Association to fund and support specialty crop products such as food safety training and farm audit, agri-tourism program, roadside market production, and on-the-farm buyer tours.

We support new research for specialty crops through both the National Research Initiative Programs and CSREES and ARS.

Nutrition programs. We support a strong new focus within the 2007 farm bill on increasing the access and availability of fruits and vegetables especially to children. We support expansion of the school fruit and vegetable snack program, increased commodity purchases, higher allocations to the Department of Defense Fresh Program for Schools, development of a new nutrition promotion program to assist producers in enhancing their markets, and a general requirement that USDA feeding programs and commodity purchasing comply with the 2005 dietary guidelines.

Crop insurance. Many fruits and vegetables are not covered by a crop insurance program. Georgia fruit and vegetable growers would like to see an increase in pilot projects and studies to determine the feasibility of minor crop coverage.

I want to thank the committee for giving our organization an opportunity to testify today. We sincerely hope the next farm bill will address issues of concern to specialty crop producers and reflect the value of their production to the U.S. economy as well as the dietary needs of all Americans.

Thank you.

[The prepared statement of Mr. Scarborough appears at the conclusion of the hearing.]

The CHAIRMAN. Mr. Thomas, welcome.

STATEMENT OF BILL THOMAS, FOREST LANDOWNER, LAFAYETTE, AL

Mr. THOMAS. Mr. Chairman, committee members, ladies and gentlemen, I am honored to be here today to speak on behalf of Alabama's forest landowners regarding USDA programs and activities.

First let me address the topic of energy independence. In Alabama we have a vast untapped source of renewable energy. The technology curve exists to convert forest residue, material we are currently leaving in woods after harvesting, to steam and then to energy. More affordable technology is needed to convert woody biomass to liquid fuels. Congress has a unique opportunity to develop and fund programs that encourage wise stewardship of our State forests, promote economic development in rural Alabama counties, and take a step toward reducing our Nation's dependence on foreign oil.

I ask the committee to consider tax incentives to producers to convert biomass to usable fuels. We also need continued funding for research and development that advances conversion technologies, especially those technologies that would convert woody biomass to liquid fuels.

I ask this committee to continue existing programs aimed at providing both technical assistance as well as cost-share funds to partially offset the investments required. I recommend enhancing and expanding programs like EQIP. This investment would provide a

significant payback by providing clean water, clean air, and forest products for all Alabamians.

Another concern that I want to bring to your attention today concerns invasive species. Invasive species are having a significant impact on forest and farm operations throughout the South. Some examples of these species include privet, cogon grass, Japanese climbing fern, and kudzu. To understand the potential impact of these invasive species all one has to do is to drive up U.S. Highway 431 from Opelika to my land in Chambers County in early summer and look at all the old fields wrapped up in kudzu. In fact, a close look often reveals an old home or a barn that has been completely swallowed up by this bothersome vine. They tell me that under ideal conditions kudzu can grow up to a foot per day, and unfortunately our most productive lands may provide these conditions.

I cannot pass up this opportunity to strongly urge your continued support to eliminate the death tax. Many landowners like myself have poured their lives into managing their land. For us our land is not an asset, it is part of who we are, it is part of our heritage, and at our death it is a huge part of the legacy that we leave. All too often this legacy has to be carved up and sold off in order to pay the estate tax. I cannot understand how this accomplishes any legitimate goal of society. In fact, the death tax has very negative environmental impacts. In some cases families may be forced to harvest timber without regard to ecological conditions. Further, if the timber harvest does not generate enough funds to pay the tax, the family may be forced to sell all or part of the land. In these cases the estate tax often has the practical effect of converting family farms to developments, forest to asphalt and concrete.

It has been my honor to speak with you today and to share some of my thoughts and ideas. I hope I have provided you with a sense of some of the things that are important to landowners in rural Alabama, and I know that each of you are working to ensure that our Nation's private landowners can continue to provide our society with clean water, clean air, as well as the forest products we have come to depend on.

[The prepared statement of Mr. Thomas appears at the conclusion of the hearing.]

The CHAIRMAN. Mr. Thomas, thank you very much.

We will now begin our round of questions. I would like to ask all the members of the panel if they could help us with this problem that we are going to confront.

When the 2002 farm bill was written we had a large budget surplus which allowed Congress to write the bill that we currently are operating under. As we approach the 2007 farm bill we are facing large budget deficits. This situation could cause Congress to have to make very difficult spending decisions, and I wonder how the witnesses would prioritize the programs of our current farm bill generally, and the commodity title specifically, and with regard to the commodity title obviously three major areas there—direct payments, marketing loans, and countercyclical payments.

What do you like best, and what do you think we could cut back on? Who wants to volunteer for that one?

Mr. NEWBY. I will, Congressman.

The CHAIRMAN. Mr. Newby.

Mr. Newby. We like all three of them. All three of them are different, and we would love to keep all of them, but marketing loans is the most important one for us. It helps us—it is the most important of the whole program.

The CHAIRMAN. Any priorities amongst all of the other farm programs, things that you like, and things you think we could cut back on?

Mr. NEWBY. I really did not mean for you to cut back on those others. You just asked me which one I liked the best. [Laughter.]

No, sir. I would love to see us continue to support agriculture in this country so that we will not have to depend on other people growing our food and fiber.

The CHAIRMAN. We hear you, and we are sure you will help us when we go to the Budget Committee and others in the Congress to get as much money as we can to make sure American agriculture remains competitive.

Mr. NEWBY. We will help you all we can.

The CHAIRMAN. Stay in touch with us about your ideas about what programs are working, and which ones are not working as well just for that very reason. We do not know what our budget situation is going to look like.

Mr. NEWBY. We understand that, and as in my testimony we feel like it should be across-the-board cuts in all programs, all Federal programs, not just the farm program, and we hope that you as a committee will be able to sustain our farm program for us.

The CHAIRMAN. Other members of the panel?

Mr. SCARBOROUGH. I would like to put particular emphasis on the nutrition programs. We like the dietary guidelines of 5 to 13 servings that was put out in 2005.

I particularly liked the fresh fruit and vegetable snack programs that was piloted in schools, but only 225 schools in eight States and three Indian tribal organizations were available to participate in that. That meant that only 225 schools out of approximately 100,000 schools in the U.S. have had that snack program, and it has been particularly effective in those schools where it has.

If I could ask for one thing from this committee, it would be that they take a hard look at nutritional programs and that they would endorse that.

The CHAIRMAN. Mr. Scarborough, I appreciate those comments, and you raise another question which I will throw back to you, and that is there will be demands to increase spending in some areas of the farm bill. For example, fruit and vegetable producers may ask for a share of commodity title spending, and others may ask for significant increases in rural development or conservation. How would you respond to those who want to share in the spending made available knowing that to expand some programs you might have to reduce others?

Obviously that is a question for those who are here representing some of the commodity programs that are already receiving significant funding, but you are on the other side of that coin. What would you say?

Mr. SCARBOROUGH. I have a somewhat biased view. I am a fruit and vegetable producer, and as such we have never participated in

at lot of subsidy payments or other program money. We do enjoy the ability to play on a level field and a fair field.

I would say that the committee has to take a hard look at the programs that are returning the most money and the most benefits not only to our producers of all crops in the U.S., but to our consumers as well.

The CHAIRMAN. Thank you. Other members of the panel? Mr. Segler.

Mr. SEGLER. Mr. Chairman, we have never participated as well; we are one of those nonprogram crops. We have felt for many years that the field has not been leveled with us from crop insurance to conservation.

Under 1238(a) of the 2002 farm bill we feel like that through nutrition, wildlife habitats, soil conservation, the whole works, if pecan growers would qualify to plant legumes in their groves it would be a tremendous energy saving, a tremendous cost savings. I have attached some documentation to that. But unless that is spelled out the FSA would never permit us to do that. I think it would be a strong program. There again, all we have asked for would be just a level playing field that we can participate.

The CHAIRMAN. Anybody on the other side of that want to respond? I do not want to pit Alabama against Georgia, but the two Georgians have spoken.

I guess not.

Well, we want you all to stay in touch with us about those issues because we are going to make some tough decisions, and we do want to be fair to everybody, but we also recognize the importance of these programs to the folks who operate under them today.

At this point it is my pleasure to recognize the gentleman from Minnesota, Mr. Peterson.

Mr. PETERSON. Thank you, Mr. Chairman.

Mr. Yates, I want to invite you to come to Minnesota. We are going to open our plant in March called the Fiber Amend which is going to burn all the turkey manure that we make in Minnesota. We are the No. 1 turkey producing district in the country. It will make enough energy to run the ethanol plant, the entire town, and maybe sell some besides. So we welcome you up to take a look at what we are up to, and we are actually now getting complaints because we are burning up all the manure and the farmers are complaining that they do not have cheap manure to put on the fields. But there are some interesting side things going on in this energy area, and we invite you to come up and take a look at that.

Mr. YATES. This is something that a decision will have to be made. If you burn it, then you do not have it for the fertilizer. Ideally if we could use it some way or other and get the energy out of it, and still save the nitrogen for the fields that would be what we would like. But it is good to see you are doing something there and making some effort.

Mr. PETERSON. You ought to take a look at what we are doing. They are head of their time.

Mr. Thomas, we have been doing a lot of research. We produce a lot of ethanol and biodiesel. We have mandates in Minnesota on ethanol and biodiesel, and we think all the other States ought to follow our lead. Some of them are looking at it.

We are now doing a lot of research on biomass to syngas, which I think is what you are talking about, and we are looking at converting some of our ethanol facilities turning biomass into syngas and get rid of natural gas in those plants and so forth, which looks like it is going to work economically.

The question is, we had a thing in Minnesota where we put a program in to grow hybrid poplars, and they were going to burn them, and they got the farmers all ginned up, and they planted these things, but they never got the plant done. I am a little bit concerned with some of this stuff that goes on where we get the farmers producing, kind of get the cart before the horse.

We think that this syngas works if it is in a closed system and you do not have to transport it or figure out how to get it some other place. Have you looked at what you are talking about? Have you looked at that whole issue of if you do put a plant up to use this biomass out of the forests that you are not using to get it into the marketplace? I think we could do the front end if it, and I am not sure about getting into the marketplace in an economical fashion. Have you done any work on that?

Mr. THOMAS. No, sir, not a lot, but I do know that the Alabama Loggers Association wants to meet with Congressman Rogers in trying to promote this product that we can use into that.

I know that it is an expensive process, but it can pay off and make our goal of energy independence, and that is what we need. We should have started a long time ago.

Mr. PETERSON. Well, our research shows that at the price of oil today it economically works. You can replace natural gas and pay for the capital investment and really do not even need any Government help, provided you have got a place to use it, and I think that is the biggest issue is figuring out how to get the thing structured so that you have got a market for it, because there is going to be resistance bringing it into the commercial marketplace like there has been with ethanol and biodiesel and some of these other alternative energies.

Mr. THOMAS. Biomass is a renewable resource, and right now I think Alabama Power Company is using it in their coal steam plants where they burn coal and they are adding a percent of biomass, but they probably could add more if they had an incentive to burn more.

Mr. PETERSON. Before my time runs out, are there any ethanol plants in Alabama? I think there is one, is there not, or being considered or something?

Mr. NEWBY. There are no ethanol plants in Alabama. There is a biodiesel plant that is starting up, and looking at another one. We are a deficit grain State, and there are talks of ethanol plants using different materials. Nothing has been done.

Mr. PETERSON. Are you looking at this research that is being done on cellulosic ethanol?

Mr. NEWBY. Yes, sir. There is some work on that being done, but there is a great interest right now about producing ethanol in the State, and looking at all of the products that we have here, all of our natural resources, all of the things that we grow on our farms as maybe being something that we could use, but we are not near down that road like you are in Minnesota.

Mr PETERSON. Well, we welcome you there when you get there. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman, and it is now my pleasure to recognize the gentleman from Alabama, Mr. Everett.

Mr. EVERETT. Thank you very much, Mr. Chairman.

Mr. Segler, in my part of the country—I am from L.A., that is lower Alabama—and I know out in Oklahoma it is pronounced “pecan,” and my chairman says up in Virginia “pecan”. I did not know Albany migrated that far north. [Laughter.]

On the other hand, I heard Paula Deen the other day say pecan, so I do not know. It may end up being pecan.

I have to take the opportunity to point out that while Alabama is not a major producer of pecans, that this university, Auburn University, has done an outstanding job in the research of pecans, just as I know the University of Georgia has.

I have about 35 trees myself, and I will tell you what, the problem is many of them are across the road, and we cannot keep people from stopping and getting some pecans.

Mr. Corcoran, one of our former colleagues, J.C. Watts, was also from Eufaula, but that was Eufaula, Oklahoma, not Eufaula, Alabama. But I wanted to ask you a couple questions. You mentioned that we need to maintain the current payment limits and the eligibility requirements in the next farm bill. Can you explain to us why that is important, and the effect it would have if we lowered those payment limits and the eligibility, what effect would that have on your farming operation?

Mr. CORCORAN. I have given this a lot of thought in the last 2 or 3 days. What would happen is the payment limits went down, and you heard a lot of people say we will plant another crop that does not cost us near as much to raise. Well, we could do that, but we would have a hard time meeting our payment, our obligations, our financial obligations that we have made and planned on having this farm bill in place.

Also, we change our planning operations, we swap the cotton for soybeans which costs us less to grow, I have got my gin to consider. If we cut our production by just 20 percent our gin is not going to have cotton to operate profitably, and then if the gin goes the warehouse goes, and then our farm supply store there.

In our whole area we have contracted to such a size so everything is right on the verge of not existing any more. Like Jerry said a minute ago, we are on the verge of an agricultural collapse in our area if something major happens like payment limits are down. We depend on that, as much as I hate to say, for our profit.

We have become as efficient as I think we can be, but we still depend on the Government's help to make a profit and to produce the food and fiber which the people here depend on.

I do not know a good answer of what would happen. I know my farm would have to contract in size, and it would probably wreck the agricultural commodity in my particular community because we are such a limited production that area. I hope that kind of answers your question.

Mr. EVERETT. Mr. Corcoran, could you briefly give us an idea of all the input costs that have increased over the past year, fuel, fer-

tilizer, and the whole nine yards? How much difference has it made to your bottom line, or your profitability?

Mr. CORCORAN. Well, those are the main two inputs that have really skyrocketed in the last 2 years would be fuel and fertilizer. Fertilizer, thankful for the chicken people I do not use any commercial fertilizer any more; we use chicken litter. And now the price of it is increasing, which we have been getting it a lot cheaper than it was worth, I agree to that.

The bottom line, I would say we have at least a 50 percent increase in our input cost at least over the last 2 or 3 years. And income has remained stable, or has increased some because of increased yields. We have had three pretty good yielding years, but if we come up with another drought year or another dry year like we had in the late 1990's and early 2000 I hate to see what it would do to us. It will put us into the black, we will not produce.

Mr. EVERETT. The red light is on, and in respect of my colleagues I am going to give you a question for you to respond to for the record, and you can do that at a later time.

Mr. CORCORAN. OK.

Mr. EVERETT. Thank you, Mr. Chairman.

The CHAIRMAN. I thank you gentlemen.

We are now pleased to recognize the gentleman from Louisiana, Mr. Melancon, who knows something about hurricane damage as well, and who we are delighted to have on the committee.

Mr. MELANCON. I have only got one or two questions, and no one in particular.

The administration's 2007 farm bill cuts came out yesterday. Have any of you all had an opportunity to look at them?

Mr. CORCORAN. I have not.

Mr. NEWBY. I know basically it is the same thing they came out with last year. Is that correct, \$250,000 limitation, one entity limitation, and some other things like that. I just barely caught a little bit of it.

Mr. MELANCON. And I guess this is just asking you in a different mode, where does that put the farmers?

Mr. NEWBY. It would greatly hinder our operations being able to be profitable. We have a lot of different things that are going on on our farm, and we talk about entities. There are nine entities, there are nine partners in our farming operation, and it is a family operation. It started with my father and my brother and me, we have a sister that is in it, and we have two children each that are in the operation, with the possibility of having another son that will come back and go in the operation. And it is a family farm, and that is really what it is.

If you go to the \$250,000 limit, total limit, we will not be able to continue to operate our cotton part of our farm as we have in the past. We are in the gin business, we own cotton pickers and module haulers that do not do anything but handle cotton; they are worth nothing for anything else. With our combines we can cut wheat, beans, and corn, and use it in a lot of different ways. But it would completely change the face of our operations.

Mr. MELANCON. I understand.

Mr. NEWBY. I would suspect that my young children would go to work somewhere.

Mr. MELANCON. And that brings me to my second question about young farmers being able to get into agriculture. I know in the sugar industry in Louisiana there is no incentive for young kids to come in. The program is not being administered well, the price has been suppressed, the storm damage that has come, the fuel prices, the fertilizer prices, everything is working against them, and we are approaching right now the average age in the mid-fifties I believe is the number for farmers.

We need to be energy independent, we should be food independent, or food and fiber independent, so is there anybody that has any thoughts on how we provide, or is it the continual cuts just will not give any incentive for anybody to stay in agriculture? I am sure that is one that somebody will want to take a baseball bat and hit it if they could.

Mr. NEWBY. Well, profitability is the key of a person my age staying in agriculture and of getting young people to come into agriculture. My family and I have been blessed, farming has been good to us, but times is changing. The margin gets smaller and smaller, the cost of everything we buy is going up, our input costs are just multiplying. We have got new technology charges, we have got higher seed cost, we pay more for one bag of cotton seed now than we used to spend on a whole crop when we were just starting out.

The technology has helped us, we have had three good crops in a row. The first time we have done that in 40 years. But it is still not enough profit left there to justify the investment and the risk that we are putting into it.

I have always been a very optimistic man, I have always told young farmers that if you want to farm you can farm if you do not mind working hard and doing without, and just start building. If you buy 40 acres of land a year, or every other year for 20 years you have got 400 acres of land, and most folks would consider you to be a big landowner then. But it just gets harder and harder if you are not a member of a family that has an operation to go into farming. We are going to need some farmers, we are going to need to produce the food and the fiber that this country needs forever.

Mr. MELANCON. Or we will not be an independent. If we are relying on other countries for our food and fiber we are in real trouble.

Thank you, Mr. Chairman. I yield back my time.

The CHAIRMAN. I thank the gentlemen.

It is now my pleasure to recognize the gentleman from Oklahoma, Mr. Frank Lucas. Frank is the chairman of our Subcommittee on Conservation, Credit, Research, and Rural Development. Frank.

Mr. LUCAS. Thank you, Mr. Chairman, and having the privilege of chairing that subcommittee when we did the last farm bill several really important topics I think relevant to us today were covered in the jurisdiction Mr. Newby mentioned, and I would like to follow up on that now, the discussion about CRP and its effect on the availability of land for potential young farmers or for expansion of present agriculture.

At this table obviously we have some substantial wisdom and experience, and some of you I suspect remember the soil bank program of the 1950's which our predecessors in essence I suspect did

away with in the 1960's because they realized it was depopulating rural America, and that meant less country congressmen and women, a very touchy subject for those of us who have those districts to this day.

But for 20 years now under the CRP program in an effort to protect the environment and also to impact supply—let us be honest about that—CRP has become a very popular program with the hook and bullet crowd, and our environmentally sensitive friends, and all those sort of issues.

Mr. Newby, you or whoever else on the panel who would care to, offer some insights to the committee about what CRP has done to rule agriculture in these two States, or whoever else on the panel would care to, and your view about where we should go. We are at the 36-million-acre level approximately in land enrolled now, and there are always calls from the environmental sportsmens group to expand that number at a cost of course both in dollars to the treasury and impact on rural America, but your observations or the rest of the panel's observations on CRP in general.

Mr. NEWBY. Well, as I mentioned in the testimony while ago, the concept is a great concept. When the CRP was created it was created to take out environmentally-sensitive land, to stop erosion, nonproductive soil, and I think that what has happened is it is continuing to expand being pushed by people that are sportsmen and people that are environmentalists, and we have gone to the point now that we have taken out a lot of productive land, and the reason the productive land has come out is because of the payments. And I am not saying the payments are too high, I am just saying that the payments are higher than a lot of farmers can afford to pay in rent, and so they are not renting the land because they are not able to afford the cost that the person has with the CRP, and the CRP for several years, and so they have got a guaranteed income there.

I think it has worked well when it was created. I think there are still parts of it that are working real well today. I just do not think that the acreage should be increased any more.

Mr. CORCORAN. If I could add just a personal note to that, I have got a chairman of my young farmers committee there in Barbour County, and he is dying to farm. I mean he is about 25 years old, he just got out of college, and he is just dying to farm. He would work almost for nothing. But he cannot find any land. He wants to get some cows. His family has a little small patch, but it is not enough to support him, or even half-way support him. He was looking at a pasture to rent, and he come to find out it had been signed up in the CRP unplanted, so it is a serious problem for us in that area, especially for the young farmers.

I mean I am in a big family farm, and we are blessed to have the land to operate, but for a young farmer to get started who does not have connections with a family farm I think we have enough CRP land.

Mr. LUCAS. Let me ask you to think about this, and input in the future would be fine just the same as now. There are several ways to address this. Mr. Newby touched on the topic of the rental rates, are they too high or inappropriate.

There is another provision of the bill that limits the amount of land in any county that can be in CRP to approximately 25 percent of the tillable property. I have counties in the western two-thirds of my congressional district that have been maxed out since 1987. Is that 25 percent number too high? Should it be 20 percent of a county for a maximum? Maybe you do not have any counties in Georgia and Alabama that cross that tread.

There are some other folks in my coffee shops back home who say there should be a limit on how many times you can roll stuff over. Is 20 years enough? Should 30 years be enough? Just things that I would like you to think about.

And one last thought. Having been a farmer and up and down the trails a lot I always like to remind my friends that one of the biggest challenges to young farmers is at land sales, it is the old farmers who can write a check, whereas the young farmer has to spend months trying to come up with a way to finance. So in some ways, guys, we are our own enemies on that topic sometimes.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

It is now my pleasure to recognize the gentleman from California, Mr. Costa. The gentleman represents a State that probably produces almost all of the 650 different commercially-viable agricultural products we produce in America, and so he certainly can appreciate the diversity of this panel. Welcome.

Mr. COSTA. Thank you very much, Mr. Chairman, for once again holding this hearing today, and these hearings around the country as we set the table for the 2007 farm bill. I notice you and I both made sure we wore the appropriate tie for this morning's hearing. It is obviously our pleasure to be in one of America's prestigious universities that has a rich history and tradition.

As I listen to the testimony from our witnesses and I hear about your family involvement it reminds me of my own situation. I too represent a third-generation farm family in California, and as we look toward the testimony and the challenges that we have been hearing as we debate and discuss what will encompass the farm bill in 2007 I am reminded that what we really need to be looking at, and your testimony I think certainly made it clear, is what the future of American agriculture is in the next 20, 25 years. I think obviously it is difficult to predict that far off into the future, but the fact is that we can just see the changes that have occurred in my own generation, and my father's generation, and his father's generation in U.S. agriculture, we used to grow cotton. Five years ago we stopped. We have the ability to pursue other diversity there, and were fortunate in that fashion.

But Mr. Corcoran and Mr. Newby, I would like to get your thoughts given the situation we have had with the WTO in the cotton program, and what you think the future of cotton is going to be in this region—we have seen a decrease in production of cotton in California—and what we ought to be doing as we look at this bill, this new bill as it juxtaposes our negotiations within the World Trade Organization. Mr. Corcoran as a cotton producer.

Mr. CORCORAN. As far as I would like to echo what Jerry said about I do not think the bill should be finished until we find out what rules we are going to be playing under.

We do not need to give away anything until we figure out what the WTO is saying we are going to have to do. I am afraid we might come away from that negotiations on the bad end of it.

Mr. LUCAS. I share that concern. I think many of us share that concern.

Mr. CORCORAN. Is it going to change our operation or the cotton in this area? I feel now with the new varieties we have got, an the boll weevil eradication we can compete with the rest of our country and produce cotton as cheaply as anybody. I believe we can probably compete with anybody in the world except the ones where the labor rates are so cheap.

Mr. LUCAS. Mr. Newby.

Mr. NEWBY. Well, I do honestly hope that you all in the administration and whoever is involved in the WTO will make sure that we do not give away the store before anybody else gives up anything. I think that is very, very important that when we give up anything that we now have in our farm bill that it is replaced by some kind of opening of trade in those countries, other countries that we are making the WTO deal with.

I also think it is very important that we make sure that our WTO, that our plans are ruled nontrade-distorting, our new program have to be ruled as nontrade-distorting before we get through with our farm bill, because we see what has happened with Brazil has come after the cotton market, we have done away with Step 2, we have done away with our export program where we were financing exports. There are other things that they are looking at that they say we thought were not in the amber box, but were in the green box that were not distorting the trade.

Mr. LUCAS. We have to make sure we are in the right boxes.

Mr. NEWBY. Yes, sir. We want to make sure we are in the right box.

Mr. LUCAS. Thank you very much. I yield the balance of my time, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

Another of our subcommittee chairmen is Congressman Jerry Moran from Kansas who chairs the General Farm Commodities Subcommittee. Jerry.

Mr. MORAN. Mr. Chairman, thank you very much for bringing the committee to this part of the country. I am delighted to be back in Alabama. I was here I think in 2001 when we had a hearing here in Auburn, Alabama on the 2002 farm bill, and I appreciate the testimony of the witnesses this morning.

I also appreciate the relationship I have with Mr. Everett, Mr. Bonner, and Mr. Rogers in regard to Alabama. Your agriculture is different than what I am familiar with in Kansas. We are a wheat, corn, and soybean State, although primarily I suppose we are a livestock State. I have learned a lot from them as well as Keith Gray and the Alabama farmers, and I appreciate that relationship.

In addition to chairing the General Farm Commodities Subcommittee—that subcommittee has jurisdiction over crop insurance, and I hate to mention this, but many of you mentioned that in your testimony, and particularly when it comes to specialty crops we really have struggled to get a crop insurance program that works well, there is just so much diversity in agriculture.

I tried to conduct when I first became the subcommittee chairman a hearing on crop insurance as it affects specialty crops. Well, there is no specialty crop; there are hundreds, if not thousands, of specialty crops. And I would just offer to you the farm bill is not necessarily the time in which we address crop insurance issues, but I would offer to you that if any of you would like my card or have a conversation we would be glad to make ourselves available as we try to make crop insurance work for all sections of the country, and work for all commodity groups.

In regard to specialty crops, I have spent time listening to specialty crop growers who want something different in the farm bill. They want the opportunity to participate in a much broader way, a greater extent in the rewards, although I would also add in some of the detriments that come with being a farm bill participant such as program crops.

And I have two questions, those that relate to specialty crops I guess in particular. I want to make certain that with the exception of bringing specialty crops into the farm bill that your testimony today would be that you would like to see a farm bill in 2007 that is very similar to the farm bill that we have in place today, the 2002 bill. So if that is a different conclusion—again I recognize specialty crops would like to see some broader participation on their part in the 2007 farm bill than they have in the 2002 farm bill, but other than that would the consensus be that we would like to have a farm bill close to what we have today?

PANEL MEMBERS. Yes.

Mr. MORAN. Let the record show that everyone who spoke said yes, and no one said no, and I think all heads were nodding.

In regard to specialty crops, what is it that your specific request would be, most of the time it is not that you want to be a program crop, or receive a direct program payment, but want additional resources related to research for example. What are the things that would satisfy the specialty crop producers and allow us to give you a greater opportunity to have a return on your investment, earn a profit, and compete in the world?

Mr. SEGLER. Congressman, I would like to address that if you do not mind.

Mr. MORAN. Please, sir.

Mr. SEGLER. One of the biggest problems that we have with the RMA is that they tend to turn a deaf ear toward research and recommendations that will improve our situation.

Just like thinning of the trees, they have got a rule—when Congress passed the sense of Congress to expand crop insurance it also mentioned the State of Georgia, and that is the reason we are here today, or it would have never been there.

But when it gets to the RMA they have their own set of rules, and they seem to interpret the sense of Congress a little different than the way we do. They have got a provision in there that if you thin your trees more than 12½ percent they penalize you 20 percent of the value for a period of 2 years before they reinstate it. Up until last year it was for 3 years, and all the recommendations from all the States, by all the specialists, both from USDA and the College of Agriculture says that you have to have and maintain at least 50 percent sunlight or production will go down. And we have

given them data after data after data from the specialists, and they simply just turn a deaf ear. They say no, if you cut trees down you are going to lose production. You increase production when you do the things right and thin properly. Overcrowded trees grow like telephone poles and do not produce fruit. Those are the kind of issues that we have problems with.

Another problem we have is this 10 percent cut. In 1994 we had a terrific freeze in the State of Georgia, wiped out the peach industry. RMA passed a rule that they would initiate for a 1-year period a 10 percent cut on their APH average, so that the value of their insurance would not drop because of this total wipeout disaster. And the following year they made it a part of their overall policy.

For the last 2 years during the 2004 and 2005 storms our Georgia growers, southeastern growers, Alabama, Mississippi, and Louisiana, crops got wiped out on pecans. It is a 2-year policy, and they average it in. If you have got zero production in a few years our insurance will be worthless.

All we are asking is a level playing field. If they can do it for peaches, peanuts, cotton, why not pecans? I mean why not. So the rules change a little bit from what is written in the farm bill, so we just need a greater understanding when research and data is submitted. That is our biggest one.

Mr. MORAN. Thank you, Mr. Segler.

The light is flashing, so I am in trouble. I have committed a faux pas, though. I also should mention that we are the fastest-growing cotton State in the country, and I would not like to be remiss for my farmers back home, and also relate to you in the South.

Thank you, Mr. Chairman.

The CHAIRMAN. I do not know if Alabama farmers regard it as a faux pas that Kansas is the fastest-growing cotton State or not.

Mr. CORCORAN. We are glad to have them.

Mr. MORAN. A good point, although they certainly come calling when they like certain issues in Washington. I am now a cotton guy.

The CHAIRMAN. The chair is now pleased to recognize the gentleman from Colorado. Congressman John Salazar represents the western part of that State. Congressman.

Mr. SALAZAR. Thank you, Mr. Chairman.

I am very pleased to be here today, and thank you for the warm welcome we have received here in Alabama.

I have spoke with many of you out in the audience, and I think many of you know that I am a potato producer out in Colorado, and I was very interested in Mr. Corcoran's remarks on how much his energy costs have gone up. I was just calculating mine, and I typically use around \$50,000 in fuel on my farming operation. This last year it was \$88,000, so that calculates to a 76 percent increase. So we are pretty much all in the same ball park.

I guess my question today is a two-part question. I would like to address the issue of energy, and I would like to address the issue of labor.

First of all, being that our energy costs and our fertilizer costs are so high, how would you feel about making sure that there is a renewable energy provision within the energy bill? Whoever would like to address that I would appreciate that. Mr. Corcoran.

Mr. CORCORAN. I think it would be a good idea to have a provision. I do not know exactly what your specifics would be, but renewable energy is where we are going to have to go. We cannot continue to be dependent; we need to become self-sufficient with energy.

Mr. SALAZAR. I think that if we might be able to create some kind of incentive program that would maybe move some of the acreage that we currently have producing food in this country towards energy development, of course the current price structure might correct itself to where farmers could actually make a little extra money. As you know, the law of supply and demand works very much sometimes in a negative way against agriculture producers, but I think that many of us on this panel and in the Agriculture Committee are very interested in some kind of renewable energy provision to create those incentive programs for renewables.

Mr. NEWBY I think it is a must if this Nation is going to prosper in the future like it has in the past if we do get our own dependable energy supply, and renewable is a big part of that, and I hope that you and the committee and the others that are working on the energy bill will give that a lot of thought and we will see what you can find out that would make that possible. We are in a very volatile world, and if we did not depend on other people's energy it would not be near as volatile as it is today.

Mr. SALAZAR. Thank you.

One other question I would like to ask is I did not hear any one of you address the labor issue, the issue of immigrant labor workforce. I do not know how dependent you are in this community. Would any of you care to refer to that?

Mr. SCARBOROUGH. Yes. The entire agricultural community is being impacted by this issue. It does not extend just to the harvest and packing of fresh fruits and vegetables, it goes into our poultry industry, into the cotton gin industry, et cetera.

I know that there are bills that are being proposed or are in the process of being submitted, and I guess that what I would like to do is to implore this committee to make sure that we are left with a viable alternative on our workforce.

The possibility of some of the different plans that are out there of let us gather any illegal workers up and send them somewhere else, and get them back after a while, that is kind of like throwing the baby out with the bath water. It just does not work very good.

We have got to have a reasonable alternative of how we transition from where we are today to where we are going to wind up. I think it is the will of the American public that we have to tighten up our border security. I think it is their intention that we are going to have to be able to come in and show that we have got a documented policy that works and that we are willing to stay within the constraints of that policy.

And from my standpoint, from the Georgia Fruit and Vegetable Growers Association, keep me on a level playing field where I can continue to produce. We are willing to take whatever routes are reasonable to get us there.

Mr. SALAZAR. Thank you. Mr. Yates.

Mr. YATES. On our farm we have Mexican citizens, some that stay here year-round, some that go back and forth, and inasmuch as they go back and forth all along I assume they are legal.

Now, we are old Southern, and when they have been around working on our farm a while they sort of become family, and those that go back for a period of time with their family in Mexico we give them enough money, buy them a ticket back, and my wife makes them promise that they will come back, and so on.

But the emphasis is on legal. Now, they are good workers, they do not give us a bit of trouble, but we would like a policy where we know and we can feel comfortable that these people are here legally, and there is nothing wrong with what we are doing.

Some say that we can be legally liable if we hire someone who is not legal. Well, how do we know? If they show us a green card and we turn in the Social Security money and the withholding tax on them and it is accepted, that is all that we can do.

But our emphasis is we do need the labor, we like them, but we want them legal, and we think that the Congress and the President should do whatever is necessary on the border to make sure that they are legal when they come here.

Mr. SALAZAR. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. We are very fortunate to have three of our five subcommittee chairs here with us today, and the third is Congressman Gil Gutknecht from Minnesota who chairs the Department Operations and Oversight Subcommittee, which also has jurisdiction over nutrition programs, dairy, and forestry. So there is a bit of diversity on his committee as well. Gil.

Mr. GUTKNECHT. Thank you, Mr. Chairman. And I want to thank all of you, this has been excellent testimony, and I want to thank the people here at Auburn.

One person that has not been acknowledged yet is a former member of this committee. In fact, he sat right next to me on the committee, and now he has I understand another job here in the State of Alabama. His name is Bob Riley, and he was a very valuable member of this committee, and a very good friend of mine, and I think a friend of agriculture, and it is probably a faux pas on our part, Mr. Chairman, we should have made it a special point to invite him to come down and join us at this meeting.

My colleague from Kansas raised the issue, and I am going to have a similar meeting to this—not as large or as formal—on Monday in Owatonna, Minnesota with some of my producers. I have already had one listening session. This will be the second one that I am going to have in my district in southern Minnesota just to listen to farmers in terms of what they would like to see us do with the next farm bill.

My sense is not only from the first meeting, but from the meeting yesterday and today the question was asked if people had the choice they would just like to stay with a farm bill that looks an awful lot like the one we have now, and I think that is generally—If you were to poll the members of this committee and the subcommittee chairmen I think that would be the consensus on our side of the table as well.

But let me just throw out a couple of things that are coming at us that are going to be part of this whole debate. One of course is

the budget. When the last farm bill passed I was a member of both the Agriculture Committee and the Budget Committee, and we really were extremely fortunate that the farm bill was drafted at that particular point in time.

But let me just remind everybody here that when we passed the last farm bill not only did we have over a \$200 billion surplus in the Federal treasury, the Congressional Budget Office had told us that for the next 10 years if you looked forward their projection was we would have an accumulated surplus of over \$2½ trillion.

They were wrong, and now we are in a different environment, and some people blame the tax cuts which really do represent a change of about 20 percent in the overall environment. In fact, part of the reason we gave the tax cuts at that time was because we believed that if you left the money in Washington we would spend it, and we know who can spend the money smarter. We think that individuals, farmers, businesspeople ultimately will invest and spend that money smarter than we will do it on their behalf.

But nonetheless, the economy has changed, the revenue projections have changed, and now instead of looking at a \$2½ trillion surplus over the next 10 years we are looking at sort of the other side of that ledger, and we are looking at significant deficits. And so I think that is going to put an awful lot of pressure on the Budget Committee and on us as we begin to develop the next farm bill.

The other thing that has been mentioned is the issue of trade, and we are going to get more and more pressure from our trading partners and trading competitors around the world in terms of the kind of farm programs that we have, and so the chairman is going to probably get a lot of gray hair over the next year and a half or 2 years trying to wrestle with all these competing pressures.

But let me give you the good news, and it has already been mentioned by my colleague from Minnesota. The incoming chairman or president of the National Corn Growers is from my district, his name is Gerald Tumbleson. I give him credit for this basic view because I think it is absolutely true.

What Gerald Tumbleson says, and I quote him, is that there are really only two things the world needs more of. One is energy, and the other is protein. And I think that is tremendously good news for American farmers, because as my colleague from Minnesota indicated right now with oil at over \$60 a barrel it cost just north of about \$1.55 to produce a gallon of unleaded gasoline. We are producing ethanol in my district today for 95 cents a gallon.

Now, it is true that you do not get quite as many BTU's out of a gallon of ethanol as you do unleaded gasoline. But the bottom line is today at today's prices ethanol is cheaper on a BTU basis than gasoline. That is great news.

And I think there is a tremendous opportunity whether you are in south Alabama, or in North Carolina, or Minnesota, to really make energy a big, big component of agriculture's future.

And I am sorry, I have already used up more of my time, and I will yield it back, Mr. Chairman.

The CHAIRMAN. Thank you.

We are now pleased to welcome someone from the neighborhood. Congressman Lincoln Davis is from east Tennessee. In fact, your district stretches across into middle Tennessee as well, so I am

sure you touch on the Alabama border, and we are delighted to have you with us as well.

Mr. DAVIS. Mr. Chairman, thank you very much. It is good to be here. I drove down last night, and we had some rain that we had hoped for in August and September and October in the northern part of Tennessee where I live. I do represent an area that is just north of the Alabama line from Lawrenceburg over to Winchester near Chattanooga.

I am a beef cattle farmer, and at one time, Mr. Yates, we grew broilers when I was in high school we used a wheelbarrow to feed in the troughs, and sometimes shoveling them out, so I understand farming, and I have a degree in agriculture.

I look in the faces of many in the crowd, and I see the weathered faces from the sun, and the wind, and the elements where you spend most of your time in your occupations. I shook hands with a gentleman earlier today, and as our grips met I felt a part of one of his fingers missing, and I looked at him and said "Did you lose that in a farm accident?", and he said "Yes, a combine."

The heart and soul of the country is in this room today. Our conscience is better in America because farm families that you represent, and those of you who are in this room, have made our country the greatness that it is, and it is my hope that we do not forget in Washington what you have provided us and what you continue to provide us. The hope I think for America certainly is in this room. I applaud you for what you have meant and what you continue to mean for our Nation.

I have a couple of questions, and I will try to be brief. That is difficult for those of us who serve in Congress, but I will try to be as brief as possible.

I listened to Mr. Yates as you talked about the poultry industry, and I hear so much about organic-grown farm products. We use the organic fertilizer from our broiler houses to kind of clean up an old cherty hill-sided red gullied farm land that now is in pretty good production.

I wonder what kind of problems you are having today, especially from EPA when it comes to clean air and the clean water regulations that we have. We are having some difficulty with our poultry industry in northern Tennessee. Are you finding here in Alabama that being a detriment to your ability to be able to continue in poultry production?

Mr. YATES. In our particular area I have not heard of any difficulty. We on our farm work well with the local conservation people. We did sign up with a plan with them, and the agreement as I remember it stated that as long as we do according to the plan anybody that has a complaint goes to the conservation people with their complaint, which works well.

But there are things that handicap us a little bit. We have to be very watchful of people spreading chicken litter, like you are not supposed to spread within so many feet of a stream, and we have to remind drivers every day, and several times a day if the wind is blowing toward somebody's house just do not do that field today, we can do it another day, and things like that.

And we do go so far as to ask sometimes, or tell people ahead "Is it all right for us to spread chicken litter on that field adjacent

to your house on Wednesday, tomorrow?" And we have never had any difficulties with those people that we could not work around. So we are fortunate in our particular area not to have any real problem.

But we see problems coming. Now, somebody could come in out of north Atlanta and buy an acreage across the line from my chicken house, and they are tickled to death to be out in the country, out among the farms, and then after they have been here a while that old chicken house gets to stinking. Well, as we see it it is their fault, the chicken house was there first.

The CHAIRMAN. Grandfathered.

Mr. YATES. If they do not like it, they should not have built there. So we do need protection from that standpoint.

Now, if we go build a chicken house next to them, then it is our fault, but the thing that we worry about, and the thing that Farmers Federation is concerned with is somebody coming in after and surrounding our operation, and then complaining about what we are doing.

But right now in Randolph County, Alabama we are just real fortunate in that respect.

Mr. DAVIS. Thank you. Mr. Scarborough, I have a wife who teaches, and son-in-law and a daughter that does, and one of the things they say is that obesity is becoming one of the major problems in our country today, and certainly among our school children, and I agree with you that I think we need to set more policies through the nutrition program to where fruits and vegetables will be made available more so than the pogie bait, the candies and the sweets and the sodas that seem to be all that is disbursed.

My time is running out. I meant to ask you the question whether you support that. Obviously you would, but—

Mr. SCARBOROUGH. Obviously I would.

Mr. DAVIS. Thank you all for being here and for the testimony that you have given.

The CHAIRMAN. It is now my pleasure to recognize another member of the Alabama delegation from south Alabama representing the Mobile area, and lots of agriculture areas to the north, Congressman Jo Bonner.

Mr. BONNER. Thank you, Mr. Chairman, and I too want to echo the thanks on behalf of Terry and Mike, and really the entire State of Alabama is grateful that this committee is here and that this hearing is being held.

You know, it takes a lot for a University of Alabama graduate to come to Auburn University. [Laughter.]

But Auburn University is not only a leading university in research on agriculture, veterinarian medicine, on forestry and timber and so many other important parts of what makes our country great, but they are also very proud, and with good reason, to have put more men and women in space as astronauts than any other university, so it is good to be in Auburn for this important hearing.

I have got three quick questions I would like to try to get to the panel. Mr. Newby, first of all, every State in America has an advocate that represents their special interest, and the special interest that we are representing today, the agriculture industry throughout the State of Alabama, could not have a better advocate than

ALPA does both in the legislature as well as when you come to Washington to Congress to ask us to help not on behalf of an entity, but on behalf of thousands of farm families, so thank you for what you do.

If we could live in a utopia, which we obviously do not, but you had a blank piece of paper where you could write the 2007 farm bill, recognizing that you have all advocated for keeping many of the components of the 2002 farm bill, but thinking specifically about what we do in the aftermath of a natural disaster such as a hurricane, how could we do a better job of making certain that crops and products that are not necessarily in the current farm bill be included, because as we all know whether it is a pecan tree that is down, or whether it is a pine tree that is down, or cotton crops that have been destroyed, or peanut crops that have been destroyed, clearly we are going to continue to face natural disasters. Should this farm bill be a vehicle to include progressive thinking about the next natural disaster as well in your view?

Mr. NEWBY. Yes, sir, I am afraid it does need to include that, especially with the weather pattern that we have today, but also because of the need for better crop insurance coverage it needs to include all crops.

A farmer that is raising for the green industry is a farmer just like I am, he is hurt by natural disasters just like I am, he is usually better prepared for droughts, but nobody is prepared for a hurricane if they are in the agriculture business, and they should all be included in it.

I do not know, did you ask me how that you could include them in it? I do not know that, Congressman. I wish I did. With the budget constraints and all of the trade negotiations that are going on you all have a tremendous job to do.

There should be a way that we could have every farmer could buy—and this is not part of the farm bill—some kind of crop insurance that would cover every crop.

Mr. BONNER. Let us move to your left and my right, Mr. Segler. You did an outstanding job of giving us an American history lesson on pecans, but one thing that I think would be useful for our friends who are from other parts of the country that may not know, and that is how long—let us say as in Baldwin County and in Mobile County where we lost a lot of pecan trees during Hurricane Ivan and Hurricane Katrina, once those trees are down how long will it take for a pecan grower to turn that downed tree back into a profitable crop?

Mr. SEGLER. Congressman, it is going to take about 10 to 12 years from planting to turning it back into starting to—you are beginning to get a return on your investment. It would probably take 15 years for you to start making a profit on that.

Many of our trees that you see that are the big, mature trees were planted during 1901 and 1910. This is when we were trying to get people from the northern States to come down and buy land down here, and retire on 5 acres, and what happened during the 1920's we had deficiency called rosetting, a zinc deficiency, and they abandoned the crop, but we were trying to get some of that Florida money on citrus, and that is why a lot of our trees were planted.

Mr. BONNER. Mr. Chairman, I see my time has run out.

Two quick points. When Mr. Gutknecht was talking that his former colleague sitting next to him from Alabama ended up being Governor, I leaned over to my colleague, Mike Rogers, and asked him what he thought that meant for me. He said just keep your seat, you are not going anywhere. [Laughter.]

And I think we would be remiss if we did not welcome the commissioner of agriculture from Alabama, Commissioner Ron Sparks, who is also in attendance today.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Bonner, and we do hope to give Mr. Sparks the opportunity to say a few words if he is still here later on in the program.

At this time it is my pleasure to recognize the other representative for the State of Alabama on our committee who is hosting us here today in his district, Congressman Mike Rogers.

Mr. ROGERS. Thank you, Mr. Chairman. I want to thank the chairman and the ranking member for holding this hearing here in the Third Congressional District of Alabama, my home district in Auburn. And by the way, thank you for your tie. We are even. We appreciate that.

I am very appreciative of all the panelists taking the time to be with us. Two of the people on this panel, and then one on our next panel are members of my Agriculture Advisory Committee. As they know, and many people here know from Alabama, I am a recovering attorney, and I need all the help I can get on agricultural policy, and from all 13 of my counties I have very successful producers who have agreed to participate on a regular basis in coming together and informing me and my staff as to what their concerns and issues are with regard to agriculture, and they are just diligent in their attendance and participation. Everybody is busy, and the fact that you make time to do this just says a lot about your character and your emphasis on the importance of this subject matter. So I appreciate you being here and being a part of this.

One thing that stood out to me—you have all made some very impressive comments, but one thing that stood out to me was your reference to the problem in getting young people into the industry.

We know it is a struggling industry as it is, but the more I thought about that comment the more I reflected on the people who participate in farming in my congressional district, and you are right, there are not many young folks in the industry.

What specifically would you suggest that we could do from a public policy standpoint, and a budgetary standpoint, that would scratch that itch? And I would throw that out to any one of you.

Mr. YATES. Mike, when I started out 30 years ago the Farmers Home Administration was a great help. We had a man down there that not only had the money to loan, but he was a good advisor, and they were a big help to me. Now there is not that help in the same sense that it was at that time.

Mr. ROGERS. What is available for a young person? I know you have got a son, a son-in-law and your daughter that are helping in your business, but for somebody who is not kin to a family farmer what is available to them, and is it working?

Mr. YATES. Well, I would have to say I honestly do not know. I do not know of anybody that is able to take advantage of whatever there is there. And the office, incidentally, has been moved plumb out of the county. In fact I do not know where it is now—Anniston, I guess is where you would have to go for that kind of help, if any is available. But Mr. Lumpkin, the FHA advisor of that date, like I say, he had the money and he had good advice to help me get started.

Another thing that was pointed out to me in some late information that I got, and I have not been able to look into it, but the tax consequences of an older farmer when he decides to ease out, and if he would like to bring a young person in who maybe is not a family member, there is something there apparently in the tax policy that handicaps him in doing what he would like to do, like has he got to pay capital gains tax on the whole farm when he tries to get this other young fellow started, things like that. Mr. Newby I guess knows more about that than I do.

But if it were not for children, my son and daughter on the place we would be in the same situation. Now, as far as getting them started, they started out on a good name, and they can deal with the bank, and they have a good history, but not everybody is that fortunate.

Mr. NEWBY. He is talking about a program that would let a farmer sell his property to a young person, or a young farmer, and not have to pay all the capital gains taxes. That is one program.

Another program that you would not think would be that big of a program in most of Alabama, but we are seeing it all over the State of Alabama, is we have a lot of growth areas, and these growth areas the farmers' land has just gotten so valuable, and these folks have moved in around him, and he is selling out, and he is trying to buy more farmland, and the 1031 like exchange law you just have a real small window to identify what you are going to swap for, and then to buy that land. What that does is that causes the price of land to go up everywhere, and if you could expand that time out farmers would have more time to look and not artificially run the price of land up. That actually happens.

Mr. ROGERS. Thank you. I see my time is up. Thank all of you for your participation.

The CHAIRMAN. I am now pleased to recognize the gentleman from Iowa, Mr. Steve King who represents the western side of that State.

Mr. KING. Thank you, Mr. Chairman, and I also want to thank the witnesses here, and I want to thank the hospitality here at Auburn. This is my first stop down here, and you get off the bus and you are some place where they are glad to see you.

Mr. Newby, I appreciate your testimony in particular, and I want to preface my question to you with a statement that I recognize the operation that you described as a family farm, and where I come from that pretty much describes a family farm too, so I see it from that perspective.

But I wanted to ask you a specific question, and that is if we have a payment limitation, single-entity payment limitation as it proposed by the President and defined maybe fairly tightly, I would suspect you might have an alternative other than to give up on

raising some cotton. Do you have the kind of operation where you could split that and maybe end up with two or three different entities and start all afresh, or is that not a consideration and, if not, why not?

Mr. NEWBY. Well, actually if the cotton prices get where it is not profitable we will have to go into other crops. We would probably go into cattle and timber, and we already raise wheat, corn, and beans on our farm operation, and we are already in the cattle business.

One of the things that—I am sorry, your question was divide up the entities?

Mr. KING. Yes.

Mr. NEWBY. The limits in the cotton business when you have the marketing loan, the countercyclical payments, and loans in all of the different parts of the cotton and other program things, the \$250,000 would not carry you through many acres of land, and what you would end up doing you would be working a very small acreage of cotton is what you are dealing with.

Mr. KING. But you are at least functioning under this entity limit that we have now?

Mr. NEWBY. Yes, sir.

Mr. KING. And you are operating as a single entity?

Mr. NEWBY. No, sir. We have nine entities.

Mr. KING. OK. That was the part that I misunderstood about your testimony.

Mr. NEWBY. We have nine people, we have nine entities.

Mr. KING. Then I do understand your response to that, and I thank you for that.

Also, Mr. Yates, I had the opportunity to thumb through this document, and it is quite interesting. It brings back the memories of 2002. At least it was not any better here than it was where I come from for that year, but the years since then as has been testified have been pretty decent.

I would ask you, though, could you give me some sense of the trend of land prices and cash rent for say the last 3 to 5 years, what they have done?

Mr. YATES. In our area, Randolph County, Alabama, land prices have just gone out of sight. We have begun saying if you do not want to sell just do not price. When I came back to the family farm and needed to expand in 1970 I could have bought land for \$75 an acre, which of course was cheap compared to the rest of the country at the time.

Right now there is a piece of land that we have actually been offered adjacent to us that we are going to have to pay \$3,300 or \$3,500 an acre to get it. The pressure of course is coming from the Atlanta area and other areas. It is coming from the Birmingham area, people coming in that look like they can pay any kind of an amount of money they want to for a piece of land that they want.

Mr. KING. That is the urban pressure. Do you have some examples, does anyone on the panel have examples of land sales that are producer to producer where you are not having urban pressure on the value of that land?

Mr. YATES. There is no such thing in our area.

Mr. KING. That is something I need to know.

Mr. YATES. There is none.

Mr. KING. Thank you, Mr. Yates.

Mr. Corcoran, with regard to your balance of acres between cotton and peanuts, have you trended more towards cotton, or away from cotton in the last few years?

Mr. CORCORAN. Just a little away from cotton. We have started planting just a few more peanuts. We have a strict rotation on our farm, and we stick with it for the most part, so our acreage does not change a whole lot, but we have planted a few more peanuts, and that was really because we bought some extra harvesting equipment and we had the extra capacity to produce it.

Mr. KING. I thank you.

And I also wanted to thank Mr. Scarborough for his comment. I thought you made a very good extemporaneous concise statement with regard to labor and immigrant labor, and it is a very deep and complicated subject we have to deal with in this Congress, and of course the rule of law you referenced that not specifically, but it is part of the theme that you answered, and we need to find a solution for this.

I wanted to ask, though, this question. Do you have a sense of say across-the-board producers, are more of them paying these wages on the books or off the books? Do you have some producers that are paying wages to people who are maybe not legal that are just simply not writing off the expense?

Mr. SCARBOROUGH. I think it is very few people who are paying off the books. One of the issues that we have is some of the current paperwork that you get, and Mr. Yates referred to that, is that you do not know whether it is legal or not. You turn it in, you subsequently find out it is not a correct Social Security number.

I think the American farmer wants to be compliant with the law. I do not think we are rebellious by nature. It think we just need options to take care of that. I think we are doing an accurate job of reporting what is out there.

Mr. KING. Thank you. And thank you, Mr. Chairman, I yield back.

The CHAIRMAN. I think the gentleman.

Finally we are pleased to recognize the gentleman from Michigan, Mr. Schwarz, who I think took the opportunity to visit the veterinary school here this morning.

Mr. SCHWARZ. In the interest of time, Mr. Chairman, I just want to comment on that so we can get the next panel up here, but due to the kindness of President Richardson of Auburn and Dan Tim Boozinger I had the opportunity to spend two hours this morning at the college of veterinary medicine, and I must say, Mr. Chairman, I was impressed.

I asked to visit some of the labs. I visited a lab that deals with olfactory physiology. Olfaction is the sense of smell. They are working with the FAA, with dogs in trying to figure out what it is that makes dogs have that great sense of smell that can help in this case root out people who are putting things like explosives in their baggage and that sort of thing;

A great lab dealing with botulinum toxin, botulinum contamination of foods; another great lab dealing with salmonella and listeria and e-coli especially in poultry.

A good question, and I will not ask it now, but at some point one of the things I am going to look at is this whole idea of the objection people have to giving poultry and other protein producers antibiotics. I do not know what else we are going to do other than antibiotics, but they are working on some things now called bacteria phages that actually go in and destroy the bacteria, and of course salmonella, e-coli, listeria are monocytogonese. That is what they are.

And then I finally visited a histology laboratory which brought me back finally to my freshman year of medical school, and just looking at the slides of normal tissues in the body.

So it was a great visit. The Auburn College of Veterinary Medicine has a national and international reputation, Mr. Chairman, and it was a privilege to visit. And I yield back.

The CHAIRMAN. I thank the gentleman. And I want to thank all the members of this panel for an outstanding presentation, and for taking all of our questions, and going for 2 hours here.

That leaves us with just an hour for the next panel, so we are going to thank and excuse all of you, and call them right up to the table right away.

[Pause.]

The CHAIRMAN. The committee will come to order.

I am very pleased to welcome our second panel to the table. Mr. Michael Hively, Vidalia onion producer of Glennville, Georgia; Mr. Gary Henry, cattle producer of Hope Hull, Alabama; Mr. James Harwell, nursery grower from Wetumpka, Alabama; Mr. Carl Sanders, peanut producer from Brundidge, Alabama; and Mr. Clinton Morris, corn, soybean, wheat, and cattle producer from Decherd, Tennessee.

Mr. Hively, we welcome you, and I will remind all the members of our panel that their entire written testimony will be made a part of the record, ask you to strictly limit your statement to 5 minutes. Mr. Hively, welcome.

STATEMENT OF MICHAEL HIVELY, VIDALIA ONION PRODUCER, GLENNVILLE, GA

Mr. HIVELY. Thank you, Mr. Chairman.

Mr. Chairman and distinguished members of the House. I would like to commend your leadership and initiative for holding these public hearings to review Federal farm policy and the proposal for the 2007 farm bill.

The farm bill of 2002 was one of the best farm bills in years. However, with the food shortages of the 1970's, our existing dependency on oil, and this year's devastating hurricanes and floods, we are reminded of the urgency of creating even a better farm bill.

We cannot allow this country to be dependent on the world for our food supply as we have with our energy supply. U.S. growers produce primarily the following subsidized crops. Corn, soybean, wheat, rice, and cotton. Subsidizing crops appears to have wiped out the diversity in agriculture in the United States. We cannot, however, forget that subsidies were put into place to soften the risk of farming, such as weather and price. Therefore, subsidies cannot be eliminated without jeopardizing the entire agricultural community and rural America.

I personally have been in the produce and dairy business for 23 years. The produce industry is blessed in that we can produce a crop, show a profit, feed our family, and grow our business while benefiting only from conservation programs and disaster aid subsidies.

However, if the subsidized blanket available to a few select crops could be extended to farm products that we heavily import, and known capitalization credits were added, then we could shift from traditional row crops to a profitable diverse agricultural base.

In this day of bioterrorism, we must move to create this balance and eliminate our dependency on importing food. The following objectives would be achieved:

One, diversity of produce farmers will plant based on a wide choice of market demand; farmers will increase production by growing what is best geographically; credits would be set up in conjunction with subsidies to open up new doors of agriculture producing food 52 weeks a year; diversity of produce will increase rotation of crops, which in turn will create a cleaner and safer environment.

Known capitalization credits will increase the number of new farming opportunities and new markets, and also eliminate and reduce security concerns associated with being an overall importer of food.

If the U.S. farmer is presented with a solid farm bill of 2007 he will once become a primary producer of food for the United States. Farmers are independent, they are creative, hard working, and given the proper incentive credits they will move from our current subsidized programs to a new technologically productive and profitable agricultural base.

The next topic I would like to address is crop insurance. Two areas I think need to be addressed in crop insurance is crop insurance premiums are not adjusted to reflect reduced coverage due to the applicable stage which they apply to. For example, guaranteed coverage of final stage payment of \$2.2 million the premium cost would be \$122,000. In this example if we only reached Stage 2 production the crop guaranteed would be reduced to 60 percent or 1.2 million, but the premium still remains the same at \$122,000. Thus, the farmer loses \$48,000.

The other thing is I think a determination of the stage which the crop is in should be based on factors such as crop development and cost associated with the crop.

This year we were 7 to 10 days away from harvesting 1,000 acres of our onion crops which was destroyed by hail. After extensive evaluation the crop was a complete loss. The claim was paid at Stage 2 even though we had incurred all costs associated with the final stage except for plowing. Our claim was diminished by \$1.4 million, thus on a crop that would have produced \$9 million in sales if harvested.

I think we have addressed earlier today credit issues for America. America has yet to develop an adequate credit organization for funding the agricultural community. We must support a strong farm credit system.

Finally, our life and business in the produce industry depends on good labor force. I would like to thank Chairman Goodlatte for taking steps in forwarding and introducing H.R. 3857. If I could stress

anything to the House members here today in addition to the farm bill, it would be farm labor.

Farm labor is a huge issue that I could talk at length on. We currently use the H-2A guest worker program to get a quality, dependable labor that is documented. I hope the House will support this legislation.

Thank you.

[The prepared statement of Mr. Hively appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Hively. Mr. Henry, welcome.

STATEMENT OF GARRY HENRY, CATTLE PRODUCER, HOPE HULL, AL

Mr. HENRY. Thank you, Mr. Chairman, members of the committee. I am Garry Henry, and I am happy to appear on behalf of cattle producers and the Alabama Farmers Federation Beef Committee of which I am a member.

My family and I have a 14-head cattle-calf operation in Montgomery County. With the fourth generation joining the operation last year, we have a keen interest in the future of agriculture.

The 2002 farm bill has generally had a positive effect on agriculture in our area, but there are a few areas of concern. The first I would like to talk about is the Conservation Reserve Program. The Alabama Farmers Federation supports the objectives of CRP, but feel in some ways that the implementation has exceeded the original goal of taking highly-erodible land out of production. Although CRP has positive benefits such as reducing soil erosion and converting marginal land into wildlife habitat, it has taken productive land that was not highly erodible and converted it into idle land. This has had the effect of creating rental rates at levels that do not represent the market rate of the local area. It has also made it impossible for farmers to compete for its use.

Young farmers particularly are not able to find land with which to operate, and the lack of agricultural activity in the farming communities, small farming communities, is dying.

A solution would be to modify rental rates and create more stringent requirements for renewal or entry into the program. As the chart included in my testimony shows, there is a significant amount of acres that will be coming out of CRP in the next several years. That acreage can be used for forage production for cattle, or production of biomass, thus stimulating the rural economy.

I would like to thank the members of the committee for their efforts to resume beef trade after the BSE case, and also for the support of the Alabama Beef Connection program which our farm participates in.

In connection with these issues, the Alabama Farmers Federation supports a mandatory animal ID system. With an effective ID system it would create an even safer food supply for consumers, and would allow producers to meet consumer demands for traceability.

I understand that recently USDA has announced it is unsure it has the legal authority to require producers to register with a private data base. The Alabama Farmers Federation supports the USDA study goal of achieving an operational and mandatory re-

porting system by 2008, and would ask the committee to give USDA whatever legal authority it needs to achieve its mandatory participation, or alternatively, make it a Federal data base with appropriate producer confidentiality protection.

The Alabama Farmers Federation supports mandatory country of origin labeling, and believes that consumers have the right to know where their food is grown. We believe that this is the best way to promote branded and preserved-identity foods to consumers. The current farm bill requirement to implement mandatory COOL has been postponed several times with the exception of seafood. We see no reason for this delay to continue since the food industry has had adequate time to prepare for mandatory COOL. We import over 80 percent of our seafood, and the labeling requirement for seafood has worked well with a minimum of disruption.

I was pleased to see that the President in his State of the Union focused on alternative fuels. I commend Congress for passing an energy bill that does have a renewable fuels component, but more needs to be done. High energy costs are driving a renewed interest in alternative fuels, and not just for traditional ethanol.

Congress should support incentives to expand the production of ethanol, biodiesel, and other energy sources such as those manufactured from animal waste. The farm bill has a bioenergy and value-added component and, thus, should be expanded to continue funding needed for alternative fuel sources related to agricultural production. In addition to providing renewable energy, another positive from the ethanol and biodiesel industry is that byproducts make excellent high-protein feed for livestock.

As the committee considers the reauthorization of the farm bill, please keep in mind that no matter what form the farm bill takes the farmer must remain profitable. The current bill should be continued with only minor changes, and the budget funding contained in the farm bill should not be reduced.

Thank you.

[The prepared statement of Mr. Henry appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you. Mr. Harwell, welcome.

**STATEMENT OF JAMES HARWELL, NURSERY GROWER,
WETUMPKA, AL**

Mr. HARWELL. Thank you very much, Mr. Chairman, and thank the committee for coming to Auburn University and the War Eagles.

I represent the Alabama Nursery and Landscape Association, and the green industry here in Alabama.

The green industry in Alabama is a bright spot in agriculture. In 2003 we started a comprehensive project here at Auburn University to evaluate for the first time the total economic value of the green industry in Alabama. We understood the aesthetic value and environmental improvement aspects of our industry. We recognize that on a daily basis, but we had no idea how much our industry was worth, so this was the first effort to begin an economic value of our industry, and we have just published the first economic impact study, and we have that available today.

Let me just share with you some of those results. The Alabama green industry accounts for 38 percent of all crops produced in the State of Alabama. Alabama ranks third in the Nation in turf grass and sod production. Alabama is 16th in the Nation in nursery and greenhouse production.

The green industry in Alabama boasts a \$2.1 billion total sales with \$1.9 billion in total economic impact. The green industry accounts for \$1.5 billion in value-added impact.

Unlike other crops, most of the value added in the green industry occurs here within the State of Alabama. In addition to the dollar impact, the Alabama green industry is responsible for providing approximately 31,000 jobs and some 2,600 businesses. Last year Alabama's third largest commodity was the greenhouse, nursery, and sod products. These producers represent the fastest-growing segment of the State agriculture community, but do not receive, nor do we ask for additional subsidies.

I just want to mention a couple of things that are important to us as far as the farm bill. One is on research funding. Your continued support of the nursery and greenhouse and sod industry research should be a substantial part of the upcoming farm bill.

We are blessed with three land grant universities here in the State of Alabama. For projects like the IRO-4 funding that project is very important to us in the green industry here in Alabama.

And also on the hurricane relief, the nursery and greenhouse and sod industry in Mobile and Baldwin County suffered a tremendous loss from the hurricanes over the last 2 years. The Emergency Conservation Program, the ECP program, funds were made available for our industry, the nursery and the greenhouse for cleanup, and we appreciate Congress' willingness to help support that. But more is needed.

One of the programs that we see that could help us tremendously in our industry is the Tree Assistance Program, or the TAP program, which gives shared assistance, but the problem for us is the definition needs to be changed that it includes nursery products and operations. In other words, the grower whose final product is pecans is covered, but the grower whose final product is pecan trees is not covered.

So we ask that growers of ornamental trees and shrubs who do not produce an edible crop but the value of our products extends far beyond the dinner table. So we ask that the TAP program would include commercially-grown ornamental trees and plants whether field- or container-grown, because these crops are commercial legitimate agricultural commodities. After the hurricanes of the last 2 years our industry has faced over \$25 million in losses, and because of the way that the TAP program is written, currently written, these producers receive little or no help.

Just in conclusion, we call our State "Alabama the Beautiful," and our industry is one of the reasons why. As a significant member of the agricultural community, the green industry, we would ask to receive equal recognition and assistance in disaster relief as other affected agricultural commodities.

Thank you very much.

[The prepared statement of Mr. Harwell appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Harwell.
Mr. Sanders, we are pleased to have your testimony.

**STATEMENT OF CARL SANDERS, PEANUT, COTTON, CORN,
SMALL GRAINS, AND CATTLE PRODUCER, BRUNDIDGE, AL**

Mr. SANDERS. Good morning, Chairman Goodlatte, members of the committee.

My name is Carl Sanders, I am a peanut producer from Coffee County, Alabama. I am president of the Alabama Peanut Producers Association, and am here today representing the Southern Peanut Farmers Federation. This federation is comprised of the Alabama Peanut Producers Association, the Georgia Peanut Commission, and the Florida Peanut Producers Association. Our grower organizations represent the majority of peanuts grown in the United States.

My 1,050-acre farm is diversified, producing peanuts, cotton, corn, small grains, and cattle. I was born and raised on this farm. My wife of 31 years and I have six children. I am a graduate of Auburn University with a degree in agricultural sciences. I consider myself to be an American family farmer.

First I want to thank the House Agriculture Committee for its leadership in moving the U.S. Peanut Program from a supply management program to a more market-oriented program in the 2002 farm bill.

At our 2002 Southern Peanut Farmers Federation meeting in Panama City, Florida, Congressman Terry Everett told the peanut producers that this program should be changed. He encouraged our producers to work with Congress to create the best market-oriented program available. We took Congressman Everett's advice. The new Peanut Program has encouraged peanut product manufacturers to develop new products and spend more money on marketing these products. Domestic demand has increased for peanut products.

The new Peanut Program has also allowed producers to more readily enter peanut production. Peanut production has expanded from 15 counties in 2002 to 32 counties in 2005. We believe the Peanut Program has cost the Federal Government less than anticipated by this committee.

While the Congress passed a very respectable Peanut Program in 2002, the administration of the Peanut Program by the USDA has not been as successful.

While the domestic marketplace has seen a healthy increase in demand from consumers and production growth for producers, this has not been the case for the peanut export market. How can this be when U.S. producers lowered their price support significantly in the 2002 farm bill?

The USDA continues to set the loan repayment rate too high for peanuts. Despite language to the contrary in the 2002 farm bill, the Department has relied far too much on data unrelated to the price that other export nations are marketing peanuts for in the world. U.S. peanut producers have lost a significant portion of the export market despite the changes invoked in the 2002 farm bill.

Our present export situation is directly related to the high loan repayment rate set by USDA. Although our peanut State Members

of Congress have tried to assist producers in meetings with USDA, with letters and inquiries and formal hearings since the farm bill the rate has remained artificially high. The 2002 farm bill directed the Secretary to establish a loan repayment rate that the Secretary determines will minimize potential loan forfeitures, minimize the accumulation of stocks of peanuts by the Federal Government, minimize the cost by the Federal Government of storing peanuts, and allow peanuts produced in the United States to be marketed freely and competitively both domestically and internationally.

It is this last point that is most problematic. The federation believes that USDA is not significantly considering the competition in the world marketplace.

The Southern Peanut Farmers Federation will be meeting with our industry partners in the coming days to develop more specific suggestions for the next farm bill, and will promptly submit those to your committee. At present we support the continuation of the current program, but will seek to update specific provisions.

When the 2002 farm bill was drafted, peanut producers did not envision record high energy prices that impact our major crop inputs including fuel, fertilizer, and chemicals. The 2006 peanut crop will feel the full impact of these increased costs.

It is important that the next farm bill not rest on the backs of declining farm equity. We hope that every effort will be made to ensure that producers who are assuming the risk in agriculture will be the recipients of these programs and incentives.

I appreciate the opportunity to be here today representing Southeastern Peanut Growers. Thank you.

[The prepared statement of Mr. Sanders appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Sanders. Mr. Morris, welcome.

**STATEMENT OF E. CLINTON MORRIS, CORN, SOYBEAN,
WHEAT, AND CATTLE PRODUCER, DECHERD, TN**

Mr. MORRIS. Mr. Chairman, members of the House Committee on Agriculture. Thank you for allowing me to be here today. Also I would like to thank Congressman Lincoln Davis from Tennessee's Fourth Congressional District for his invitation for me to be here to talk about the effects of the 2002 farm bill had on our family farm.

I am a third-generation farmer from a small town in southern middle Tennessee. We farm approximately 2,500 acres of row crops including wheat, corn, and soybeans. We also have approximately 100 head of beef cattle. My wife and I have three sons. All have grown up working on the family farm. They are 27, 22, and 21 years old, and all still to some varying degree work on the farm. Ryan, the oldest son, graduated from Tennessee Tech University, and he works as a quality assurance technologist at Nissan North America in Decherd, Tennessee. Jacob graduated from Motlow State Community College and is currently farming. The youngest son, Drew, attends Tennessee Tech College in Cookeville, Tennessee, and farms part-time. My wife Sandra is an elementary education principal in Manchester, Tennessee, and works in her spare time on the farm. So the family farm is a very important part of our lives.

We are here to talk about the 2002 farm bill and challenges we are faced with today as you formulate the next farm bill. The first question we asked ourselves are we as well off as we were in 2002. The answer is a resounding no. The last 5 years have been difficult ones for the family farmer.

The 2000 farm bill helped me personally remain in business over the last 5 years in a lean farm economy because of low commodity prices of corn, soybeans, and wheat which are the primary crops that we grow, and the increasing cost of fertilizer, seed, chemicals, diesel fuel, gas, oil, tires, and farm equipment it has been hard to survive in farming. In fact, without the subsidy program of the 2002 farm bill we would probably not have been able to pay our bills.

For example, in our part of the world basic fertilizer cost has increased 43 percent over the last 5 years in our area. It costs approximately \$374 an acre to plant an acre of corn according to the University of Tennessee Department of Agriculture. This does not include any drying, handling, or transportation cost. It is a very minimal budget for production of an acre of corn.

Using our county average yield of 138 bushels over the 5-year period during the farm bill, the cost to produce a bushel of corn is 271. The average price for the 5-year period is 221, leaving the farmer with a loss of approximately 50 cents a bushel where the farm subsidy bill had to pick up some of the cost there.

Also in our area it costs about \$248 an acre to plant soybeans according to the University of Tennessee. Again, this does not include handling, drying, transportation cost. Using the University of Tennessee average price a bushel of soybeans over the 5-year period was \$5.42 a bushel. The average yield over the 5-year period was 36.20 bushels, which equals 196.20 per acre, a loss of \$52 an acre. Again, the farm subsidy program has to make up the difference, or the farmer is in financial trouble.

From these two examples you can see where our family farm would be without the 2002 farm bill subsidy. Myself personally, our farm drew \$178,969 over the 5 years the bill was in existence. This is an average of \$35,793.80 per year, which was needed to help offset the cost of production of crops on approximately 2,500 acres.

Over the last 5 years our fertilizer costs have gone up 43 percent, our diesel fuel prices have went up 64 percent, and the average machinery cost of 33 percent, but our commodity prices have basically stayed the same.

I realize that our Government cannot be the answer to all the cash problems, but the subsidy for the agricultural program is woefully short and needs serious attention. In many cases the subsidy is the difference between a farmer covering his expense or not. I can think of no other industry that requires so much capital for such a small profit. I say a potential profit because of weather and other factors beyond our control could mean we incur heavy losses.

So my question to you is how can we purchase \$250,000 combines, \$150,000 tractors, \$400-a-ton fertilizer, \$3-a-gallon diesel, and \$1.75 propane, along with high-priced seed, chemicals, and other things while our commodity prices remain about the same.

On the other hand, we have a big corporation like Exxon setting a corporation record in America of \$10 billion profit in one quarter during a natural disaster, Hurricane Katrina.

I imagine most, if not all of you, are familiar with agriculture and rural America, and realize the importance of helping the family farm survive. I encourage you to take the steps necessary not only to help the American farmer survive, but to make it desirable for your families and mine to carry on.

Thank you.

[The prepared statement of Mr. Morris appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Morris.

Let me start the questioning of this panel by asking all the witnesses—I know we have at least a couple of cattle producers on the panel, and some row crop producers—I appreciate the testimony of our witnesses from the livestock community who have naturally outlined their views on livestock issues. However, since the animal agriculture sector is the largest single consumer of program crops, I am curious about your views on Federal programs relating to feed grains. Could each of you take a moment to discuss in detail what you would like to see from the next farm bill with respect to these commodities. Mr. Hively, we will start with you.

Mr. HIVELY. I would like to pass to my colleagues sitting here at the table because I am focused mainly in the produce business.

The CHAIRMAN. OK. That is fine. Mr. Henry.

Mr. HENRY. Of course livestock producers I will not say love, but like to have cheap feed to feed their cattle, and that is one of the reasons that beef is being at the rates that we are seeing today, the price that we are receiving because of the cheap grain.

I think with the advent of ethanol and biodiesel that if the products that are produced in those industries are used for livestock feed, even if the producer of the corn and the soybean receive more money for their particular product, the byproducts of those industries will be utilized in the feed industry for the livestock and therefore not having a great effect.

If the energy component of the farm bill is taken forward and those industries are developed then I do not think that it will make a significant impact on the cattle industry.

The CHAIRMAN. Very good. Mr. Harwell, do you want to comment on this, or are you outside the scope of this?

Mr. HARWELL. I am outside of that. This is the green industry.

The CHAIRMAN. Mr. Sanders.

Mr. SANDERS. Well, I do raise grain, and I also raise cattle, and I do that for diversity because normally when one goes up the other one goes down, but I would love to see the price of both of them go up.

The CHAIRMAN. With regard to farm programs, what would you like to see go up and go down?

Mr. SANDERS. Well, I do not know how to do it, but prices are so low now that they really discourage any new people from getting in the business, and profitability is so low that I do not know what farm program, or how we could raise prices, but they need to go up drastically.

The CHAIRMAN. Mr. Morris.

Mr. MORRIS. In the cattle industry I know last week we went to a sale in middle Tennessee. I think some cattle brought \$1.50 a pound. But a lot of people think that is high, but it is not. Back when we were getting probably 80 cents a pound for the cattle we were making more profit on them than we are at \$1.50 because of our input cost has went up so much.

The CHAIRMAN. Thank you. Mr. Sanders, with regard to your peanut business, how important to the peanut industry as a whole was changing to the current system where producers get a coupled payment, a loan rate, and a countercyclical payment as opposed to the old quota system?

Mr. SANDERS. Well, the quota system also allowed imports to come in, we had an artificially high price, and now that we have more a marketing loan program we have basically cut off imports. That is the reason our sales in the U.S. are really good. But because of factors out of our control our export markets are basically flat.

The CHAIRMAN. And has that been a net gain for you, or were you exporting more than you are selling domestically now?

Mr. SANDERS. No, it has not been a net gain, but we have cut off imports, and we do have increased production. We have increased consumption in the U.S., and we are actually doing fairly well. If we could get the exports, we would be doing much better.

The CHAIRMAN. Any ideas on how to get the exports?

Mr. SANDERS. Lower the repayment rate.

The CHAIRMAN. OK. And being from Virginia, not my district, but the eastern part of the State is a peanut-producing area, what would you say are the main reasons that we saw a dramatic shift in peanut acreage in the States of North Carolina, South Carolina, and Virginia.

Mr. SANDERS. Cost of production, because I know in our traditional growing areas where we had short rotations we had disease and nematode problems. When we went to longer rotations, our yields have gone up; therefore our profitability has gone up. I think we had the same problems in Virginia and the Carolinas.

The CHAIRMAN. Are you seeing any trend for them to cure that problem there, or do you think this is a long-term trend that shifts the production further south?

Mr. SANDERS. I think the problem will tend to cure itself as they get the longer rotations, but they can still produce very good peanuts, but they have got to have the rotation and the varieties to do that with.

The CHAIRMAN. Great. Thank you.

The gentleman from Minnesota, Mr. Peterson.

Mr. PETERSON. I will be very brief.

Is there any work being done in the peanut industry to make biodiesel out of peanut oil?

Mr. SANDERS. There is very limited work being done, but this is a great prospect because right now we do have a surplus of peanuts in the Government loan, and that would be a very good avenue to use these peanuts for, biodiesel.

Mr. PETERSON. I would just like to remind people again that the diesel engine was invented to run on peanut oil, so hopefully we can get back there.

Mr. SANDERS. Yes, sir.

The CHAIRMAN. At this point given the shortness of time what I am going to do is ask the members of the panel, those of you who want to ask questions seek to be recognized, and those of you who do not we appreciate your forbearance.

We will start with the gentleman from Alabama, Mr. Everett.

Mr. EVERETT. Mr. Chairman, thank you very much, and, Carl, I have a list of questions here which I am going to submit to you for the record. I agree with your testimony, I thought it pointed out a lot of the problems.

I would like to just quickly recount some history of the program. We were in a position prior to the last farm bill where 84 percent of the people who owned the quota did not farm it, they rented it out to the farmer. Now, I was losing a lot of farmers, but I was not losing any quota-holders. They got their money up front, and we changed the system. We bought the quota-holders out, and we went to the production that we currently have.

I think that farm bill except for this year because of a lot of input problems, and weather problems, and getting into the field late, I think that this year's crop was not as good as the past 3 years. But the program overall I think is a very good program.

As far as production, I agree with your assessment that we have got to learn to rotate crops, and once we start rotating crops I have seen traditional 2,000 and 3,000-acre farms all of a sudden get up to 4,500 pounds an acre and that kind of stuff, much of which they are getting into the new kind of yield they are getting in the new counties they have expanded into peanuts.

But we wrote that farm bill with the idea that changing the bill like we did would not only preserve the industry in this country, and I say that because of NAFTA which my good friend Duncan Hunter and I co-chaired the entire NAFTA task force for the Republicans, because of the tariffs going downward and the total yield coming into the country continuing to go up we were in a real danger of losing the industry in this country.

So we obviously had to do something about that, and when we wrote the program not only did we address the problem of preserving the industry in this country, but also we wanted to make us competitive on a global market, and as your testimony has pointed out in the loan, the way the loan repayment rate is administrated by USDA we are not as competitive as we need to be on the global market.

That is an excellent opportunity for us, Mr. Chairman, and something that I hope this committee will try to address in the new farm bill.

And finally I believe that the Virginia peanut will be grown, what I call the ball park peanut will be grown more profitably in the Carolinas as Carl says as we begin to rotate the crops.

It is very difficult as you know to write a title or a program that frankly satisfies all the producers, but we tried last time and came as close as we could on it.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank the gentleman.

The gentleman from Tennessee, Mr. Davis seeks recognition.

Mr. DAVIS. Mr. Chairman, thank you very much. We often hear a great deal of concern from our friends in the city and others about environmental issues. I am here to reflect that I believe that our farmers have done an excellent job. When you look at the Federal agencies over the years and see what has happened with cover crops, and crop rotations, and the land that we are taking out of row cropping is I think probably the group of people in this country who are the best environmentalists are farmers who sometimes are accused of not being there. I make that as a side comment.

I thank each of you for being here. Each of the panels that have spoken certainly has given us some information to take back to our colleagues, and certainly given us information.

I just recently gave an interview, or while we are here today I gave an interview to one of the farm publications and to the PR of the Farm Bureau, and the question they asked me is how important is it that Members of Congress travel across our Nation to talk with farmers. Who else can we get the information from? Who else is in touch with it every day? Who else is at the plow except those of you who are here today and have given testimony? So it is indeed my pleasure to welcome you here, each of you that have given testimony, and those that are here now, and thank you for what you do for our country.

A lot of ideas are floating around with the new farm bill, you hear people say that the subsidies that we provide for our farmers can maybe do harm to Third World countries as they try to produce crops and are unable to because of the subsidies that we give. We sometimes have talked about the subsidies that are given in Europe that makes it much more difficult for us to be competitive in the world market.

But some of the comments I have heard recently from many folks that seems to be given some credence would be alternative fuels, and whether or not we can grow fuels that we need for the future on our farms. Do you all think that is possible? Who wants to answer that?

Mr. HENRY. I do not have a lot of experience in growing say switchgrass or anything like that, and I am not really able to talk about it, but I know in my testimony there I alluded to the CRP land that is coming out of production.

The land that I am particularly talking about is what we call black belt soils, and these soils do not grow pine trees. You plant a pine tree on it and it dies. But it can grow switchgrass and other biomass type materials. That would stimulate the rural economy as I said in my testimony.

The other aspect there is because that soil type is made for growing grass or some sort of forage product we feel like that the one part of the State that we have that can maybe expand a little bit into the cattle production is those type soils basically in west central Alabama.

You might say "Well, why do you want to get more competition?" Well, the encroachment that we are seeing around our urban areas—we live close to Montgomery, and we are getting more pressure for our acreage to go into some sort of development, so we see that as an area where we maybe at some point maybe would have

to move out of our area to another area. Instead of shrinking the beef herd, we would maintain the beef herd that we have now.

We talked about protein sources while ago, and of course beef being a protein source, so we feel like it is important to go that route.

Mr. DAVIS. And the second question, or the second part of that question is that if in fact we look at renewable fuels as a source of where we spend part of the funding for the new farm program, should we increase funding? The answer is probably yes. Or should we take funding away from say production that we are exporting foods and grain products to other countries? In essence there will be some debate on the limited amount of dollars, where should we put those dollars in the foreign program. Should it be some of it centered toward or directed toward energy production, or should it stay just on production that will be used for exports?

Mr. SANDERS. Our surplus commodities, whatever they may be at any one year—different years it would be different of course—but we could use these surplus commodities to produce alternative energy sources.

The CHAIRMAN. Thank you, gentlemen.

The gentleman from Alabama, Mr. Bonner, seeks recognition.

Mr. BONNER. Thank you, Mr. Chairman.

A question for Mr. Harwell. We were together in Mobile last week, and as we have discussed before the nursery and landscape business is a growing, the green industry is a growing part of our economy, agriculture and otherwise here in the State of Alabama, and yet as we both know it has weathered a lot of Mother Nature's wrath in recent months and over the last couple years especially.

Could you tell us a little bit about what you would like to see this new farm bill do that the old farm bill did not do that might address the needs of small businessmen and women who are in your business who unfortunately are outside of the current definitions of the Department of Agriculture, and yet are also outside of the guidelines of the Small Business Administration.

Mr. HARWELL. That is true. Most of our people in south Alabama are small family farms, and they have suffered a great deal over the last couple of years with the hurricanes.

But with the wording that is presently in the farm bill as far as the Tree Assistance Program it leaves out those who grow trees and plants in our industry. I think we are just asking if that could be changed, the wording, so it would include the green industry in Alabama.

We are not asking for subsidies, but just that we be included whenever there is a disaster for our area. So really the wording just needs to be changed that it would include trees and shrubs and plants.

Mr. BONNER. Could you repeat the analogy you used in your written testimony about the difference between a pecan grower, for instance.

Mr. HARWELL. Yes. If you grow a pecan tree for a pecan itself that is covered, but if you grow the pecan tree you are not covered. So we would just like for that wording to be changed that it would include the person who grows a tree and a shrub.

Mr. BONNER. Mr. Chairman, I would like the record to note that I fully support Mr. Harwell's position on that.

I would also like to move to Mr. Sanders because broker-dealer of the changes that came about as a result of the 2002 farm bill and the leadership that our colleague Mr. Everett provided on that.

My district in southwest Alabama has seen more and more peanut production, and in fact Baldwin County is now the second largest peanut producing county in the State of Alabama.

You mentioned in your testimony about the expansion of peanut production into these new areas. Can you tell us what this expansion, though, has done to the more traditional growing areas such as the wire grass?

Mr. SANDERS. We have reduced acreage in the more traditional areas, but in those traditional areas our yields have gone up slowly but steadily, and we expect them to go up even more because our rotations are longer. Therefore, we are getting out of this problem of under the quota system we felt the need to plant peanuts every other year on the same land, and our yields were declining, and under the system that we have now we are planting peanuts every third year, or every fourth year, in some cases behind 5 years of Bahia grass, and we are getting really good yields in those situations.

Mr. BONNER. Then one last question for Mr. Hively, and this I do not think was addressed in your testimony, but if you are a Vidalia onion grower, and obviously you have a little bit of experience, and whether you are talking about expanding peanuts into other markets, or the seafood industry which has currently been almost treated like a step-child by our current agriculture programs, and yet is near and dear to my district where we grow a lot of oysters and shrimp and crab, marketing has got to play a role in that. Can you tell us a little bit about how the Vidalia onion growers in Georgia used marketing to the advantage that you currently have so that today people are willing to, and actually seek out your product because of its brand name, and how can that be used either through policies that we might come up with in Congress, or through the industry might come up with to try to brand and market products that people would actually be willing to pay more for the product that you have?

Mr. HIVELY. I think with Vidalia onions being a specialty crop we in 1982 set up a Federal marketing order to market the Vidalia onion for a specific region, and as an industry we have went out and promoted that as them being sweet, no pungent onions, and we really kind of jump on the rest of the onion industry out there. I also sit on the National Onion Association board and, quite frankly, they are envious of the product we produce.

But with that said I think we all in farming are looking for a niche to make a profit, and in our area we have a large row crop farmer that farms 6,000 to 8,000 acres, and has not partnered up with us, but we work together. He farms our land on rotation, and we farm his land for rotation. We share tractors, we share farm personnel, and even though we are both affected by the same costs of higher fertilizer costs, and higher energy costs, and things of that nature we have found where we can buy our fixed costs down by sharing these relationships.

Farmers are mostly independent personnel, and to get them to work together with each other is tough to do sometimes. I really think as a committee we need to look at these specialty areas, whether they be fuel areas, or all kinds of sources of areas that we can move the traditional row cropper into these areas, and that because of the innovative spirit of a farmer he can become more profitable, and at the same token we become more diverse in agriculture.

So again it is one of those type of situations we have to figure out by working together as a panel and as a committee where we can find those synergies.

Mr. BONNER. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

The gentleman from Louisiana, Mr. Melancon is recognized.

Mr. MELANCON. Thank you, Mr. Chairman. I appreciate it. Let me see if I can summarize what I gathered from this morning, and I think I gathered yes, but I just want to confirm it.

Commodity prices continue to be low, inputs continue to be high, grocery prices I know continue to go up, and support levels continue to get cut. Does that sound right?

So we have got four things going against us as American agriculture. Now, when I first thought about politics a lot of my philosophy was like the Republicans on fiscal matters, and I am confused now because my party was the tax and spend; their party now is the giveaway and spend, and I am not sure what I am supposed to be any more. I am a blue dog, and I think that is maybe where everybody needs to get so we can start trying to get the system right.

The only thing that I know that the U.S. Trade Representative has as a mission when he goes to do a trade deal is make a deal. It does not have to be a good deal, and you can give away anything you want to give in trade for something else, and usually what they give away is something that big, major corporations want at the expense of small family farmers and people in this country.

The global market is fine, but we cannot survive unless we get to the global market. If somebody differs with that, please express it to me.

The WTO is where American agriculture wants to get, sit down at the table with all countries, get a level playing field instead of having us ratchet down and them ratchet a little bit at a time. What is happening is we are ratcheting down and they are still up here and got 15 years or better to have to come down to our level. That is environmental standards, that is worker safety standards, that is cost of hourly wages, that is everything.

We have been efficient, but our efficiencies are diminishing, particularly when you have got to start reducing production to meet programs your efficiencies are by you, throughput, unless there is something different in this industry I do not understand.

This past year if I remember the numbers correctly agriculture entitlement programs were 1.2 percent of the total budget, yet this year we gave if I remember correctly somewhere in the neighborhood of about \$17 to \$18 billion in tax credits to big oil companies for offshore outer continental drilling, and I voted for it, and that included also some moneys for them to encourage them to build

more oil refineries and to expand the ones they have. And yet we are going to cut the people that feed and clothe us year after year after year, and I just do not understand it.

I guess that is just something I had to get off my mind, Mr. Chairman, and I just think we have got it backwards. I am not for new taxes, never have been, but I think we need to start considering where America is going, and what I have seen in my home State after the devastation of Katrina, farmers that are sitting out there that had their sit-down with their bankers have no idea if the Government is going to help them.

We just spent, and I am getting my staff to check on it, \$1.6 billion in the last appropriation bill to send moneys to schools to cover the tuition of those kinds relocated, and I voted for that. Now what I am hearing from home is that went to private schools, it is not going to the public schools also. And I hope that is wrong, I really do.

And we need to start putting in perspective what Government is here for. It is not a giveaway, it is a give-a-helping-hand so that these guys in a global market can be competitive, but they have got to get to that point in their businesses.

As long as the Trade Representative's mission is—and I am not hitting on any one trade representative, especially Mr. Portman because he is new—but if their mission is only to make a deal then we are sunk, we are going to be totally sunk and dependent upon foreign countries not only for our oil, but our food and fiber, and whatever follows that.

Thank you, Mr. Chairman. I appreciate the opportunity, and I yield back my time.

The CHAIRMAN. I thank the gentleman for his comments.

We are pleased to have with us Ron Sparks who is the agriculture commissioner for the State of Alabama. Mr. Sparks, if you would like to say a few words to us, come on up here to the microphone by the rostrum over here.

STATEMENT OF RON SPARKS, COMMISSIONER OF AGRICULTURE, STATE OF ALABAMA

Mr. SPARKS. I certainly want to thank you, Mr. Chairman, for allowing me this opportunity to speak.

I want to thank this committee for coming to Alabama. I just want to let you know I have the utmost respect for the three members from Alabama who serve on this committee.

I just want to make my remarks very brief if I possibly could, but agriculture is extremely important to Alabama.

Back in the 1950's and 1960's in Alabama, members of the panel, we had over 250,000 family farms in this State. I think the records will show today that we have less than 45,000 family farms, and I think there has been some very important things that have been mentioned here today is we have got to maintain profitability. I think that is the whole key word to whatever we do is that farmers have got to be able to make a living. We have got to protect prime farmland in this country so that we can continue to do the things that we do.

We have got to have a viable safety net, and we use the word subsidies and how important it has been to the farmer so that he

can produce, but I believe subsidies has been important to the consumer so that they can have cheap food and clothes to be put on their back.

Alternative fuels is a must, because I believe that every gallon of oil that we produce in Alabama is one less gallon we bring out of the desert, and I think it is absolutely a must.

I am very excited to hear people talk about child nutrition. In Alabama today we have a half a million people that have been diagnosed with diabetes. We have another 200,000 that have not been diagnosed, and 1 out of 10 of those are children. We are losing our young people. The statistics will show today that our young people will not outlive this generation. That is wrong, and we must handle those problems.

In today's world there is a lot of folks that we can call heroes, but I call the American farmer a hero because years ago it cost one-third of our income to feed our families. Now it costs one-tenth of our income to feed our families. What happens if we start importing all the food that we have to eat in this country?

Gentlemen, you and I both know that there are people in this country that have the mentality that if you can buy it cheaper somewhere else let us do it. That is wrong.

I think we have got to continue to look at the trade policy. We cannot allow folks in other countries to produce agriculture at a different standard than we ask our farmers to produce it, and then allow them to ship it into this country. We have got to talk about trade policy.

Disaster has been mentioned here today, and I could stand here for hours and talk to you about disaster because I have seen the farmers in south Alabama and across Alabama with the devastation of the hurricanes. We have got to have a disaster program in place to get these farmers back up and running so that they can go back to work.

Gentlemen, I want to thank you for allowing me just a few minutes to say what was on my mind. In the next few months you are going to have some very tough decisions to make concerning the 2007 farm bill. There is no doubt in my mind from what I have heard here today that the decisions that you will make will certainly benefit agriculture across this Nation.

You and I both know that agriculture goes hand in hand with national security, and without our farmers in this country we become a weak nation.

And I want to thank you for what you do for agriculture, and what we can do for the farmers to make sure that they maintain the farms in this country.

Thank you so much for letting me speak.

[Applause.]

The CHAIRMAN. Thank you, Commissioner.

I would like to thank all of the witnesses who testified here today. This panel was outstanding, as was the first one, and I appreciate your careful consideration in preparing for today's hearing.

I would like to extend a big thank you to Jeannie O'Donnell and the staff here at Auburn University for their hospitality. Let us give them a round of applause.

[Applause.]

The CHAIRMAN. The information that you have provided here today will be very helpful to us as we begin the review process. We look forward to maintaining an open dialog with you and your fellow producers across the country as we consider the next farm bill.

The record will remain open for 30 days. Anyone who would like to submit a written statement for our consideration is welcome to do so. Please see Lindsey Correa, our clerk—Lindsey, raise your hand—for more information on submitting a statement if you wish to do so.

Without objection, the record of today's hearing will remain open for 30 days to receive additional material and supplementary written responses from witnesses to any question posed by a member of the panel.

This hearing of the Committee on Agriculture is adjourned.

[At 1:07 p.m. the committee was adjourned.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF BILL THOMAS

Mr. Chairman, committee members, ladies and gentlemen.

I am honored to be with you today to speak on behalf of Alabama's forest landowners regarding USDA programs and activities. As you know, forestry is vital to the health of Alabama's economy. Twenty-three million acres of trees blanket Alabama's landscape, second only to Georgia in having the most forested acres of any State in the continental U.S. This abundant, renewable resource fuels a multi-billion dollar forest products industry with an annual economic impact of over \$13 billion. In fact, if it weren't for the timber business in rural counties like Chambers, there would be little else to drive the economy.

With that as background, please allow me to offer some suggestions about how you as policy makers can partner with landowners to help us exercise good stewardship of Alabama's forest and to provide additional economic development opportunities for rural Alabama.

First, let me address the topic of energy independence. In Alabama, the same forest resource that supplies our forest products industry also represents a vast, untapped source of renewable energy. Technology currently exists to convert forest residue—the material we are currently leaving in the woods after harvesting—to steam and then to energy. More affordable technology is needed to convert woody biomass to liquid fuels. Congress has a unique opportunity here to develop and fund programs that encourage wise stewardship of our state's forests, promote economic development in rural Alabama counties, and take a step toward reducing our nation's dependence on foreign oil.

Specifically, I ask the Committee to consider tax incentives to encourage landowners to grow and sell woody biomass and for producers to convert biomass to usable fuels. We also need continued funding for research and development that advances conversion technologies, especially those technologies that would convert woody biomass to liquid fuels.

My second issue of concern is conservation practices. Conservation practices common on Alabama forest land include reforestation, watershed protection, and wildlife management. Investments made by Alabama's landowners in these conservation practices impact the lives of every citizen in the State through the forest products they depend on, the clean water they drink, and the wildlife they enjoy. While these benefits to society are substantial, landowners often find it difficult to invest the needed funds knowing that any returns they might hope for on those investments will be at least 20 to 25 years in the future. With that in mind, I would ask the Committee to continue existing programs aimed at providing both technical assistance as well as cost share funds to partially offset the investments required. I recommend enhancing and expanding programs like EQIP. This investment would provide a significant payback by providing clean water, clean air, and forest products for all Alabamians.

A third concern that I want to bring to your attention today concerns invasive species. Invasive species are having a significant impact on forest and farm operations throughout the South. Some examples of these species include privet, cogon grass, Japanese climbing fern, and, last but certainly not least, kudzu. To understand the potential impact of these invasive species, all one has to do is to drive

up U.S. Highway 431 from Opelika to my land in Chambers County in early summer and look at all of the old fields wrapped up in kudzu. In fact, a close look often reveals an old home or barn that has been completely swallowed up by this insidious vine. They tell me that under ideal conditions kudzu can grow up to 1 foot per day and, unfortunately, our most productive lands may provide those ideal conditions.

If you consider the growing impact of kudzu and multiply that times the number of other invasive species that have been more recently introduced, you can see that we landowners are engaged in a real battle. What we need is a comprehensive invasive species program in cooperation with NRCS, Extension, and the Farm Service Agency to address significant increase and spread of uncontrolled invasive plants.

Finally, I cannot pass up this opportunity to strongly urge your continued support to eliminate the death tax. Many landowners like myself have poured their lives into managing their land. For them, their land is not an asset, it is part of who they are, it is part of their heritage—and, at their death, it is a huge part of the legacy they leave. All too often, this legacy has to be carved up and sold off in order to pay the estate tax. I cannot understand how this accomplishes any legitimate goal of society. In fact, the death tax often has very negative environmental impacts. Consider a forest landowner who dies without any cash in the bank. When the estate tax bill comes due, his family may be forced to harvest timber without regard to ecological considerations. Further, if the timber harvests don't generate enough funds to pay the tax, the family may be forced to sell all or part of the land. This situation is especially evident near more populated areas, where land values have escalated. In these cases, the estate tax often has the practical effect of converting family farms to developments, forests to asphalt and concrete. While tax policy is not necessarily within the purview of this Committee, this does have a direct bearing on the future of family farms and forests. I ask each of you to work with your colleagues in Congress to permanently eliminate the death tax and help us secure the future of family farms and forests in Alabama. It has been my great honor to speak with you today and to share some of my thoughts and ideas. I hope I have provided you with a sense of some of the things that are important to landowners in rural Alabama and I know that each of you are working to ensure that our nation's private landowners can continue to provide our society with clean water and clean air, as well as the forest products we have come to depend on.

STATEMENT OF CARL SANDERS

Good Morning Chairman Goodlatte, Members of the Committee, my name is Carl Sanders. I am a peanut producer from Coffee County, Alabama. I am President of the Alabama Peanut Producers Association and am here today representing the Southern Peanut Farmers Federation. The Federation is comprised of the Alabama Peanut Producers Association, the Georgia Peanut Commission and the Florida Peanut Producers Association. Our grower organizations represent the majority of peanuts grown in the United States.

My 1,050 acre farm is diversified producing peanuts, cotton, corn, small grains and cattle. I was born and raised on this farm. My wife of 31 years and I have five children. I am a graduate of Auburn University with a degree in Agricultural Sciences. I consider myself to be an American Family Farmer.

First, I want to thank the House Agriculture Committee for its leadership in moving the U.S. peanut program from a supply-management program to a more market oriented program in the 2002 farm bill. Your leadership protected those U.S. quota holders who had invested their money in peanut quota for many years. Yet you allowed our industry to move into the future with a program designed to make U.S. peanut producers competitive in both the domestic and export marketplaces.

At our 2002 Southern Peanut Farmers Federation meeting in Panama City, Florida, Congressman Terry Everett told peanut producers that this program should be changed. He encouraged our producers to work with the Congress to create the best market-oriented program possible. We took Congressman Everett's advice.

The new peanut program has encouraged peanut product manufacturers to develop new products and spend more money on marketing these products. Domestic demand has increased for peanut products. The new program has also allowed producers to more readily enter peanut production. In Alabama alone, peanut production has expanded from 15 counties in 2002 to 32 counties in 2005.

We believe the peanut program has cost the Federal Government less than anticipated by the Committee.

In discussions with other segments of the industry including buying points, shellers and manufacturers and each have indicated they were generally pleased with the 2002 farm bill. Each segment of the industry supported the peanut title of the 2002 farm bill.

While the Congress passed a very respectable peanut program in 2002, the administration of the peanut program by the U.S. Department of Agriculture has not been as successful. While the domestic marketplace has seen a healthy increase in demand from consumers and production growth for producers, this has not been the case for the peanut export market. How can this be so when U.S. producers lowered their price support significantly in the 2002 farm bill?

The USDA continues to set the loan repayment rate for peanuts too high. Despite language to the contrary in the 2002 farm bill, the Department has relied far too much on data unrelated to the price other export nations are marketing peanuts for in the world marketplace. U.S. peanut producers have lost a significant portion of their export market despite the changes invoked by the 2002 farm bill. Our present export situation is directly related to the high loan repayment rate set by USDA. Although peanut state Members of Congress have tried to assist producers in meetings with USDA, letters and inquiries in formal hearings since the 2002 farm bill, the rate has remained artificially high. The 2002 farm bill directed the Secretary to establish a loan repayment rate that the Secretary determines will:

- Minimize potential loan forfeitures
- Minimize the accumulation of stocks of peanuts by the Federal Government
- Minimize the cost by the Federal Government in storing peanuts
- Allow peanuts produced in the United States to be marketed freely and competitively, both domestically and internationally.

It is this last point that is most problematic. The Federation believes that USDA is not sufficiently considering the competition in the world marketplace. This lack of response to competition from other origins has critically wounded our export programs.

The Southern Peanut Farmers Federation will be meeting with our industry partners in the coming days to develop more specific suggestions for the next farm bill and will promptly submit those to your Committee. At present, we support the continuation of the current program but will seek to update specific provisions. When the 2002 farm bill was drafted, peanut producers did not envision record high energy prices that impact our major crop inputs including fuel, fertilizer and chemicals. The 2006 peanut crop will feel the full impact of these increased costs. It is important that the next farm bill not rest on the backs of declining farm equity. We hope that every effort will be made to insure that producers who are assuming the risk in agriculture will be the recipients of these programs and incentives.

Finally, our peanut producers in the Southeast are very concerned about the U.S. Trade Representative's recent Doha Round proposal for Less Developed Countries. To allow less developed countries access to markets import and duty free could severely impact U.S. peanut producers. The list of countries involved in this sector produce over twice as many peanuts as U.S. producers. We appreciate Chairmen Goodlatte and Chambliss conveying their concerns about the Doha Round negotiations to the administration.

I appreciate the opportunity to be here today representing southeastern peanut growers.

Thank you.

ANSWERS TO SUBMITTED QUESTIONS

In your testimony, you mention concern over the loan repayment rate. Could you expand on this?

The intent of the repayment rate is to move peanuts from the Government loan into the commercial trade at the least and most efficient cost to the Government. This is also what makes us more competitive internationally. Also, when this is not done accurately and in a timely manner, large government carryovers impact the next year's crop unnecessarily. There needs to be a clear understanding of the repayment rate and the pricing factors involved. This clarity will also assist in determining their marketing options.

I have heard of interest in changing the date for loan forfeiture. What is your opinion on changing this date?

I've heard recommended the earlier of 9 months or June 30, whichever comes first. I don't think such a change would cause problems for growers. It would be a positive to have all peanuts out of the Government loan prior to the next marketing year.

Southeastern peanut grower representatives have been very active in seeking research funding for the USDA Agricultural Research Service and the universities. What benefits have growers received from this research?

Our future depends on relevant production research. Key areas of research have been in water management, rotation, tillage practices, farm management and marketing along with educational programs to get the results of this research to the producer. Positive steps have been made in all areas. To the industry as a whole, the development of new seed varieties is a key to the future. We'd like to commend the USDA's Agricultural Research Service for recently establishing a new peanut breeding program that should pay dividends for our industry down the road.

I have received several requests that we extend payments for peanut storage and handling for the last year of the farm bill. Why is this important?

If eliminated, in all likelihood this cost will be passed on to the producers. We cannot afford any additional cost at this time. Also, when this is considered in the total cost of the program, peanuts are still below congressional estimates.

What countries are major competitors with the United States for exports, and why are we not competitive?

China & Argentina. Why? Price. They traditionally offer product into the market place based on the U.S. price. A repayment rate that is not competitive artificially props up our competitors.

STATEMENT OF STANLEY SCARBOROUGH

Good morning Chairman Goodlatte and Members of the Committee. My name is Stanley Scarborough. I am a blueberry grower from Baxley, Georgia. I am here today representing over 200 producer members of the Georgia Fruit and Vegetable Growers Association.

The fruit and vegetable industry is growing at a rapid pace in the State of Georgia. We are adding jobs and dollars to rural economies throughout the State. But this growth is not limited to our State. Specialty crop growers produce approximately 50 percent of the farm gate value of total plant agricultural production in the United States. Our 2006 Southeast Regional Fruit and Vegetable Conference saw record growth at this past month's program in Savannah, Georgia with over 1650 producers and suppliers in attendance.

Despite the impact to the U.S. economy, specialty crop growers receive a very small percentage of Federal resources aimed at promoting and sustaining efficient agricultural production. We hope the Committee will take a hard look at a balanced farm bill that includes an increased emphasis on specialty crop producers.

This morning I would like to focus my remarks on several key areas of the farm bill that we hope the Committee will consider during your deliberations in coming months. Fruit and Vegetable grower organizations have been meeting to discuss common interests for the farm bill and we hope to share with you the fruits of those meetings soon.

Of specific interest to our producers are issues related to:

- Restrictions of Planting Flexibility
- Unique Attributes of Specialty Crop Producers
- State Block Grants
- Research
- Nutrition Programs
- Crop Insurance

RESTRICTIONS OF PLANTING FLEXIBILITY

We support this long-standing provision as a fundamental matter of equity among farmers. As long as some farmers receive direct payments from the government, they should not be allowed to plant crops on that subsidized land that compete with unsubsidized farmers.

UNIQUE ATTRIBUTES OF SPECIALTY CROP PRODUCERS

Due to the nature of high-value specialty crop production, many current farm bill programs and disaster programs are of limited benefit to specialty producers due to payment caps, limits on Adjusted Gross Income, limits on off-farm income even if

integral to farming operations, etc. We support a thorough review of all farm programs to ensure that specialty crop producers have access to benefits comparable to other farmers, rather than being excluded or limited simply due to a higher-cost of production.

STATE BLOCK GRANTS

We support an expansion of the State Block Grants for Specialty Crops program originally authorized in the Specialty Crop Competitiveness Act of 2004, and funded through appropriations in the FY06 Agricultural Appropriations bill. Due to the wide diversity and localized needs in specialty crop production, State departments of agriculture are uniquely able to assist local growers with the specific investments they need to increase competitiveness. This was certainly the case in 2002 when State departments of agriculture received Block Grants as a part of a disaster appropriation. In Georgia these funds help increase consumer awareness and consumption of locally grown fruits and vegetable through the GEORGIA GROWN campaign. The block grant funds were matched with other organization's funds including the Georgia Fruit and Vegetable Growers Association to fund and support specialty crop projects such as food safety training and farm audit, agritourism program, roadside market promotion and on-the-farm buyer tours.

RESEARCH

We support significant new investment in research for specialty crops, through both the National Research Initiative and programs with CSREES and ARS.

NUTRITION PROGRAMS

We support a strong new focus within the 2007 farm bill on increasing the access and availability of fruits and vegetables, particularly to children. We support expansion of the school fruit and vegetable snack program, increased commodity purchases, higher allocation to the Department of Defense (DOD) Fresh program for schools, development of a new nutrition promotion program to assist producers in enhancing their markets, and a general requirements that USDA feeding programs and commodity purchasing comply with the 2005 Dietary Guidelines.

CROP INSURANCE

Many fruits and vegetables are not covered by a "crop insurance" program. GFVGA would like to see an increase in pilot projects and studies to determine the feasibility of minor crop coverage.

I want to thank the Committee for giving our organization an opportunity to testify today. We sincerely hope the next farm bill will address issues of concern to specialty crop producers and reflect the value of their production to the U.S. Economy, as well as the dietary needs of all Americans.

STATEMENT OF CLINTON MORRIS

Mr. Chairman, members of the House Committee on Agriculture, thank you for allowing me to appear before you here today. Also, I would like to thank Congressman Lincoln Davis from Tennessee's Fourth Congressional District for his personal invitation to be here to talk about the effect the 2002 farm bill has had on the family farm.

I am a third generation farmer from a small town in southern middle Tennessee. We farm approximately 2500 acres of row crops including wheat, corn, and soybeans. We also have approximately 100 head of beef cattle.

My wife and I have three sons; all have grown up working on the family farm. They are 27, 22, and 21 and all still work on the farm in varying degrees. Ryan, the oldest, graduated from Tennessee Tech in 2001. He works as a Quality Assurance Technologist at Nissan North America Inc. in Decherd, TN. Jacob, graduated from Motlow State Community College and is currently farming. Drew, the youngest, attends Tennessee Tech in Cookeville and farms part-time. Sandra, my wife, is an elementary principal in Manchester, TN and works in her spare time on the farm, also. The family farm is a very important part of our lives.

We are here to talk about the 2002 farm bill and challenges we are faced with today as you formulate the next farm bill. The first question we ask ourselves is, "Are we as well off as we were in 2002?" The answer is a resounding, "No!" The last 5 years have been difficult ones for the family farmer. The 2002 farm bill helped

me remain in business over the last five years in a lean farm economy. Because of low commodity prices of corn, soybeans, and wheat which are the primary crops that we grow and the increasing cost of fertilizer, seed, chemicals, diesel, gas, oil, tires, and farm equipment, it has been hard to survive in farming. In fact, without the farm subsidy program, we could not have made our land, equipment and operating bills.

For example, the basic fertilizer price has increased 43 percent over the last 5 years. In our area, it cost approximately \$374.39 to plant an acre of corn according to the University of TN Dept. of Agriculture. This does not include any drying, handling, or transportation cost. It is a very minimal budget for production of an acre of corn. Using our county average for the last five years on corn yields according to the University of TN the average yield is 138 bushel per acre. The cost to produce is \$2.71 per bushel. The average price for the five year period is \$2.21 per bushel, leaving the farmer with a loss of .50 per bushel without the 2002 farm bill subsidy program.

Also, in our area it cost approximately \$248 to plant an acre of soybeans according to the University of TN Dept. of Agriculture. Again, this does not include drying, handling, and transportation costs. Using the University of Tennessee average price of soybeans @ \$5.42 per bushel times average county yield for 5 years of 36.20 bushels equals \$196.20 per acre for a lost of \$52.00 per acre. Again, the Farm Subsidy Program has to make up the difference or the farmer is in trouble.

From these two examples, you can see where our family farm would be without the 2002 farm bill subsidy program. We have drawn a total of \$178, 969.00 over the 5 years the bill has been in existence. This is an average of \$35, 793.80 per year which was needed to help off set the cost of production of approximately 2,500 acres of crops per year. Over the last 5 years, our fertilizer costs have gone up 43 percent, diesel fuel 64 percent, machinery an average of 33 percent, but our commodity prices have basically stayed the same.

I realize that our government cannot be the answer to all cash problems, but the subsidy for agriculture programs is woefully short and needs serious attention. In many cases, the subsidy is the difference between a farmer covering expenses or not. I can think of no other industry that requires so much capital for such a small potential profit. I say potential profit because of weather and other factors beyond our control could mean we incur heavy losses. So, my question to you is, "How can we purchase \$250,000 combines, \$150,000 tractors, \$400 per ton fertilizer, \$3 per gallon fuel, \$1.75 per gallon propane along with high priced seeds and chemicals while our commodity prices remain about the same?" On the other hand, we have a big corporation like Exxon setting a corporation record in America of \$10 billion profit in one quarter during a national disaster, Hurricane Katrina.

I imagine most, if not all of you, are familiar with agriculture and rural America and realize the importance of helping the family farm survive. I encourage you to take the steps necessary to not only help the American farmers survive, but make it desirable for their families, and my family, to carry on.

STATEMENT OF ERIC SMITH

Mr. Chairman Goodlatte, Ranking Minority Member Peterson and Alabama Congressmen Everett, Rogers and Bonner, thank you for the opportunity to present this Alabama cattle industry's perspective on the upcoming 2007 farm bill. My name is Eric Smith. I am a full time cattleman and poultry producer from the Blackbelt region of Alabama and currently serve as president-elect of the Alabama Cattlemen's Association. The Blackbelt is a native grassland region bisected by the Tennessee-Tombigbee Waterway. This region historically has suffered from high unemployment and low economic base.

There have been numerous government commissions seeking ways to enhance the economic viability of our region without success. I maintain that enhancing cattle production and other areas of agriculture, like poultry, aquaculture, and other specialty crops is the best option for the Blackbelt. The 2007 farm bill can play a significant role in allowing cattle production to prosper in the Blackbelt and throughout the entire State of Alabama.

Like other agricultural producers in the country, we are anxious for work to begin on crafting the 2007 farm bill. As a cattle producer, our livelihood is tied to many other agricultural commodities like corn, sorghum and cotton. We are dependent upon this nation's agricultural system and infrastructure to feed, transport and market our cattle so we can provide beef to our consumers.

The cattle industry in Alabama is made up of 25,000 cattle producers with nearly 1.5 million head of cattle. Cash receipts from the sale of cattle and calves annually

average between \$450 to \$500 million dollars. We harvest hay from 780,000 acres and the total value of the hay crop is approximately \$120 million. Cattle production is second only to the broiler industry in cash receipts to Alabama agricultural producers.

Cattle producers are an independent group who want minimum intrusion from the government. They embrace an open and free market with its cyclical ups and downs. However volatile, this system works and we remain committed to a free, private enterprise, competitive market system. We do, however, need the government's aggressive support of fair and balanced trade.

CONSERVATION AND THE ENVIRONMENT

Conservation and environmental issues are two areas of agricultural policy on which we can work together that can enhance the future of the cattle industry. Some of the cattle industry's biggest challenges and threats come from the loss of natural resources and burdensome environmental regulations. Cattle producers' livelihood is made on the land. Being good stewards of the land not only makes good environmental sense, it is essential for our industry to remain strong. Cattlemen are strong partners in conservation.

The recent natural disasters from hurricanes along the Gulf Coast have dealt a major blow to cattle production. We know first hand the need to revamp language in current Farm Services Agency (FSA) and Natural Resources Conservation Service (NRCS) programs, or create new programs, that are more beneficial and user-friendly to cattle producers in times of disaster.

Two current USDA programs have been beneficial to the cattle producer and we encourage continued funding in these important areas. These programs are EQIP (Environmental Quality Initiatives Program) and WHIP (Wildlife Habitat Incentive Program) both provides the economic incentives that enable us to implement programs to improve the quality of our environment and enhance wildlife habitat. Government can accomplish much by providing technology and cost-share funding that allows private land owners to make those improvements to their operation that will increase productivity while protecting our natural resources.

Along with my cows, I like many of my fellow cattle producers have a poultry operation. Properly disposing of poultry litter, especially in areas of concentrated poultry production is an increasing problem. Cattle producers can benefit from spreading poultry litter on pastures. We encourage USDA to increase funding for the Poultry Litter Disposal program that is under EQIP. High fuel costs make it difficult to transport litter to farms outside of the concentrated areas.

One popular program from the past farm bills—and I'm sure it's still on the burner for continuation—is the Conservation Reserve Program (CRP). Lots of land owners in my region like the program. But, as one who is working daily to make a living off the land, CRP hurts the economy of the Blackbelt. Over 25 percent of the open land in the dozen Blackbelt counties is tied up in CRP. This land is out of production and sits idle. Many of the land owners getting a government check live elsewhere so our struggling economy receives no benefit. No one is running cattle on this land—buying fuel, feed, seed, fertilizer, farm equipment or paying labor. I suggest you take a deeper look at the impact this program is having on rural farm economies.

We believe economic activity and conservation can go hand in hand. We support the addition of provisions in the next farm bill that will allow managed grazing on land enrolled in CRP. USDA's conservation programs are a great asset to cattle producers. We want to see them continued and refined to make them more producer-friendly and more effective in protecting the environment in a sensible way.

American agricultural producers are the most efficient in the world, producing the safest food at the lowest percent of disposable income in history. I, along with many of our agricultural producers, am concerned that as the farm bill shifts toward more environmental programs, production agriculture will be forgotten. I have a genuine concern that some in our country would be pleased if production agriculture moved to China and South America. This would be a serious mistake and impact the security of our nation.

TRADE

Cattle producers recognize that 96 percent of the world's population lives outside of the United States. We also know that beef production will increase significantly over the next 4 years. In order to keep the supply-demand situation in balance so we can receive good prices for our calves, we must significantly increase our exports. In fact, the experts tell us we need to increase exports by 3 billion pounds by 2010.

Cattlemen have been and continue to be strong believers in international trade. We support aggressive negotiation positions to open markets and to remove unfair trade barriers. We support government programs such as the Market Access Program and the Cattle Foreign Market Development Program. We urge sustained funding for these long-term market development efforts.

ANIMAL IDENTIFICATION

We understand the need for a national animal identification system which has the ability to trace animal movement quickly to protect the health of our cattle herd. We support these efforts. We support a privately held animal identification database which now exists under the administration of the U.S. Animal Identification Organization (USAIO). This system will provide real-time access to USDA and their State Veterinarians and will keep the information much more confidential than a public system would.

As you are aware, ten southeastern State cattlemen's associations' organized the southeastern Livestock Network (SLN). The SLN has worked successfully to insure that NAIS is user friendly for our cattle producers with small herds and protects the auction market system. We have successfully conducted several pilot projects and are gaining producer support. We urge you to support funding for the SLN so we can continue producer and auction market educational programs.

RESEARCH

Cattle producers are dependent on our land grant universities for research and extension activities allowing us to better manage our farms and produce cattle more efficiently. Although I received record high prices for my calves last fall, my input costs in diesel fuel, fertilizer and equipment were even higher. Without the help of our land grants and programs in this upcoming farm bill, we could be out of business. We support a strong agricultural research component to the farm bill.

INVASIVE SPECIES

Alabama has a rapidly growing problem with non-native invasive plants such as Cogon grass, tropical soda apple, tallow trees, privet hedge, kudzu and other like species. We, like our neighboring states, are losing thousands of acres of land from production each year. The cost of spraying to keep these plants under control is nearly prohibitive. More dollars are needed in cost-share programs for invasive plant eradication. This is the only way private land owner can play a major role in preventing these invasive plants from taking more of our farmland land and forest land out of production.

Alabama's cattlemen are proud and independent, and we just want the opportunity to run our farms and ranches the best we can to provide a high quality product to the consumer. We look forward to the opportunity to work together to find the best ways to use our tax dollars to conserve our resources, build our industry and provide for opportunities of individual success. We look forward to working with you on the 2007 farm bill.

Statement of
Mr. W. Thomas Dozier, III
before the

Committee on Agriculture
U.S. House of Representatives

February 7, 2006
Auburn, Alabama

Mr. Chairman and members of the committee, my name is Thomas Dozier and I am a full-time farmer from Tallassee, Alabama. I also am a farmer-elected director on the board of my local Farm Credit association, and I currently serve as chairman of that board.

The Federal Land Bank Association of South Alabama is a \$500 million dollar agricultural cooperative, owned and controlled by the farmers and ranchers it serves. As part of the Farm Credit System, our roots are in land financing. We specialize in long-term financing of farms, timber and forestry operations, agribusiness, recreational land and other rural property. As a locally owned cooperative, we understand the lending needs of our borrowers.

On behalf of the association of agricultural borrowers I represent, I want to express our appreciation that the House Agriculture Committee has created this opportunity to provide input into the next farm bill.

My purpose in submitting testimony today is simply to call the Committee's attention to a report that has been published by the Farm Credit System. As part of the System's HORIZONS project, this report represents 18 months of in-depth research and analysis of the current marketplace and the trends and financial needs of agricultural producers, agribusinesses and rural communities throughout the country. The HORIZONS report points out the many changes that have taken place since Congress created Farm Credit and identifies key findings that may prove useful as your Committee begins its deliberations on the 2007 farm bill.

To succeed in today's environment, agriculture and rural communities need reliable access to capital, financial services and the expertise necessary to sustain a strong economic future. Farm Credit can help ensure that access. With modest, incremental changes, Farm Credit can play an even more vital role in helping strengthen agriculture and rural America. We hope to work closely with this Committee in the coming months to explore policy solutions that will enable agricultural producers, rural businesses and rural communities to more fully access the financial resources of the Farm Credit System.

We look forward to serving as a resource to you in this regard and appreciate the opportunity to submit this statement today.

Statement of

Don Freeman

Member of the Board
AgFirst Farm Credit Bank

before the

Committee on Agriculture
U.S. House of Representatives

February 7, 2006
Auburn, Alabama

Mr. Chairman and members of the committee, my name is Don Freeman and I am a cattle rancher from Montgomery, Alabama. I am also a customer/owner of First South Farm Credit, ACA and was elected by bank stockholders to serve on the board of directors of the AgFirst Farm Credit Bank.

As a member institution of the Farm Credit System, the AgFirst Farm Credit Bank serves farmers and ranchers throughout the Southeast, including farm families, rural homeowners, and agribusinesses in the state of Alabama. As a farmer-owned cooperative, we have paid out \$1.87 billion in patronage since 1989, some \$1.16 billion in cash. We are proud that we are able to share our success with the rural communities we serve.

Mr. Chairman, I am very pleased to see the House Agriculture Committee come to my home state of Alabama to hear the views of our state's farmers. Alabama agriculture has a lot at stake in the next farm bill and I am grateful for your willingness to hear our concerns first hand.

Later this year, the Farm Credit System will celebrate its 90th anniversary. During this time, Farm Credit has worked hard to meet the mission Congress gave us – to help ensure the quality of life in rural America and on the farm.

As Farm Credit began approaching this 90-year milestone, we undertook a nationwide research and analysis project to take an in-depth look at agriculture as it exists today in the United States and identify the future needs of agricultural producers, agribusinesses and rural communities we have been charged by Congress to serve. The project, known as HORIZONS, will help identify those changes needed to ensure that Farm Credit is able to meet the evolving credit needs of those who work and live in rural America.

I am submitting this testimony in order to call the Committee's attention to the Farm Credit System's HORIZONS project. Attached to my testimony is a copy of

the final report of the HORIZONS project. This report is the culmination of nearly 18 months of research and analysis from leading external experts as well as internal resources. We hope you will find the report useful and urge you to keep the findings in mind as you debate the 2007 farm bill.

The HORIZONS report points out the many changes that have taken place since Congress created Farm Credit. For example, our research shows that less than ten percent of all farms remain "farming-only" businesses today. The overwhelming majority of all farmers, especially small operations, rely on off-farm employment to stay in agriculture. Over and over, we heard knowledgeable people – from both inside and outside of Farm Credit – tell us that rural America had changed dramatically. Where before, rural communities depended on agriculture to survive; agricultural producers today depend on the economic opportunities in rural communities to stay on the farm. This change has real implications for everyone serving rural America, especially those that finance agriculture and rural businesses.

Our HORIZONS project identified a bright future for agriculture, rural businesses and ultimately the rural way of life. To succeed in this promising environment, agriculture and rural communities need reliable access to capital, financial services and the expertise necessary to sustain a strong economic future. Farm Credit can help ensure that access.

We will be working with the Farm Credit System, our customers and others with a stake in the rural economy to address many of these needs in the coming months. Be assured that the cooperative partnership that our customers have with Farm Credit will not change. Our core mission will not change. However, with modest, incremental changes in regulations or statute, Farm Credit can play an even more vital role in helping strengthen agriculture and rural America.

We look forward to working closely with this Committee on these issues in the coming months. Working together, we feel confident that we can embrace the many opportunities on the horizon for rural America.

AG Committee Testimony*Bob Yates*

When I looked over the information requested by Chairman Goodlatte's office, I reasoned that what you were looking for was what we might call "professional testimony" like from our poultry and egg association or farmers federation.

However Whitney of Congressman Rogers' office assured me you would rather hear from actual producers rather than their PR people. I did consult other growers, Johnny Adams of Alabama Poultry and Egg, Guy Hall of Farmers Federation, and Wayne Lord of Gold Kist, my contractor, and concluded that the following issues should be addressed on the federal level:

1. Disease Prevention and/or Control

Adequately staffed, alert, watchful, and responsible authorities must be ready and well equipped to act/react on a moments notice so outbreaks can be contained with minimum damage.

2. Environmental

All decisions should be based on sound, solid scientific fact. Don't allow competing interest to dictate environmental regulations so as to further their own selfish agendas. Case in point: Most of our land needs more chicken litter, not less, to be fertile and environmentally friendly.

3. Fuel Supply/Cost

Energy cost and unreliable supplies are a major concern for our entire nation not just the poultry industry. It is appropriate that the federal government take the lead in researching and developing economical alternatives to petroleum products.

4. Fair Trade

There is always the need to keep the other guy fair and honest. In a global economy this applies to other countries as well. We want fair trade, not just free trade.

How? Is public money invested in these matters good policy? We certainly think so. Help on these items will assist tens of thousands of poultry growers equally all over the country, not just here in Alabama. Also a healthy poultry industry assures the grain growers of the Midwest that their major market is secure.

Here in Alabama there are 34 people employed in servicing, processing, and marketing each poultry farmer's production. This has been a major help to re-employ former textile workers whose jobs have moved to China.

Now, one last request as a citizen with eight grandchildren: Let's not allow this country to become dependent on foreign entities for our food, as we did for oil, and as we are doing for our clothing.

Walter Liston Corcoran, Jr.
Corcoran Farms
155 Corcoran Road
Eufaula, Alabama 36027
334-687-6201

Statement prepared for U.S. House of Representatives Committee on Agriculture

I am Walt Corcoran, a cotton and peanut producer from Barbour County, Alabama. Thank you for conducting this Farm Bill hearing today in Auburn, and for allowing me to give my thoughts on behalf of the Alabama Farmers Federation and cotton producers.

As you all know, we are approaching the end of the 2002 Farm Bill and we believe it has served us well. Because of this, it is essential that the current law be allowed to operate without modifications through its scheduled expiration at the end of the 2007 crop. This will allow producers to continue to make responsible operating decisions for all aspects of their business. The '02 law has provided a well-balanced approach to commodity, conservation, nutrition, and rural development programs, and has been less expensive than originally projected.

In today's agribusiness atmosphere, there are very few certainties. We as producers of agricultural commodities can control very few things, a fact that was really driven home last fall when Hurricanes Katrina and Rita slammed into the Gulf Coast. Not only did this destroy the actual crops in the affected area, but sent shock waves through the economy as fuel prices skyrocketed during the most critical time of harvest. Input prices such as fuel, fertilizer, technology, and seed and commodity prices, as well as the weather are all, for the most part, out of the producer's control. That is why we need a stable and consistent Farm Policy. It provides the essential foundation upon which we build long-term plans. We have such a policy in the '02 Farm Bill.

I agree with the American Farm Bureau which recently expressed support for an extension of the current law. I also believe that the '02 law should serve as the foundation for

the next Farm Bill. There are many different interrelated concepts in the '02 law that work together to accomplish its goals.

One such concept is the direct and counter-cyclical payment programs. These two payments work together to provide an effective means of income support, especially in times of low commodity prices, and they do this without distorting planting decisions. Another concept is the marketing loan program. It is critical that all production remain eligible for this program. This will insure that farmers are able to make orderly production and marketing decisions, and that U.S. commodities are competitive in international markets. It is also important that the existing authority to use marketing certificates in time of extraordinary low prices be maintained.

Planting flexibility is also an important concept in the current law that should be maintained. This principle allows farmers to make decisions based on agronomic principles and market conditions, instead of government regulations.

I farm in a family partnership. We raise about 4,500 acres of row crops, which is mostly cotton and peanuts, so, payment limitations are very important to me. A significant majority of farmers oppose all forms of payment limitations, and I ask you to at least maintain current payment limits and eligibility requirements. Also, I ask you to realize the significant differences that exist in the size and structure of farming operations from one region of the country to another, and from one cropping system to another.

In recent years, conservation programs have been and will continue to be important components of farm policy. They should not be considered a substitute for a safety net for commodities, but should be operated on a voluntary, cost-share basis, and thereby complement commodity programs. Conservation programs such as the Conservation Security Program (CSP), Conservation Reserve Program (CRP), and Environmental Quality Incentive Program

(EQIP) are proven, valuable ways to promote sound conservation and environmental practices through cost-share, incentive-based approaches.

I know we do not live or operate in a vacuum, and that future budget authority and the provisions of the Doha WTO negotiations, if completed, will ultimately shape our next Farm Bill. That is why it is critical that Congress protect the budget baseline for all aspects of the Farm Bill. Without adequate budget authority, the safety net provided by the '02 law cannot be maintained in the next Farm Bill.

As for the Doha WTO negotiations, we in the cotton industry are very concerned with the direction the negotiations are taking. Cotton should not be singled out under any circumstances, but the negotiations should be conducted as a single undertaking for all programs regarding levels of domestic support. We also believe no reductions in domestic support should be agreed upon unless accompanied by meaningful increases in market access for all WTO countries.

Market access has become increasingly important in recent months and our success as farmers hinges greatly on fair trade. It is important that export market promotion such as the Market Access Program (MAP) be continued to support an export-based agricultural economy. It is also important that WTO-compliant export credit guarantee programs be continued. In closing, I emphasize that a continuation of the current program would serve agriculture well. The current program provides planting flexibility to growers, an effective safety net in times of low prices, and minimal impacts on overall plantings and prices.

Thank you again for allowing me the opportunity to offer these comments.

Harwey

Thank you, Chairman Goodlatte, Congressman Peterson, and members of the House Agriculture Committee for the opportunity to present testimony on behalf of Alabama's Green Industry. For 35 years I had been the owner of three retail garden centers in Montgomery, Alabama. My business also included a landscape and, a greenhouse and growing division. I have served in a number of leadership positions in the Alabama Green Industry. With the Alabama Nursery and Landscape Association, I am presently the Interim Executive Director and the immediate Past President of the Board.

ECONOMIC IMPACT STUDY OF THE ALABAMA GREEN INDUSTRY

The Green Industry in Alabama is a bright spot in agriculture. In 2003, a comprehensive project began at Auburn University to evaluate, for the first time, the total economic impact of the Green Industry in Alabama. The project evaluated the economic contribution of the wholesale nursery and greenhouse industry, turf grass and sod industry, horticultural goods retailing, landscape design, construction and maintenance services, as well as other public and private institutions that are major consumers of Green Industry goods and services. The aesthetic value and environmental improvement aspect of our industry is recognized daily; however, this study is the first effort to quantify the economic value of the industry.

The results of this survey show:

- The Alabama Green Industry accounts for 38% of all crops produced in the state and is the state's fastest growing agricultural sector for the past two decades.
- Alabama is ranked 3rd in the nation in turfgrass and sod production.
- Alabama is 16th in the nation in nursery and greenhouse production.
- The Green Industry in Alabama boasts over \$2.1 billion in total sales, with \$1.91 billion in total economic impact.
- The Alabama Green Industry accounts for \$1.5 billion in value added impact, \$269 million in indirect business taxes, and \$625 million in net exports (net products leaving the state).

Unlike many other crops, most of the value added to Green Industry products occurs within the state. In addition to the dollar impact, Alabama's Green Industry is responsible for providing approximately 31,000 jobs with some 2,600 businesses involved in production, service, and retail sales.

The industry has a significant impact in each congressional district of the state ranging from \$123 million in Congressional District Seven to nearly \$400 million in District One. This study shows the significance of the Green Industry in Alabama and establishes a benchmark by which future growth and progress can be monitored and evaluated.

Last year Alabama's third largest farm commodity was greenhouse, nursery, and sod products. These producers represent the fastest growing segment of the state's agriculture industry, but do not receive, nor are they asking for, traditional subsidies.

RESEARCH FUNDING (Education)

The continued support of the nursery, greenhouse and sod industry research should be a substantial part of the upcoming Farm Bill. Alabama is fortunate to have three land-grant universities and their continued support for agriculture research is a key component for the future viability and growth of these Green Industry groups.

HURRICANE RELIEF

The nursery, greenhouse and sod industry in Mobile and Baldwin Counties suffered tremendous losses due to hurricanes over the last two years. As you know, the FY 06 Defense Appropriations Bill included funding for hurricane-stricken states and a statutory change was made so that specialty crop producers could now be eligible for the Emergency Conservation Program (ECP). These funds will be used for clean-up of nursery, shadehouse and greenhouse debris as well as above-ground irrigation structures. We appreciate Congress' willingness to address this problem, but further help is needed.

The Tree Assistance Program or TAP provides cost-share assistance to orchardists. This was funded in the Military Construction and Hurricane Emergency Supplemental Appropriations Act of 2005 to authorize assistance for producers of edible trees, bushes, vines, and forest land. An "eligible orchardist" who qualifies for assistance, is defined as a commercial grower of fruit-bearing trees and bushes. A nursery grower, who produces ornamental field or container grown trees and bushes, is not. In other words, the grower whose final product is the pecan is covered. The grower whose final product is the pecan tree is not covered.

While technically, growers of ornamental trees and shrubs do not produce an edible crop, the value of our products extends far beyond the dinner table. Gardening provides food, recreation and low-impact exercise for everyone from children to senior citizens. Properly placed to provide shade and insulation, our products help reduce power bills in American homes and businesses. And, included in the rebuilding of American city centers, our products give neighborhoods a renewed sense of pride and well being. Businesses in areas in which our products are properly used and maintained see an increase in traffic and revenue. That translates into higher sales, increased job creation, and tax revenues at the local, state and federal level.

We ask that the TAP include commercially grown ornamental trees and plants, whether field or container grown, because these crops are commercial legitimate agricultural commodities. After hurricanes Katrina and Rita, the damage to the Alabama producers of Green Industry products was substantial (\$25 million) and yet, because the way the TAP program is currently written, these producers received little or no help.

CONCLUSION

We call our state "Alabama the Beautiful". Our industry is one of the reasons why. As a significant member of the agricultural community, the Green Industry would ask to receive equal recognition and assistance in disaster relief as other affected agricultural commodities.

**Statement of
Garry Henry
1284 US Hwy 31
Hope Hull, AL 36043**

**Before the
House Agriculture Committee
Auburn, AL
February 7, 2006**

I am Garry Henry and I am happy to appear on behalf of the Cattle Producers and the Alabama Farmers Federation Beef Committee. My family and I have a fourteen hundred head cow/calf operation in Montgomery. With the fourth generation joining the operation last year, we have a keen interest in the future of agriculture. The 2002 Farm Bill has generally had a positive effect on agriculture in our area but there are a few areas of concern.

The first I would like to talk about is the Conservation Reserve Program (CRP). The Alabama Farmers Federation supports the objectives of CRP but feel in some ways that the implementation has exceeded the original goal of taking highly-erodible land out of production. Although CRP has positive benefits such as reducing soil erosion and converting marginal land into wildlife habitat, it has taken productive land that was not highly erodible and converted it into idled land. This has had the effect of creating rental rates at levels that do not represent the market rate for the local area and made it impossible for farmers to compete for its use. Young farmers in particular are not able to find land to with which to operate. And with the lack of agricultural activity, farming communities are dying.

A solution would be to modify rental rates, and create more stringent requirements for renewal or entry into the program. As the chart included in my testimony shows, there is a

significant amount of acreage that that will be coming out of CRP in the next several years. That acreage can be used for forage production or production of biomass thus stimulating rural economy.

I would like to thank members of this Committee for their efforts to resume trade of beef after the BSE case and also support of the Alabama Beef Connection. In connection with those issues, the Alabama Farmers Federation supports a mandatory animal ID system. With an effective ID system, it would create an even safer food supply for consumers, and would allow producers to meet consumer demands for traceability. I understand that recent USDA has announced it is unsure it has the legal authority to require producers to register with a private database. The Alabama Farmers Federation supports USDA's stated goal of achieving an operational and mandatory reporting system by 2008 and would ask the Committee to give USDA whatever legal authority it needs to achieve this mandatory participation or alternatively make it a federal database with appropriate producer confidentiality protection.

The Alabama Farmers Federation supports mandatory Country of Origin labeling and believes that consumers have the right to know where their food is grown. We believe that this is the best way to promote branded and preserved-identity foods to consumers. The current farm bill requirement to implement mandatory COOL has been postponed several times with the exception of seafood. We see no reason for this delay to continue since the food industry has had adequate time to prepare for mandatory COOL. We import over eighty percent of our seafood, and the labeling requirement for seafood has worked well with a minimum of disruption.

I was pleased to see that the President in his State of the Union focused on alternative fuels. I commend Congress for passing an energy bill that does have a renewable fuels component but more needs to be done. High energy costs are driving a renewed interest in

alternative fuels and not just for traditional ethanol. Congress should support incentives to expand the production of ethanol, biodiesel, and other energy sources such as those manufactured from animal waste. The Farm bill has a bio-energy and value-added component and this should be expanded to continue funding needed for alternative fuel sources related to agriculture production. In addition to providing renewable energy, another positive from the ethanol and biodiesel industry is that the byproducts make excellent high-protein livestock feed.

As the Committee considers the reauthorization of the farm bill, please keep in mind that no matter what form the farm programs take the farmer must remain profitable. The current farm bill should be continued with only minor changes, and the budget funding contained in the farm bill should not be reduced.

I would be happy to answer any questions at this time.

Committee on Agriculture
U.S. House of Representatives
Michael Hively
Testimony 2/6/2006

Mr. Chairman Goodlatte and distinguished members of the House; I would like to commend your leadership and initiative for holding this public hearing to review federal farm policy and proposals for the 2007 farm bill. The Farm Bill of 2002 was one the best Farm Bills in years; however, with the food shortage of the 1970s, our existing dependency on world oil, and this year the devastation of hurricane, floods, earthquakes, and hailstorms; we are reminded of the urgency of creating an even better farm bill. We need a Farm bill that assures us that no one goes hungry; that we are prepared to meet the needs of those who suffer disasters, hunger, devastation of crops and property, and a farm bill that diminishes our dependency on imports.

This year the US will become an overall importer of food, receiving more food from imports than we ship in exports to other countries. We cannot allow this country to be dependant on the world for our food as we have with our energy dependence. US growers produce primarily a few select crops i.e. corn, soybeans, rice and cotton that make up the majority of our subsidies. Thus it would appear that subsidizing crops has created the unintended consequence of wiping out diversity in agriculture in the US.

We cannot, however, forget that subsidies were put into place to soften the normal risk of farming such as weather and price. These real conditions exist today and subsidized payments are necessary to support prices at a profitable level.

Therefore, subsidies cannot be eliminated without jeopardizing the entire agricultural community and rural America.

I have been in the produce/dairy industry for 23 years. The produce industry is blessed in that we can produce a crop without subsidies, show a profit to feed our families and grow our businesses. The produce industry is not exempt from the two categories of subsidies available to all farmers even if they grow the wrong thing and that is conservation programs and disaster aid. However, if the subsidized blanket available to a select few crops could be extended to farm products that we heavily import and Loan and Capitalization Credits added; then we could see a shift from traditional row crops to an diverse agriculture base that is profitable and one that will balance import needs for food.

In this day of bio-terrorism, we must move to create this balance and break any dependency on importing our food before it starts.

The following would be achieved:

1. Diversity of produce; farmers will plant based on wide choices and market demand.
2. Farmers will be encouraged to plant what grows best geographically thus increasing production.

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3. Credits could be set up in conjunction with some subsidies to open up new doors in agriculture, greenhouse etc. to produce food 52 weeks a year, similar to Europe.
4. Diversity of produce will increase rotation of crops which in turn creates a cleaner and a safer environment for all.
5. Loans, Capitalization Credits will increase the number of farmer opportunities for new and young farmers of new markets.
6. Eliminate and or reduce security concerns associated with being an overall importer of foods.

What do farmers want; most farmers want to make a living from the land and stability of income. In the foreseeable future the US farmer if enabled with a solid Farm Bill in 2007 will once again become the primary producer of food for the US. Farmers are independent, creative, hard working and given the proper incentive credits, they will move from our current subsidized program to a new technological, productive and profitable agriculture base.

The next topic which I would like to speak on is crop insurance. Crop insurance programs are without exception an absolute necessity, and for the most part adequately provide protection for the American farmer with a few exceptions.

Number 1:

Crop Insurance Premiums are not adjusted to reflect reduced coverage due the applicable stage that may apply.

For example, guaranteed coverage final stage paid \$2.2 million with premium cost of \$122,392.00; in this example if the crop has only reach stage 2 production at the time of loss, the guaranteed coverage would be reduced to 60% or \$1.2 million, but the premium remains at \$122,392.00. No consideration is given for the reduction in guaranteed coverage. In this example, if the premium were adjusted to reflect 60% coverage guarantee, the farmer would benefit from the reduction of premium in the amount of \$48,956.80.

Number 2:

Determination of "Stage" should be based on two factors; crop development and costs associated with crop.

This affected us last year; we were 7-10 days away from harvesting the crop when 1050 acres were destroyed by Hail/Tornado. After extensive evaluations from 9 adjustors and several crop insurance professionals; all came to the same conclusion; the crop was a complete loss. They paid the claim on stage (2) even though we had incurred all costs associated with final stage with the exception of plowing. The only reason we had not plowed the onions was because we were waiting for the field to dry

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out. However to go to stage (3), the final stage, we would have to have plowed the onions. Subsequently, our claim was diminished by \$1,404,000.00 on a crop that would have produced between 8.5 and 9 million in sales if we had harvested it.

If crop insurance were modified to include crop development and costs associated with crop, this crop would have qualified for final stage. (See Exhibit A)

Credit Issues

America has yet to develop adequate credit organizations for funding the agriculture community. A noteworthy mention is the continued support and expertise of Farm Credit to the farming Community.

1. Farm Credit was established to provide a dependable source of credit to farmers and rural America. A strong, viable Credit system is vital to providing capital to rural America and to agricultural operations
2. Farm Credit's expertise in agricultural financing is key in today's changing agriculture market place. Having lenders that understand agriculture is imperative.

For example, The Tobacco Buyout Program commitments made by Farm Credit were funded as planned; however, other non-rural investors had difficulty understanding USDA and crop liens which created unnecessary delay in payments.

Finally our life and business in the produce industry depend on a good labor force. I would like to thank Chairman Goodlatte for taking a step forward in introducing House Bill HR3857. If I can stress anything to the House members here today in addition to the Farm Bill it would be Farm Labor. We use the H2A Guest Worker program to get quality, dependable labor that is documented. I hope the House supports this legislation.

Thank you,
Michael Hively

Committee on Agriculture
U.S. House of Representatives
Michael Hively
Testimony
Date: 2/6/2006

Exhibit A

FSN #	Unit	Farm Name	Acres / Qty	Guarantee (CWT) Per Acre	Guarantee Price Per Acre	Guaranteed Coverage	Premium Cost	Claim Less Insurance	Comments
9999	00101	Miscellaneous Field	705.6	128.7	\$ 24.35	\$2,211,241.03	(122,392.00)	\$ 2,088,849.03	Insurance 122,392.00
Total Claim Final Stage 100% Level \$ 2,088,849.03									
9999	00101	Miscellaneous Field	705.6	128.7	\$ 24.35	\$1,326,744.62	(122,392.00)	\$ 1,204,352.62	Insurance Remains at \$122,392 even though coverage is reduced.
Total Claim Stage 2 (60% Level) \$ 1,204,352.62									\$ -

Example of a Crop Insurance Claim- Premium Cost should be reduced by 60% in Stage 2.

Testimony of Jerry Newby
House Committee on Agriculture Field Hearing
Auburn, Alabama

February 7, 2006

Good Morning, Mr. Chairman and members of the House Agriculture Committee. I appreciate this opportunity to testify before the committee today about the farm bill. I also want to say how much we appreciate and how proud I am of our three Alabama Congressmen serving on this committee. Thank you for your service Congressman Everett, Congressman Bonner and Congressman Rogers.

My name is Jerry Newby.....

I am a farmer. I am a partner in a diversified family farm. We are a row crop, cattle and timber operation.

I am also President of the Alabama Farmers Federation, a member of the American Farm Bureau. We have over 460,000 members. We represent farmers in the state, with 16 different grassroots commodity divisions with producer leaders in all 67 counties.

First of all, I want to thank this Committee and its leadership for holding these hearings. It is important that the Committees in both the House and Senate seek input from producers as to what is working in the 2002 farm bill and what isn't working and hear our needs for the 2007 farm bill.

As a general farm organization, we do not feel that the farm bill should be substantially changed when it is reauthorized in 2007. The safety net that is in place now should continue to be there so that our farmers can continue to produce the most affordable, dependable and safest food in the world. Having the ability to produce this nation's food is a matter of national security, and we only have to look at the situation with energy to see what happens when we depend on others.

The Department of Agriculture has stated that net farm income has fallen from \$82.5 billion in 2004 to \$71.5 billion in 2005. Total cash crop revenues and government payments to producers have risen from \$128 billion in 2003 to \$138.6 billion in 2005. This shows that while farm income is down due to increased inputs and lower market prices, farmers are getting more of their income from the farm bill. This proves that without the safety net of the farm bill, our agriculture economy could collapse.

Every year we as farmers are told that budget cuts require reopening the farm bill. This causes a great hardship to farmers and their lenders. We in agriculture understand about budgeting and have always been willing to accept our fair cuts. But, we think that agriculture has paid more than its fair share in these budget cuts, especially the commodity, conservation and research programs. We just ask that cuts in the federal budget be done across the board equally. This farm bill has cost less than what was originally projected by the Congressional Budget Office when it was enacted in 2002. We feel agriculture should get credit for these savings as well as preserving commodity baseline funding.

I am aware that the World Trade Organization (WTO) negotiations are currently underway, and have an April deadline for completion. If WTO negotiations do not proceed as scheduled, the 2002 farm bill should be extended, as is, until those negotiations are concluded. If we write the new farm bill before conclusion of the WTO negotiations, we will get no credit or concessions in later negotiations. U. S. agriculture would be the big loser again!

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 February 7, 2006
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I am pleased that this Committee and the Senate Agriculture Committee have been in constant contact with our trade negotiators, and I hope you will continue to stress the importance of having our domestic farm program classified as non-trade distorting.

Updated bases, which were part of the 2002 farm bill, should continue to be allowed to be updated for the next farm bill. Many growers seeking profitability have taken advantage of the continued flexibility in the current farm bill, and production has shifted in many grower areas. For example, peanut production has now expanded to southwest Alabama. These growers and peanut shellers have new infrastructure in place, and bases should be updated to reflect those shifts.

Growers are very happy with the new peanut program and it should be continued. It has expanded to over 30 counties in Alabama and has given producers the ability to rotate their crops, thereby increasing their yields and reducing the risk of pest and plant disease.

There should be no further payment limitation decreases. Alabama ranks third in peanut production and ninth in cotton production. Southern crops grown in Alabama like cotton and peanuts demand higher input costs from our farmers; therefore, there is more risk than for most commodities grown in other parts of the country. Any further payment cuts would make these crops unprofitable, causing producers to go out of business or switch to other commodities, thereby increasing government cost because of increased production in those other crops.

There is continued concern over the expansion of Conservation Reserve Program land in Alabama that has led to the decrease in workable farmland. The Farmers Federation does support the intent of CRP, but believes that much of the CRP land in Alabama for instance, is not marginal and, in fact, the program has removed too much land from production agriculture. The federal government's CRP rate in some areas has raised rental costs out of the reach of the average farmer. This has led to difficulty in obtaining productive land, particularly among our young farmers who are just getting started. The CRP should not act as a disincentive for young farmers and other producers.

In regards to crop insurance, we would like to see more pilot revenue assurance plans such as AGR (Adjusted Gross Revenue) and AGR-Lite, that are currently provided on a state-by-state basis to be increased on a national scale. AGR is a program that allows growers to protect their income and does not function as a traditional multi-peril crop insurance policy that only covers specific yields and crops. The AGR-Lite program, for instance, has several reforms that were just approved, such as increasing the amount of income that can be covered and allowing more crops to be covered. These insurance plans represent the best chance for farmers who are diversified and grow many types of crops and livestock to manage their risk. It should not be used in replacement of MPCI but rather as a supplement. In many cases in south Alabama, for instance, many farmers are very diversified and can't get adequate risk protection for all of their crops. Policies such as AGR-Lite are those that embody the "whole farm" concept and allow farmers and ranchers to cover their entire farming operation regardless of what they grow. This is also attractive to lenders, which is of utmost importance, since they know exactly how much revenue the farmer is guaranteed each year, and since it is based on five year income averages from federal tax forms reported to the IRS, there is significantly less chance of fraud involved.

If planting restrictions are removed for fruits and vegetables, these producers should be compensated just as other commodities. As you know, a recent WTO decision held that certain payments to farmers cannot be classified as non-trade distorting because of the farm bill prohibition that prevents the planting of fruits and vegetables on land that receives subsidies. This policy in the past has acted as a kind of "safety net" for those growers who do not receive traditional subsidies. However, some in agriculture have estimated that even a one percent

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increase in fruit and vegetable planting would mean a four percent decrease in prices, so any removal of this prohibition would require support for fruits and vegetables.

We support rural development initiatives, particularly those that support bio-energy. All farmers, including non-row crop producers such as nurserymen, livestock and poultry growers face huge increases in energy and input costs. I was pleased to see the President's State of the Union message stressed the use of animal and plant waste as an alternative fuel source. I feel the use of renewable fuels represents a win-win for the American farmer and the environment. Specifically, Alabama ranks second in privately-owned timberland, and third in poultry production. Both wood and poultry litter could be utilized to deliver energy, if only there was adequate research in these areas to make the technology cost-effective.

The Tree Assistance Program (TAP) should be modified to include trees, shrubs, and vines that are themselves the crop. Many of these growers, such as Christmas tree growers and container-shrub producers, are not allowed to be reimbursed for damage due to natural disasters such as hurricanes, while pecan and fruit tree growers are.

We strongly support the Seniors and Farmers Market Nutrition Program (SFNMP) and have a great one here in Alabama. This program should be continued and expanded to allow local honey producers to participate in the coupon redemption program for the SFNMP. Currently the statute only allows fruits and vegetables and herbs. Honey is a natural sweetener with health benefits, and allowing these producers to participate would further increase the goal of SFMNP of increasing the participation of small or limited-resource farmers.

What dairy farmers in Alabama need are incentives for getting milk into the region to supply our steadily growing market. The Federal Milk Market Order Program has some aspects that are very helpful. Class I location differentials, calculated to reflect the actual cost of moving supplemental milk into the area, are helpful. But those calculations were made before diesel fuel doubled in cost over the past year. Alabama dairy farmers see the additional cost of transporting that milk come out of their milk checks each month. The industry has a proposal in to USDA to increase transportation credits to help bring milk in and to establish inter-market credits to help offset costs. Our problem, however, is that diesel fuel prices are high NOW, but getting a decision out of USDA on transportation credits can take months or years. We need a Federal Order system that can respond in a timely fashion.

The 2002 farm bill has not been perfect, but it has served the American farmer well during difficult times. For agriculture to continue to be a strong economic force in the U.S., solving the number one problem of profitability must continue to be the focus of the Agriculture Committee. The increase in energy, chemicals, fertilizer and other production costs, along with the uncertain future of the safety net and ongoing WTO negotiations, make future prospects for production agriculture seem very bleak. While the 2002 farm bill has in many cases enabled producers to continue to farm, it is clear that many farms continue to struggle with an uncertain future. I humbly request that you not lose your focus on the number one concern of all farmers – profitability.

Seglar

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PECAN HISTORY

I'm going to share with you a little history about Pecans and what this crop should mean to the people in the United States. Pecans grow in 20 states. In the main valley of the Mississippi, the pecan is native as far north as Davenport, Iowa; in the valley of the Ohio as far north as Covington, Ky., and in the valley of the Wabash as far north as Terre Haute, Indiana. In Henderson County, KY. at the mouth of Green River, on the banks of the Ohio there are 300-400 acres of solid stand Wild Pecans. A number of these trees are sixteen feet in circumference and over 150 feet high.

Most of our improved varieties are grown along the Gulf Coast from Texas to South Carolina. Georgia has the most production followed by Texas. PECANS ARE THE ONLY MAJOR CROP THAT IS NATIVE TO THE UNITED STATES. All other major crops were imported to America from other countries. For American Indian tribes in the south central region of the United States, especially in the Mississippi Valley, the pecan served as a dietary staple long before the arrival of Europeans. Later they traded pecans to the settlers for furs, trinkets, and tobacco. Before the early sixteenth century, no European had ever seen a pecan nut.

George Washington was fond of pecans and frequently carried them in his pockets. In 1774 he planted several young pecan seedlings at Mount Vernon. Thomas Jefferson started growing pecan trees at Monticello in 1779.

An important historical event took place in the pecan industry in 1847; Antoine, a slave on Oak Alley Plantation in southern Louisiana, succeeded in top working sixteen native pecan trees – A technique which involved cutting back numerous pecan seedlings and grafting scions of a selected parent tree on the young sprouts. This discovery was a significant milestone in asexual propagation of the pecan: Antoine's selection was given the name CENTENNIAL in 1876 in commemoration of the hundredth anniversary of the United States, and over the years became a popular variety. Since 1848, more than 500 other pecan cultivators have been named.

Union soldiers returning north in 1865 after the civil war brought pecans with them and helped to increase the nut's popularity. During the early nineteenth century, appreciable progress toward increasing production was made by top working native pecan seedlings with new, standard varieties. It took about four centuries for the pecan to become an important crop in the United States; it reached a commercial scale in 1920 and has increased steadily ever since.

Most edible tree nuts are essentially one state crops; Almonds, Pistachios, and Walnuts are produced in California; Filbert in Oregon and Macadamia nuts in Hawaii. The pecan on the other hand, is a multi-state crop, stretching across the country from the Southeast to the Southwest throughout some twenty states.

Pecans are one of our National Treasures. Over 40% of both houses of Congress, regardless of party affiliation, have pecans growing in their state. I want you to understand the importance of pecans to our nation.

FEDERAL CROP INSURANCE

I chaired the committee, that began in 1980, to get Congress to pass a bill that would enable the RMA to provide federal crop insurance for our pecan growers. Not until 1998 did RMA allow us to have three pilot counties (Dougherty, Lee, and Mitchell) in Georgia. In 2003, we were able to add seventy-nine additional counties in Georgia and in 2004 added two additional counties in Alabama (Baldwin & Mobile). Only in 2005 was a national program approved. Twenty-five years after we started.

It was the sense of Congress on the expansion of crop insurance that enabled us to move forward in the last four years. There are some small changes but important provisions that need to be made to the current policy to bring it in line with other crops. Crops such as Peaches, Peanuts, Cotton, Corn, etc. have a provision that in the event of a crop failure insurance coverage cannot be adjusted down more than 10% of the individual farms APH (yield average) this is referred to by RMA as a 10% percent cup. Long range weather forecasters predict that the gulf coast region weather patterns will continue for the next fifteen to twenty years. If this is true, our crop insurance would be worthless in a few years without this 10% cup.

RMA has a restriction that penalizes the grower from thinning his trees more than 12.5%. This reduction coverage lasts for a period of two years. This is completely contrary to all recommendations by the extension service and the USDA on following good cultural practices. We have provided data from all over the southeast by pecan specialists and they simply refuse to accept this data and make this significant change.

We have no provision in this policy to cover loss of trees. It is our contention that a simple rider could be attached to our present policy that would provide coverage for tree loss in the event of a disaster. This could be offered to the grower as an option with something like a 5% increase in his premium.

TREE ASSISTANCE PROGRAM

The 2002 farm bill provided a tree assistance program to replant trees in the event of a national disaster. The criteria that a grower must have a minimum 15% tree loss limited the amount of grower participation and basically made it ineffective to most all Georgia growers. Our Georgia growers lost thousands of trees during the hurricanes of 2004 and we only had two growers in the entire state to qualify because of this 15% limitation. We feel that, that was not the intent of Congress and the 15% should be removed.

PECAN RESEARCH

We need annual federal funding for our Byron Fruit and Nut Laboratory in Byron, Georgia. It is the only USDA research station that provides research on pecans nationwide. In addition to this research funding we need a one time expense of \$3 million

to repair, upgrade the buildings, and needed replacement of equipment. Most states that grow pecans have either stopped or drastically cut their spending on pecan research and the Byron station is basically all that we have to sustain continued research for our pecan growers.

DISASTER LIMITS

We feel that the \$80,000 limitation on disaster should be removed from pecans. Normally disasters on pecans occur from hurricanes in the late fall that normally striking our crops thirty to forty-five days prior to harvest. Pecans are a very expensive crop to grow, with most growers spending in excess of \$800 per acre. When I see items like \$10 million in the 2002 farm bill for Orange County, NY for farmers that suffer losses to onions from 1996 to 2000 crop year and \$94 million to apple producers for loss of market during the 2000 crop year with a statement that says "the secretary shall not establish a payment limitation, or income eligibility limitations.", I wonder why our pecan growers do not deserve the same consideration when they have lost thousands of dollars due to a national disaster.

COUNTRY OF ORIGIN

The 2002 farm bill provided time limits on country of origin labeling on crops such as pecans and at this point in time no action has been taken to enforce this provision. We the Georgia Pecan Growers Association fully support country of origin labeling and we certainly hope that Congress will take the necessary steps to enact the law that they have already passed. You will find listed below pounds of pecans shelled and In shell imported into the United States in 2004 and 2005. Most of these countries do not have the

rigid restrictions of our EPA to control chemicals being used on these commodities and we feel that labeling so that the consumers should know and have the opportunity to select the pecan nuts that they want to use for their families consumption is most important..

	<u>Pecans Shelled</u>	
	2004	2005
Australia	178,573 lbs.	493,830 lbs.
Mexico	8,842,651 lbs.	9,299,003 lbs.
Peru	4,409 lbs.	127,867 lbs.
Rep. South Africa	<u>143,299 lbs.</u>	<u>974,433 lbs.</u>
Total	9,168,932 lbs.	10,895,133 lbs.

	<u>Pecans In Shell</u>	
	2004	2005
Mexico	34,515,218 lbs.	22,535,421 lbs.
Peru	<u>35,274 lbs.</u>	<u>37,478 lbs.</u>
Total	34,550,492 lbs.	22,572,899 lbs.

CONSERVATION PRACTICES

(SEE ATTACHMENT INCLUDED)

In the 2002 Farm Bill listed under "Conservation Security Program" the planting of clover and other legumes in pecans as we understand and try to interpret "Sec. 1238A" of the Farm Bill

No. 4 Conservation Practices

- (A) Nutrient Management
- (B) Integrated Pest Management
- (E) Soil Conservation
- (G) Wildlife Habitat & Food Supply

All of the above meets the standards listed in the 2002 Farm Bill as it is understood. The only problem that exists is that FSA will never except pecans unless Congress spells it out in the 2007 Farm Bill.

It was a pleasure for me to appear before you today and I hope that members of congress will be sensitive to the needs of our pecan growers and I say again that we are farmers of one of our NATIONAL TREASURES (pecans).

Hilton R. Segler

(Attachment)

1

Benefits & Use of Crimson Clover and Legumes in Pecan Orchards

Lenny Wells, UGA Extension Horticulture-Pecans

A mature pecan orchard consists of two separate, yet interrelated ecosystems. The orchard floor provides a working surface for orchard operations and influences activities in the trees, which produce the crop. Pecan orchards usually consist of sod culture on the orchard floor with a weed-free herbicide strip approximately 6-12" wide along the tree row. Row middles are maintained by mowing. The mowed sod middle improves wet weather passage for spraying, harvesting, and other orchard operations.

An efficient orchard floor cover does not compete heavily with trees for moisture and nutrients and is compatible with orchard insect populations. Weed competition with tree roots is significant throughout the life of the tree. In a newly planted orchard, weed competition can significantly reduce young tree survival and can stunt tree growth. Weed competition can reduce tree growth and yield, as well as promote alternate bearing in mature trees.

Pecan trees have an extensive root system, consisting of a tap root which can penetrate as deep as the soil structure and water table permit, and small feeder roots located near the soil surface. These feeder roots supply the bulk of the pecan's nutritional needs and come into direct competition with vegetation on the orchard floor.

Cool season legumes, such as crimson clover, possess a variety of characteristics that make them compatible with pecan production. Cool season legumes are not especially competitive with trees for soil moisture until mid to late spring. They also serve as an effective source of organically bound nitrogen (N). In addition, cool season legumes stimulate an early increase in beneficial insect populations. The environmental benefits of cool season legumes make their use an especially attractive practice. In addition to the benefits mentioned above, legumes can reduce weed competition, aid in the cycling of nutrients, build soil, organic matter, prevent soil erosion and runoff, and serve as an effective source of food and habitat for a variety of wildlife species.

Pecan Nitrogen Use & Compatibility with Crimson Clover

Of all nutrients applied to pecans, N most commonly limits pecan growth and orchard profitability. This element has a dominant influence on vegetative growth and crop production. In recent years, the rising cost of fuel, and its effect upon synthetic fertilizer production, has led to a need for alternative sources of nitrogen in many orchard and row crops operations. With regard to pecan production, one very efficient source can be found in the planting of leguminous plants, particularly crimson clover, on the orchard floor.

All legumes, including crimson clover, utilize soil-dwelling bacteria that convert nitrogen from the air into a form that can be used by plants. This is termed "nitrogen fixation". Only particular strains of bacteria provide optimum N production for each group of legumes. When the roots of a leguminous plant come into contact with the appropriate bacteria, the root hairs encircle the bacteria to create a nodule which houses

the bacteria. These lumps on the root surface may range in size from a BB to a kernel of corn.

Perennial legumes “fix” N during any time of active growth, usually peaking at flowering. With seed formation, N fixation ceases and the nodules slough from the roots. While they are alive, legumes release little to no nitrogen from the soil. As they die and are decomposed by soil micro-organisms, the N in the roots, stalks, leaves, and seeds are converted to a form available to other plants. Residue from a grass/legume mix has a higher C:N ratio than the legume alone, thus the release of N is slow and not as vulnerable to loss.

Mature pecan trees require 75-150 lbs of N annually for optimum production. Nitrogen uptake in the tree is driven by demand. There are two critical periods of nitrogen demand during the season; (1) early foliage growth and (2) kernel filling. The early spring foliage flush is nourished primarily from reserves held within the tree, while the nitrogen demand during the kernel fill stage is usually satisfied from soil uptake. If N is limited at kernel filling, then the tree will mobilize N from the foliage to the kernels.

Studies have suggested that crimson clover over-winters dependably in the southeastern United States and much of the U.S. pecan belt. A vigorous stand of crimson amount for pecans. When aided by moisture and warm weather to speed up decomposition, up to half the N available from legumes can be released within 7 to 8 weeks.

Pecans are an “irregular bearing” crop, meaning that they tend to bear heavy crop loads for 1-2 years, followed by very light crop loads, depending upon various physiological and environmental factors. In the light crop or “off” years, the N supplied by the clover alone, would be adequate for optimum production. Heavy crop or “on” years may require low supplemental N rates in order to bring marketable nuts to maturity and provide a return crop the following year.

Enhancement of Pest Management

Conserving and encouraging beneficial organisms is key to achieving sustainable pest management. The deep red blossoms of the crimson clover attract various species of bees, which feed readily on the abundant nectar. In addition, blooms may harbor beneficial insects such as the minute pirate bug, Pea aphids, and blue alfalfa aphids are commonly associated with crimson clover. Although these species are not pests of pecan, they serve as alternative food sources for beneficial predators such as lady beetles, green lacewings, soldier beetles, predaceous stink bugs, damsel bugs, and hover flies. As the clover declines with the onset of warm weather in June, these beneficial insects move into the trees to feed on pecan aphids and other insect pests, reducing the need for insecticide application.

In addition to reducing insecticide inputs through enhancing beneficial insect populations, the use of legumes in the orchard can also reduce herbicide use. As crimson clover grows, it forms a thick, living mulch. This helps to smother and shade out more troublesome, competitive weed species.

Soil Building & Sustainability

Clover can improve orchard soils in a number of ways. Protection against erosion is the most obvious benefit, but providing organic matter is an equally important and more long term goal. Clover can provide habitat and/or food source for important soil organisms, break up compacted soil layers, and help dry out wet soils.

Erosion deprives orchards of topsoil, the most fertile portion of soil with the highest amount of organic matter. When soil particles are dislodged by rainfall, they are more vulnerable to runoff. Cool season legumes can reduce the impact of rainfall on bare ground, slow the action of moving water, increase the soil's ability to absorb and hold water, and help stabilize soil particles. Crimson clover produces more dry matter (5600-6000 lbs/A) than many other legumes and is recommended for soil erosion control because of its high early autumn dry matter production. Grass/crimson clover mixtures combine fibrous surface roots with long tap roots and have been observed to reduce herbicide runoff by 94-100%.

Over-fertilization is common in orchard crops because most growers rely on synthetic fertilizers. The amount of nitrogen removed by the crop in proportion to that applied is often far less with tree crops than with more traditional crops. Therefore, the leaching of nitrates into groundwater may be especially serious in orchard crops. Winter cover crops such as crimson clover grow primarily during a period of tree dormancy, when N uptake by the crop is at a minimum and percolation from rainfall is often the greatest. Although pecan growers have historically had little economic incentive to grow cool season legumes solely to prevent nitrate leaching, it is one of the many benefits they provide.

Perennial legumes such as crimson clover break down quickly; however their root systems remain tough and fibrous, contributing to the accumulation of organic matter. The addition of organic matter to soils improves soil structure, increases water holding capacity, increases cation exchange capacity (the ability of the soil to act as a short term storage bank for positively charged plant nutrients), and provides more efficient storage of nutrients.

Legumes help to increase the total number and diversity of soil organisms, which is the key to a healthy, well functioning soil. Legumes are closely associated with beneficial fungi, called mycorrhizae, which produces a water-insoluble protein known as glomalin, which binds and glues together particles of organic matter, plant cells, bacteria, and other fungi.

Well aggregated soils are less prone to compaction. Mycorrhizal fungi also have an efficient method of absorbing phosphorous (P) from the soil, which they pass on to their host. Without this relationship, P builds up in the soil. Although it is not leached, it can runoff into streams and rivers through soil erosion. The filaments of the mycorrhizal fungi effectively extend the root system and help the plants tap more P from the soil. Keeping P in an organic form is the most efficient way to keep it cycling in the soil.

Wildlife Benefits

Due to the limited availability of suitable nesting areas in the United States for early-successional songbirds, converting a common attribute of the southern agricultural landscape, such as pecan orchards, to a resource for food and reproductive habitat would provide some of the factors necessary to increase survival and nesting success. Increased abundance of birds and beneficial arthropods and higher species richness in agricultural fields have been linked to habitat heterogeneity.

The sod/clover orchard floor mixture along with the pecan overstory allows for an increased landscape heterogeneity. Birds benefit from an increase in prey, an increase in cover for nesting sites and fledglings, and a reduction in nest loss due to the elimination of mowing during the nesting season. In addition to enhancing the landscape for non-game songbirds, as well as bobwhite quail, wild turkey, and mourning dove, cool-season legumes provide high quality forage for whitetail deer during the late winter when other food sources have dwindled.

Clover has been shown to be highly effective at attracting high avian and arthropod densities, increasing wildlife and agronomic benefits compared with conventional management of agricultural systems. The reduction of input in the clover system, coupled with its agricultural systems. The reduction of input in the clover system, coupled with its agricultural and environmental benefits, makes this system both a good choice for reducing negative impacts on wildlife and surrounding ecosystems and an economically desirable one.

Establishment & Maintenance

In order to establish an adequate stand, Crimson clover should be drilled at 15-18 lbs/A or broadcast at 20-30lbs/A. Establishment should be completed as soon as possible following pecan harvest, preferably in November-December. If clover is seeded prior to harvest, many seeds are removed from the orchard floor with the sweeping and harvesting process. Since legumes require the presence of rhizobial bacteria to effectively fix N, it is important to obtain the correct rhizobial inoculants for the legume being grown. Fresh inoculants and a sticking agent should be mixed with the seed. Otherwise, there will be few nodules and N fixation will be low. Soil pH should be maintained at 6.5 because *Rhizobia* bacteria cannot function properly under highly acidic conditions and will die in soils with pH below 5.0.

Many southeastern orchards have well established populations of annual ryegrass. Where this occurs, the ryegrass often competes with and inhibits growth of clover. This can be prevented by the application of a low rate (16oz/A) of sethoxydim herbicide in February. The rye grass does not have to be eliminated, only stunted by this application in order to release clover from this competition.

By foregoing mowing of the orchard until clover has gone to seed, producers can take advantage of crimson clover's excellent natural re-seeding sooner than loamy or clay soils, therefore soil type should be taken into consideration when estimating the need for re-establishment.

Cost & Savings

The appropriate cost of clover seed and bacterial inoculums required to produce N-fixing nodules is \$40/A. At 2005 N prices of \$72/A, this represents a difference of \$32/A. Clover can replace from 50-100% of synthetic N applied to pecan orchards, depending on the pecan crop load in a given year. This would save growers approximately \$36-\$72/A and significantly reduce the grower's reliance on synthetic N. Reduced maintenance and mowing compared to grass covers creates further economic savings and reduces fuel consumption.

Pecans acreage is widely dispersed and hard to track, but reliable estimates indicate that pecans are grown on approximately 550,000 acres in the United States, with Georgia making up about ¼ of the total U.S. acreage. This would indicate a potential savings of approximately \$19,800,000-\$39,600,000 in N costs, as well as a 41,250 ton reduction in the use of synthetic N nationwide with the use of N-fixing legume culture applied to orchard floor management.

Summary

One of farming's greatest challenges is to keep N in a stable, storable form until needed by the crop. The use of organic N, such as that produced by legumes, is an ideal way to accomplish this. Combining warm season sod culture and cool season legumes is a practical and effective strategy for conserving and supplying nitrogen for orchard crops, as well as enhancing stewardship of the environment through the enhancement of beneficial insects, weed suppression, soil sustainability, and wildlife.

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CHAIRMAN GOODLATTE AND MEMBERS OF THE AGRICULTURE
COMMITTEE:

THANK YOU FOR ALLOWING ME TO PRESENT THIS TESTIMONY.

I AM BEN BOWDEN, A 72 YEAR OLD DIVERSIFIED PRODUCER OF COTTON, PEANUTS, CATTLE, AND TIMBER IN RUSSELL COUNTY ALABAMA. I STARTED FARMING IN 1953 AT AGE 19. AT THE TIME I HAD NO EXPERIENCE ON A FARM, NO MONEY, AND A \$20,000.00 DEBT THAT MY FATHER DIED AND LEFT. HE HAD JUST BOUGHT A FARM AND MOVED OUT IN MARCH AND DIED IN JULY. I HAVE BEEN BLESSED. I ACCUMULATED APPROXIMATELY 8,000 ACRES ALL BEFORE 1980 AND I HAD IT PAID FOR. I HAVE SOLD 600 ACRES AND \$350,000.00 IN STOCK SINCE. I HAVE NOT BEEN ABLE TO PURCHASE LAND SINCE. NOW WE ARE THE ONLY FULL TIME ROW CROP FARM FAMILY LEFT IN MY COUNTY. WE STILL HAVE A LOT OF PART TIME FARMERS. THEY HAD TO GET A JOB TO ENJOY A BETTER LIFE STYLE. WE LOST A LOT OF YOUNG FARM FAMILIES TO DIVORCE IN THE 1980'S AND THE 1990'S. INFLATION HAS RAISED THE COST OF LAND, EQUIPMENT, FERTILIZER, CHEMICALS, AND TECHNOLOGY. THESE FACTORS PROHIBIT A YOUNG PERSON FROM HAVING THE SAME OPPORTUNITY I HAD.

I HAVE EARNED LESS MONEY ALMOST EVERY YEAR SINCE 1980. I HOPE I'M CONFUSED ABOUT THE PROPOSED 2007 FARM BILL. IT SEEMS THE GREATEST CONCERN WE HAVE IS COMMODITY SUBSIDIES.

WE HAVE NOW SEPARATED THE TITLES IN THE FARM BILL WITH THE BUDGET ADJUSTMENT ACT, JUST RECENTLY PASSED. IT PASSED WITH LAST MINUTE CHANGES, WHEN EVERYONE WAS LEAVING FOR THE CHRISTMAS HOLIDAYS. IN DECEMBER IT ONLY PASSED BY TWO VOTES. I BELIEVE IF CONGRESS HAD TAKEN MORE TIME TO EVALUATE THESE CHANGES IT WOULD NOT HAVE PASSED. WHEN YOU SEPARATED THE TITLES OF THE FARM BILL BY EXTENDING SOIL CONSERVATION AND NUTRITION TO 2010 AND LEFT COMMODITIES WITH SOME SMALLER TITLES, YOU KILLED OUR PROGRAMS OPPORTUNITY COME 2007. THE LAST TWO FARM BILLS WITH ALL TITLES TOGETHER ONLY PASSED BY 2 TO 5 VOTES. COMMODITY FARMERS ARE LEFT OUT ON A LIMB, TO BE CUT OFF. SOMEONE IN THE ADMINISTRATION FINALLY FIGURED HOW TO CUT OUT SUBSIDIES. THE UNITED STATES DOES NOT REALLY REALIZE WHO THE BENEFACTORS ARE. THE CITIZENS. IT'S THEM!! IT'S US! IT'S CONSUMERS.

WE DON'T HAVE MANY FULL TIME FARMERS LEFT. WE ARE A NATION OF PART TIME FARMERS WHO CAN QUIT AT ANY TIME. WE STILL HAVE PLENTY OF FOOD. WE STILL CLAIM TO FEED OURSELVES AND A LOT OF THE WORLD. TRUTH IS WE ARE NOT FEEDING OURSELVES. OUR IMPORTS

OF AGRICULTURE PRODUCTS IS GROWING AT A SCARY RATE. THE TRANSITION IS NOT ACKNOWLEDGED BY ANYONE. LAST YEAR WE IMPORTED OVER \$60 BILLION DOLLARS WORTH OF AGRICULTURAL PRODUCTS. IF WE ARE SELF SUFFICIENT WHY DO WE IMPORT? JUST A FEW YEARS AGO OUR IMPORTS WERE LESS THAN \$15 BILLION AND THEY CONSISTED OF TROPICAL CROPS WE ARE NOT ABLE TO GROW SUCH AS BANANAS, COCONUT, AND PINEAPPLE. AS WE HAVE LOST FARMS, FOREIGN PRODUCTION FILLS THE GAP. MOST TIMES BECAUSE OF LOWER PRICES. WE HAVE CHEAP FOOD, CHEAPEST IN THE WORLD BECAUSE WE SUBSIDIZE FOREIGN PRODUCTION. THEN OUR AGRICULTURE DEPARTMENT AND STATE DEPARTMENT SPENDS BILLIONS HELPING OUR COMPETITORS.

WE ARE DEPENDENT ON FOREIGN FOOD NOW. OUR FARMERS MARKETS ALL OVER THIS COUNTRY ARE EMPTY, EXCEPT FOR HAND CRAFTED ITEMS OR IMPORTS. WE DO HAVE SOME SEASONAL OVERRUNS IN THESE MARKETS. THE ACTIVITY IS NOTHING LIKE IT WAS JUST A FEW YEARS AGO. ALL OF OUR SUPER MARKET WAREHOUSES AND DISTRIBUTION POINTS ARE CLOSE TO A SEAPORT.

WE NEED AN ACCURATE, TRUTHFUL, EVALUATION OF THE PATH WE HAVE TAKEN. IT GETS WORSE EVERY YEAR. FOOD IS MORE IMPORTANT THAN OIL. WE DON'T CONTROL ENOUGH SUPPLY OF EITHER. WE EXPORT RAW MATERIALS WHEAT, SOYBEANS, COTTON AND PEANUTS. THEY ARE IMPORTED AFTER THEY HAVE BEEN VALUE ADDED. WE BUY THESE COMMODITIES BACK AS FINISHED PRODUCTS, VALUE ADDED IN SOME FOREIGN COUNTRY AS THEY ARE CREATING THE WEALTH WE USE TO.

NOT ONLY ARE FARMERS HURTING, WE HAVE ALREADY LOST THE SUPPORT INDUSTRIES THAT FARMERS NEED. OUR NITROGEN FERTILIZER COMES FROM RUSSIA OR THE MIDDLE EAST. OUR POTASH COMES FROM CANADA. ALL OF OUR MACHINERY IS MADE IN FOREIGN COUNTRIES AND IS PUT TOGETHER WITH METRIC BOLTS. WE HAVE MOVED ALL OUR CHEMICAL COMPANIES AND PRODUCTION TO FOREIGN COUNTRIES. VERY FEW BANKERS WANT ANY FARM LOANS BECAUSE THE RISK IS TOO HIGH.

EVERYONE IN THIS COUNTRY IS SUBSIDIED DIRECTLY OR INDIRECTLY. WE ARE ASSUMED TO BE THE GREATEST COUNTRY IN THE WORLD AND WE HAVE PURCHASED IT, BOUGHT IT WITH AN \$8 TRILLION DEBT. WHAT KIND OF STANDARD OF LIVING WOULD WE HAVE IF OUR GOVERNMENT HAD NOT SOLD OUR FUTURES. BY DOING THIS WE HAVE PRICED OURSELVES OUT OF THE WORLD MARKETS. WE HAVE CREATED A FALSE STANDARD OF LIVING THAT IS NOT PRODUCING AND IS NOT VALUE ADDING OUR RAW MATERIALS. ARGENTINA SHOWS US THIS WILL NOT WORK FOR LONG. STUDY ARGENTINA'S LAST 40 OR 50 YEARS. THEY WERE THE WORLD'S 6TH LARGEST ECONOMY AFTER WORLD WAR TWO

NOW THEY ARE ON A BARTER SYSTEM, THEIR CURRENCY IS NO GOOD. I SEE US FOLLOWING THIS EXAMPLE OF PURCHASING OUTSIDE BECAUSE IT WAS CHEAPER. YOU BORROW UNTIL YOUR CURRENCY IS NO GOOD.

THIS COUNTRY WAS MADE GREAT BY HARDWORK AND VALUE ADDING OUR NATIONAL RESOURCES. TODAY OTHER COUNTRIES CHINA, INDIA, TURKEY AND INDONESIA ARE DOING THE SAME EXCEPT THEY ARE VALUE ADDING TO OUR RESOURCES. CHINA AND JAPAN ARE OWNERS OF THE MAJORITY OF OUR NATIONAL DEBT. IF THEY CHOOSE OR LOSE CONFIDENCE IN THE AMERICAN DOLLAR INFLATION WILL BE RAMPANT. RAISING INTEREST RATES WILL BE THE ONLY WAY TO FINANCE OUR DEBT. WE HAVE LOST A LOT OF OUR INFRASTRUCTURE. OUR FACTORIES, OUR WILL, OUR FARMS, THEY CANNOT BE REPLACED IT WILL BE GONE.

I'M CONCERNED, I'M WORRIED ABOUT THE FUTURE. I DON'T HAVE MUCH FUTURE LEFT. BUT I WANT MY CHILDREN AND GRANDCHILDREN TO BE ABLE TO FARM. TODAY I FEEL LIKE I HAVE TO PROTECT THEM AND SELL SOME OF OUR MOST PRODUCTIVE, IRRIGATED LAND. WE HAVE BEEN OFFERED \$9,000.00 AN ACRE TO BUILD HOUSES FOR THE INFLUX OF SOLDIERS TO FORT BENNING. FUTURE GENERATIONS OF AMERICANS WILL NEED THIS VERY PRODUCTIVE LAND. IT BOTHERS ME THAT MY FAMILY DOESN'T HAVE NEARLY THE SAME OPPORTUNITY I HAD. THE LAST 25 YEARS WE HAVE ACCUMULATED APPROXIMATELY \$2 MILLION IN DEBTS, EVEN WITH GOVERNMENT SUBSIDIES. WHEN THE PROFIT MARGIN GETS SO CLOSE, THERE IS NO ROOM FOR THE VARIABLES THAT FARMERS HAVE, SUCH AS DRY WEATHER, INSECTS, HURRICANES, HIGH COSTS AND MANIPULATED MARKETS TO NAME A FEW.

WE ARE CONSIDERED BY OUR PEERS AND COMMUNITY TO BE THE MOST EFFICIENT, LARGEST AND MOST PRODUCTIVE FARM IN SEVERAL COUNTIES. OUR MANAGEMENT COSTS ARE VERY LOW. WE STILL FAIL, WHEN THE VARIABLES COME. BEING BIG IS NOT AN ASSET WHEN YOU LOSE MONEY PER ACRE UNIT. OIL PRICES AFFECT ALL OUR INPUTS, ENERGY, CHEMICALS, AND LABOR. OUR INCOME CANNOT COME DOWN, WHILE OUR INPUTS ARE GOING UP SOME 100% LIKE DIESEL FUEL.

I HOPE YOU AND YOUR COMMITTEE, WITH THE HELP OF CONGRESS WILL BE ABLE TO PULL A RABBIT FROM THE HAT. IT LOOKS LIKE WE MIGHT NEED SOME MAGIC TO SURVIVE THE 2007 FARM BILL AS RECOMMENDED. IF COMMODITIES ARE CUT, YOU WILL SEE THE GREATEST EXIT FROM COMMODITY PRODUCTION THE WORLD HAS EVER SEEN. I HOPE YOU CONSIDER THAT OVER HALF OF THE US BUDGET IS IN THREE AREAS--MEDICARE, MEDICAID AND SOCIAL SECURITY.

IF ONLY THE PEOPLE WHO CONTRIBUTED TO SSI WERE DRAWING, IT WOULD BE SOLVENT SO MUCH LONGER. WE HAVE ABSORBED WELFARE

INTO MEDICAID WITH LITTLE OR NO CONTRIBUTORS AND IT IS WRECKING THE PROGRAM.

THANK YOU AND I HOPE YOU WANT TO QUESTION ME ABOUT THE ISSUES I HAVE PRESENTED. PLEASE CALL, FAX, E-MAIL OR MAIL ME TO DISCUSS FURTHER. I AM COMING TO WASHINGTON THE WEEK OF MARCH 14TH THROUGH MARCH 16TH. I WOULD LIKE TO MEET WITH YOU TO ANSWER ANY QUESTIONS OR COMMENTS YOU MIGHT HAVE.

BEN BOWDEN
71 BOWDEN ROAD
EUFULA AL 36027

PHONE :334-687-5586
CELL:334-695-1568
FAX: 334-687-6991
E-MAIL: benbowden@westover.com

REVIEW OF FEDERAL FARM POLICY

FRIDAY, MARCH 3, 2006

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Stockton, CA

The committee met, pursuant to call, at 8:30 a.m., in the Conference Center, Stockton Arena, Stockton, CA, Hon. Bob Goodlatte (chairman of the committee) presiding.

Present: Representatives Pombo, Lucas, Moran, King, Neugebauer, Schwarz, Peterson, Cardoza, Salazar, and Davis.

Also present: Representative Nunes.

Staff present: Kevin Kramp, Pamilyn Miller, Elizabeth Parker, Tyler Wegmeyer, Alise Kowalski, Lindsey Correa, Tobin Ellison, Mike Dunlap, Chandler Goule, and John Riley.

OPENING STATEMENT OF HON. BOB GOODLATTE, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF VIRGINIA

The CHAIRMAN. Good morning. This hearing of the House Committee on Agriculture to review Federal farm policy will come to order.

I'd like to welcome you to the committee's third field hearing to review the 2002 farm bill. I will keep my opening remarks short to allow plenty of time for our witnesses to share their thoughts with our members. But before I get into my prepared remarks here, I want to say that I am delighted to be here, that I have been here many, many times before. I have attended Stockton Port's baseball games next door and the reason for that is that my sister and her husband, Barbara and Max Steinheimer are residents of nearby Lodi and we're glad that they could come this morning as well.

I'm also pleased that we could bring so many members of the House Committee on Agriculture to Stockton to hear about California agriculture. And I will have the opportunity to introduce all of them to you as we proceed, but at this point in time, I want to particularly recognize three Members who do an outstanding job representing California on the committee and in the United States Congress. I know that the gentleman to my immediate left who represents this area, along with Congressman Cardoza is well known to you. Congressman Pombo does an outstanding job not only as one of the senior members of the Agriculture Committee, but we work very closely on a whole host of issues in his capacity as chairman of the Resources Committee.

Also, I'm very pleased that we are, I think there's some dispute about whether we're in Dennis' district or Richard's district——

Mr. CARDOZA. It's right on the line.

The CHAIRMAN. We're right on the line here. [Laughter.]

And Congressman Dennis Cardoza also does an outstanding job on the committee and I've been pleased to work with him over the years.

And then a former member of the committee who we're delighted to have join us today, who is now on the Ways and Means Committee, so if you want to talk taxes, this is the guy to talk to. He does an outstanding job as well for California and represents the Central Valley as well, Congressman Devin Nunes.

I'll introduce the other members of the committee as we proceed.

Mr. CARDOZA. Mr. Chairman, could I beg your indulgence just for a moment. We have one more member of the committee, Mr. Costa who would really like to be here today, but his mother is gravely ill and he's with her at this time, but he just called me on the phone and wanted me to share with the group that he would love to be here with us and just simply can't.

The CHAIRMAN. Thank you. I appreciate your mentioning that and he certainly is a valued member of the committee and we certainly understand why he is away from us today.

The purpose of this hearing is to gather feedback from producers as we begin the process of reviewing the 2002 farm bill which is set to expire in September 2007. Farm policy is especially important here in California. With 77,000 farms and ranches across the State, California is the Nation's largest producer of agricultural products and the fifth largest supplier of food and agricultural commodities in the world.

Additionally, California produces a large number of specialty crops including almonds, olives, asparagus, walnuts and artichokes to name just a very few.

Today, we will hear from a variety of producers who represent the States' diverse agriculture sector from row crops to specialty crops. To ensure that American agriculture remains competitive and that our producers can continue to provide fellow Americans with a safe, affordable and wholesome food supply, we must make sure that our producers are equipped with an adequate safety net.

As we travel throughout the Nation, the feedback we receive from our producers will give us a good sense of how these policies work in practice, and what improvements can be made within the budgetary constraints we face in Washington. As chairman of the committee, I understand the significant challenges of farming in today's environment. Today, producers face higher input costs due to the rise in energy costs, more environmental regulation, as well as trade issues. These challenges are further compounded by a misperception of farm programs in many areas of the country.

While my colleagues on the committee and I realize the vital role farm policy plays in sustaining American agriculture for our national economy, as well as our national security, many of our urban and suburban colleagues do not. While you can be sure that we will do our best to educate our colleagues, we need your help.

I encourage you to voice your concerns to Members of Congress outside of the Agriculture Committee, media and local communities

and spread the message about the importance of U.S. agriculture beyond rural America. I would like to thank all of the members of the California delegation for hosting this hearing, especially Congressman Richard Pombo and Congressman Dennis Cardoza who represent the adjoining congressional districts. And I would especially like to thank our witnesses, all the witnesses here today are themselves producers with livestock, crops, fields and forests to tend to and I appreciate the time they have taken out of their busy schedules to be here to speak with us today.

I look forward to a good discussion with our panels today. Shortly after today's hearing, we'll be traveling to Nebraska this afternoon to prepare for another hearing tomorrow. Due to our tight schedule I respectfully request Members submit their opening statements for the record so that we may proceed with our first panel of witnesses with one exception and a very important exception and that is the ranking member of the committee, Congressman Collin Peterson from Minnesota. This is a very bipartisan committee. We cannot write a farm bill with bipartisan support and so it's my pleasure to acknowledge and recognize him.

OPENING STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. PETERSON. Thank you, Mr. Chairman. Thank you for getting us all out here on the road so we can hear from the real folks of America. And I also want to thank our hosts and my California colleagues. I will associate myself with the chairman's remarks.

You've got an outstanding team of people that are working for you in Washington, I can tell you that first hand. They are all over us when it comes to making sure that we're doing the things that need to be done for California agriculture and we appreciate their service on the committee and we appreciate being able to work with them and do what we can to make sure that California farmers are represented along with all the rest of the United States.

As the chairman said, we're working together as Democrats and Republicans from all parts of the country to do what we think is best for agriculture. We have to do this because there just aren't enough of us left in farm country to do anything else. We can't afford to be fighting with each other. We've got to figure out a way to come up with policy that we can all in the end agree to. That is one of the major challenges that's facing us today as we get ready to write the next farm bill. We need to figure out how to come up with a bill that I guess you could say is good for all parts of the country, but generally what it amounts to is that a bill that we can all live with in the end.

I'm here today to hear what you think about the 2002 farm bill, how it's worked, where we need to improve it, where you think we need to go with Federal farm policy.

There are some pressing issues for agriculture that I think are immediate. One of those is we've been for the last number of years doing an ad hoc disaster bill every year at some point or another. We have not done one for this last year which I think is a mistake. We have a serious problem and of course, obviously, in the Gulf region a lot of folks probably aren't going to farm if we don't get

something done to help them. But it's not just them. I have people in my district that were not able to plant. I have a couple of counties where 80 percent of the crop was not able to be planted last spring. We got other parts of the country that where we've had drought. And then in addition to that, they're facing these huge energy costs, increases. So we've got some serious problems out there. I personally think we should have done something on this already. We're still trying to, at least I am, and others are trying to get something done in that area.

But as an outgrowth of all of this, the fact that we've done all these ad hoc disasters over the years, I think we should, one thing that we missed in the 2002 farm bill is having a permanent Disaster Program as part of the farm bill, as part of the safety net because it's pretty obvious, we're probably going to do this every year and I think it would be cheaper if we had a system where the Secretary had the authority when he declares a county to be a disaster county, had the authority to go out and have a Disaster Program available immediately, something farmers would know what it is, the bankers would know what it is and I just think probably in the end would cost us less money. Because whenever you get one of these ad hoc bills, there's a bunch of log rolling and other things that go on. We're working on that.

The other thing I'd like to hear today from the witnesses is a sense of what you're doing in California in terms of using agricultural products for renewal energy. Minnesota has been a leader in this area. We have now a 20 percent mandate of all gasoline has to have 20 percent ethanol. We have a mandate on biodiesel, the only State in the country that has that. And we, in our part of the world, think that this is a big part of the future of agriculture and so I'd be interested in hearing what's going on with that in California.

So we have a big challenge ahead of us, creating a farm policy that allows our Nation's diverse agriculture to thrive and grow. I appreciate you all being here today and look forward to hearing your testimony.

The CHAIRMAN. I thank the gentleman

Other statements for the record will be accepted at this time.

[The prepared statement of Mr. Pombo follows:]

Written Statement
 Congressman Richard Pombo (CA-11)
 Stockton, CA Field Hearing
 House Agriculture Committee
 March 3, 2006

Thank you, Mr. Chairman, for your leadership in bringing a field hearing to the Central Valley in California to discuss the upcoming Farm Bill. I'm glad you have brought the House Agriculture Committee to Stockton. Here in San Joaquin County we have one of the top agriculture producing counties in the nation for a good variety of commodities.

My district, which reaches west into the counties of Alameda, Contra Costa, and Santa Clara, produces over a billion dollars in agriculture a year. We specialize in everything from dairy and livestock to fruits, vegetables, nuts, nurseries, and grapes. This hearing will be a good opportunity for the Chairman, the Ranking Member, and other Members from outside the state of California to see first-hand the tremendous amount of agriculture production conducted here.

For any of you who follow it, you may have noticed that "innovation" is the new buzz word in the tech community. Both Republicans and Democrats have embraced the term "innovation" to describe the growing need for increased competitiveness with technology. I think we in the agriculture community need to create a policy that strives for innovation. I would like to see the next Farm Bill written in a way that looks to the future and moves us into the 21st century.

In this area of the Central Valley in my congressional district, the Farm Bill has had an impact through some of its more innovative programs. I think many of our specialty crop growers can benefit tremendously by a policy that provides more in conservation incentives and expanded market access. These growers produce over half of the country's plant agriculture and yet they are offered few opportunities in current farm bill policy.

The irony is while the 2002 Farm Bill offers innovative programs, these programs are consistently funded lower than their authorized amount, or they have been slashed altogether. I reiterate that the next Farm Bill should reflect innovation and looking to the future.

Dairy and livestock are also large commodities in my district. It is crucial that they continue to utilize programs like the Environmental Quality Incentives Program (EQIP) to stay competitive at home without distorting trade abroad. These producers are burdened to a large degree by strict federal and state laws and numerous regulations. They run the threat of fines and lawsuits over air and water quality standards. Conservation programs are vital to assisting farmers, ranchers, and dairymen to comply with these standards.

The Value Added Program, which lost funding for FY07 in the Budget Reconciliation bill, is another excellent example of the direction the next Farm Bill should go. We need to innovate. Instead of shipping raw powdered milk abroad, we should be shipping ice cream. Instead of shipping bulk product, we need to ship the finished product. The Market Access Program (MAP) can help producers to promote their product overseas.

Farm Bill policy can also look to the future by investing in our nation's growing energy needs. The energy title in the last Farm Bill is a good start. We need more biomass energy initiatives and renewable energy programs. Through technology improvements, our farmers can be producing more than just food. It's already being done. But more will be needed as we look to the future.

Plant pests and diseases are another big concern for California. Rep. Jim Costa and I have sponsored a bill to get at the pests *before* they become established. Again, this is an approach that looks to the future. This proposal combines the forces of the USDA and the states in an effort to prevent billions in lost crops as we have seen in California.

I want to close my remarks, Mr. Chairman, by saying that we must use the upcoming opportunity of rewriting the Farm Bill to innovate in agriculture. I look forward to hearing the witnesses this morning and I thank you all again for coming out to Stockton.

The CHAIRMAN. It's now my pleasure to welcome our first panel of witnesses. Mr. Philip LoBue, citrus producer of Lindsay, California; Mr. Robert Ferguson, asparagus and alfalfa producer of Stockton, California; Mr. Vito Chiesa, peach, almond, and walnut producer of Hughson, California; Mr. Bruce Fry, winegrape producer of Lodi, California; Mr. Al Montna, rice producer, of Yuba City, California; and Mr. John Pucheu, cotton, tomato, sugar beet and onion producer of Tranquillity, California.

I would remind all of our witnesses that their entire written statement will be made a part of the record and ask that you limit your testimony to 5 minutes. And we'll begin with you, Mr. LoBue, welcome.

STATEMENT OF PHILIP LOBUE, CITRUS PRODUCER, LINDSAY, CA

Mr. LOBUE. Thank you. Good morning, Mr. Chairman and members of the committee. Thank you for your invitation and the opportunity to comment on a subject that will help establish how competitive the California citrus industry is going to be in the future.

My name is Philip LoBue and I am here wearing two hats. I am a partner in a family farming operation in which we produce oranges on approximately 1,000 acres in Fresno and Tulare Counties. We also own and operate packing and marketing facilities in Lindsay and Exeter, California which were started by my father and his two brothers in 1938. LoBue Brothers, Inc., in addition to packing our own fruit, handled the packing and marketing needs for over 150 growers. We market citrus year round and in the aggregate pack and market over 4 million cartons of fruit. As an aside, we are neither the largest, nor the smallest, in the industry, but we are one of the best.

I'm also chairman for California Citrus Mutual, a citrus grower trade association with a statewide membership of over 2,000 growers. The combined economic strength of our industry exceeds \$1.5 billion of oranges, lemons, mandarin varieties, along with other unique citrus products. A specialty crop producer, such as myself, is less knowledgeable of farm bill components than others you might hear from today. Historically, the farm bills have been less than balanced and have tailored toward Midwest producers, animal ranchers and so-called major commodity crops.

There are two ways in which we can rectify this. One, the criteria for eligibility have been so tightly written that producers of specialty crops are not eligible. And the formulas for determining the economic eligibility are construed to make us ineligible. We are often classified as high value. It's not that our profits are large, it's because our costs are so much greater than traditional farm bill commodities. Thus, the Adjusted Gross Income language must be addressed so that citrus producers can avail themselves to such programs as those in the Natural Resource Conservation Service.

We believe that the Environmental Quality Incentives Program need to be better funded and expanded to include greater assistance for air quality, land use, water conservation and other environmental objectives, as it relates to permanent crops. We would like to see a Division of Air Quality established to focus on produc-

tion adjustments as farmers we have had to make in areas designated as poor air quality.

As a commodity that relies on exports for its well being, we need to see more dollars placed in the Technical Assistance for Specialty Crops and the Market Access Program. To be sure, part of our trade issues are in with the World Trade Organization, related, but the farm bill will create the environment in which we compete in the world. Our industry strongly believes in pest exclusion and eradication activities that have suffered in the past few years. Our definition of utopia in this arena would have a USDA complete management of the program, rather than a joint effort with Department of Homeland Security.

Although our borders are more secure today, as farmers, we are more vulnerable to invasive pests and disease today than ever before in our history. One Mediterranean fruit fly would prohibit our ability to market around the world and the country. It would lead to destruction of our integrated Pest Management Programs and lead to excessive use of chemicals. I cannot emphasize enough that the quality of this program and APHIS' ability to eradicate in a crisis situation must be strengthened.

Presently, our industry operates in a world environment in which citrus producers worldwide receive a variety of assistance. For example, our competitors in Europe receive in excess of \$1 billion in either direct assistance or program cooperative grants. Contrast that with a big zero for the citrus industry. Certainly the world environment must be addressed in the WTO dialogs, but there is no certainty as to when and how this will be concluded. Thus, it is incumbent upon our next bill to create a more favorable and economically viable environment for our growers.

Congress and USDA must create incentive-type programs to help level that playing field. We are not suggesting direct payments that rewards or assists producers. But assist producers in their effort to export and to farm in a more environmentally-sensitive manner. This bill must develop programs that sustain specialty crops and in a sense aligns the farm bill with a national priority of good nutrition that features fresh fruits and vegetables.

So in closing, Citrus Mutual will continue its nationwide effort with colleagues around the country to develop comprehensive language for the farm bill and we will continue to be aggressive in this area.

Thank you very much.

[The prepared statement of Mr. LoBue appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. LoBue.

Mr. Ferguson, welcome.

**STATEMENT OF ROBERT K. FERGUSON, ASPARAGUS AND
ALFALFA PRODUCER, STOCKTON, CA**

Mr. FERGUSON. Thank you, Mr. Chairman, and distinguished members of the House Agriculture Committee. On behalf of the alfalfa and asparagus industries, I want to welcome you to California in the heart of the Delta. Here in San Joaquin County, alfalfa and asparagus rank seventh and eighth in total crop value for 2004. I appreciate the opportunity to testify with regard to the 2007 farm

bill, and its possible impact on these two important local commodities.

California asparagus growers have faced difficult times and the future of our industry is highly uncertain. Statewide acreage of asparagus has declined by about 40 percent since the year 2000. It's difficult for growers to remain competitive in a global market, especially when imports enter our market at zero or very low duties while our exports face high tariffs. We face rising input costs, while we see market prices for asparagus remain stagnant or even decline. We must compete directly against foreign growers who have lower input costs, receive duty-free or preferential access to our market, and who receive governmental subsidies or are not as heavily regulated as are U.S. growers.

It is imperative that the Federal agriculture policy be modified in the 2007 farm bill to address the challenges that asparagus growers now face. I know that Congress took a small step towards addressing these issues when it approved the Specialty Crop Competitiveness Act in 2004. However, much more remains to be done in the next farm bill.

The Market Access Program, MAP, is a key initiative contained in the farm bill that is working for our growers. Our industry has been successful in utilizing the MAP funding to help promote exports in foreign markets. We greatly appreciate the support of members of this committee for an effective MAP and we strongly urge you to continue this program in the upcoming farm bill.

In addition, it is imperative that the 2007 farm bill address the problem of phytosanitary trade barriers for California asparagus growers. We believe that the technical assistance for Specialty Crops Program which provides funding to assist growers and doing the research needed to remove phytosanitary trade barriers would be helpful in opening export markets for our growers.

Another major issue for California asparagus growers is the high cost of labor. Approximately 75 percent or more of our input costs are in the harvesting and packaging of our product. Asparagus growers would greatly benefit from the introduction of mechanized technology that would substantially reduce the cost of our labor. One area in which Federal agriculture policy should be improved to help sustain the asparagus industry is to expand and accelerate research in mechanized technologies that would significantly reduce labor costs.

Another major concern for the California asparagus industry is the loss of effective crop protection tools due to the enactment of the Food Quality Protection Act. In order to help mitigate the adverse impact on this act to asparagus growers, USDA should focus more research on identifying and developing alternative crop protection tools that are more economical and environmentally sustainable. Federal research in this area is critical to the long-term competitiveness success of our industry.

Another recommendation for Congress would be to enact Specialty Crop Block Grants in the 2007 farm bill that is adequately funded. These grants are a valuable tool which can be used to support research, commodity promotion, nutrition education, export promotion and other programs that enhance the competitiveness of specialty crop growers.

Block grants have proven to be successful because they allow resources to be directed to areas of need through State Agriculture Departments working closely with growers. They are a flexible method of providing resources for initiatives to assist growers in addressing many of the issues outlined above.

The alfalfa industry is a major economic contributor to rural communities in the San Joaquin Valley. Alfalfa growers have a number of concerns that may be addressed by components of the 2007 farm bill, including water quality, regulation of crop protection tools, and Government policies that increase operating costs.

In addition, the continued strength of the alfalfa industry in California is highly dependent on a healthy and strong dairy industry. In 2004, milk was the most valuable agricultural commodity in San Joaquin County. We recognize that the 2007 farm bill will have a large impact on dairy policy and we urge Congress to craft a strong farm bill that will sustain the dairy and the alfalfa industries.

To conclude, the California growers continue to strive to produce the finest quality product in the world, a product that is fresh, nutritional and safe. Our growers look forward to working with you in crafting a fair and equitable farm bill that enables the asparagus and alfalfa growers to remain competitive in global markets and thus sustain our world communities.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Ferguson appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you.

Mr. Chiesa, welcome.

STATEMENT OF VITO CHIESA, PEACH, ALMOND, AND WALNUT PRODUCER, STOCKTON, CA

Mr. CHIESA. Good morning, Mr. Chairman. My name is Vito Chiesa and I grow walnuts, almonds and peaches on land that has been in my family for over 50 years. I'm also a land steward, employer, a self-proclaimed water expert and marketer. Being a farmer today is more complex than in days past.

You have before you the rare opportunity to map out a plan for this Nation's farmers and ranchers. We all have to eat. And due to California's unique climate and diversity of farm products, consumers here and abroad, now enjoy the almonds and walnuts I grow, the lettuce and strawberries our coastal farmers grow, and the tomatoes grown throughout the State all year long.

Consumers want these diverse choices and the next farm bill must honor this diversity. The bill must include provisions so that specialty crops have the tools they need to compete fairly in the world marketplace. These tools include access to cutting-edge research, marketing programs, workable conservation programs and thorough security efforts to keep pests and disease out of our country.

Highly subsidized and low-priced farm crops are displacing many of our specialty crops, both domestically and overseas. I urge you to craft this bill so that it includes reasonable and thoughtful policies that recognize the value of all farm and ranch commodities.

That value includes the jobs provided, processing distribution and marketing revenues that these commodities support.

As Americans struggle with obesity, the farm bill should expand nutritional education and school food and vegetable snack programs. And why shouldn't supplies of these fruits and vegetables not come from our own soil?

Building a future for American farmers and ranchers that allows us to compete globally, sell locally and continue to provide wildlife habitat and open space is the right and smart thing to strive for.

The next farm bill must enhance what is already working. Farmers and ranchers are already stewards of the land we tend. This on-the-ground experience represents the greatest potential for environmental gains such as saving species, carbon sequestration, or renewable fuels. Conservation programs must focus on maintaining working landscapes to assist family farmers and ranchers and managing natural resources.

Conservation funding should put greater emphasis on programs that promote active land management rather than permanent land retirement. Active land management leads to long-term sustainable water and soil improvements. Land retirement ends the active stewardship of the land by the people who know it the best.

In renewing programs such as EQIP consider allocating the majority of funds directed to farmers and ranchers where they will provide the greatest benefit to the environment. In addition, keep the money under local control such as the EQIP Working Groups which can respond to the needs of each county.

Our ranch receives some cost-sharing funds from EQIP for low-volume irrigation system and this allowed us to alleviate some water runoff concerns, use less water and less fertilizer. Also, the Market Access Program has been very successful in developing new markets. This program has been vital in improving net exports. With these funds, net marketers have been able to focus on market research and development in Asia, Europe and the Middle East.

Research is where we find the solutions to managing resources and people and resolving pest and disease problems on our farm. More research to develop the most advanced technology and management practices is critical to the long-term viability of family farms and ranches.

To make sure the latest research provides the most benefit for farmers and consumers, we must support programs such as the University of California Extension. It is the vehicle for information and tools to get to and from the field.

The next farm bill must counter unjustified trade barriers. It is critical that we reduce foreign trade barriers and focus on promoting our products in these markets where we have the greatest potential.

In the past farm bill, few dollars have been spent in the area of foreign market development. The next farm bill must give more support to programs such technical assistance for specialty crops and the Market Access Program.

The next farm bill must also promote the safety of our farm goods. Our family farms have suffered from the impacts of Pierce's disease, medfly, Newcastle disease, sudden oak death and we're

also facing the impending threats of citrus canker, avian influenza and foot and mouth disease can ruin our farms.

We must reevaluate the allocation of resources within APHIS and the Department of Homeland Security for pest and disease detection, ask if we have the manpower and the knowledge needed to test and detect for these pests. If it's not in place, then we must plan for it.

One more important issue is that no matter how effective the farm bill is that you develop, we must have the people to harvest our crops or the efforts will be in vain. A Guest Worker Program within immigration reform legislation is critical.

In closing, I would like to ask you what's in your lunch, what's on your table. Pen the next farm bill that can support a table that can include peaches, locally grown nuts, fresh lettuce, flowers and other unique products that are produced right here on U.S. soil.

Thank you for your time.

[The prepared statement of Mr. Chiesa appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you.

Mr. Fry, we're pleased to have your testimony.

**STATEMENT OF BRUCE FRY, WINEGRAPE PRODUCER, LODI,
CA**

Mr. FRY. Good morning. Thank you for holding your hearing in San Joaquin County. My name is Bruce Fry. I am here on behalf of the California Association of Winegrape Growers known as CAWG. I'm currently a director and treasurer of CAWG.

I make my living as assistant operations manager for our family business, Mohr-Fry Ranch which started in 1855. I'm a fifth-generation California farmer from Lodi which is just a few miles north of Stockton. We grow winegrapes, cherries and field crops.

If you have the opportunity to drive from here to Lodi, you'll see the rapid urban growth we are experiencing and the ag-urban interface issues it presents. My family is acutely aware of the impact of agriculture land conversion for urban development. Our 150-year-old farming operation was forced to relocate in the late 1950's because of the rapid growth of Hayward and the East Bay. Two generations later, the same thing is happening as Stockton is rapidly growing towards our ranches. The Lodi district is a great area for growing winegrapes. I'm hoping that my two daughters will want to be part of our family farm and that farming in Lodi will still be viable.

My personal family experiences and my dreams for the future of my daughters in agriculture are the reason I am here today. Believe me, I'd rather be working in the vineyards than speaking here in public, but there is too much at stake for California farmers not to participate in these kinds of public forums and we appreciate this opportunity.

We view the rewrite of the farm bill as a chance to partner with Government to invest in fundamental programs that will enhance all of agriculture's ability to continue to be competitive in the global market.

One of the top priorities has been the protection of agriculture, our natural resources and public health and invasive and exotic

pests and diseases. In a borderless, global economy, there has been a measurable increase in new intrusive pests. We must be prepared to respond immediately and we need to be proactive with research and planning.

The winegrape community knows this firsthand because of the glassy-winged sharpshooter which vectors the vine-killing disease, Pierce's Disease, and more recently because of the vine mealy bug. Eradication and on-going suppression programs are expensive to operate and disruptive to the environment. A wiser investment would be to full fund APHIS for port inspection, quarantine treatments, detection surveys and eradication efforts to prevent the introduction of new, invasive pests and spread of existing ones.

We also need to invest in research and technology to establish basic scientific knowledge about invasive pests in our ecosystems. CAWG recommends that the Office of Pest Management be established and funded within the Secretary's Office and we recommend mandatory funding of \$100 million a year for APHIS to develop a program that determines and prioritizes off-shore threats to domestic production of fruits, nuts and vegetables, including bioterrorism.

Federal investments in research for specialty crops should be significantly increased to reflect the value of this important sector of American agriculture. Investment in the research, education and extension will stimulate innovation and the adoption of new best practices to keep specialty crops competitive.

The wine community has worked with the table juice and raisin grapes industry to develop the National Grape and Wine Initiative to eliminate duplication and to maximize the efficient use of research dollars. The National Strategic Plan identifies four key research and education areas that will help us achieve our vision of tripling our annual impact on the national economy to \$150 billion by year 2020. If we miss this opportunity our competitors from the other countries will capitalize on their research programs to seize market share at the expense of the United States.

We support mandatory funding of at least \$200 million a year to establish an Integrated Grants Program within USDA to improve the efficiency and competitiveness of specialty crop producers. Mandatory funding of \$5 million established a National Clean Plant Network of Clean Plant Centers to produce clean planting material, and \$20 a year to establish a Research Stewardship Applied Research Initiative to help farmers implement practices to address the important environmental challenges of improving air quality, water quality, water conservation, and preserving biodiversity.

We also recommend that Congress mandate development of a specialty crop priority as the area of emphasis of the National Research Initiative.

When I introduced myself, I mentioned the ag-urban interface issues. Our rural areas are changing dramatically as the result of our population explosion and urban encroachment.

I'm proud of the leading role Lodi winegrape growers have played in helping the wine community respond proactively with sustainable wine growing programs. Our 15 years of pioneering work in IPM biologically integrated farm system and the creation of the Self-Assessment Workbook has been the basis of the statewide Sus-

tainable Wine Growing Program assessed by CAWG and the Wine Institute.

The Lodi-Woodbridge Winegrape Commission has taken the next step with the introduction of the Lodi Rules for Sustainable Wine Growing. This is the first set of appellation-wide sustainable viticulture standards certified with third-party audits.

Mohr-Fry Ranch was one of the first vineyards to achieve certification under Lodi Rules. USDA Environmental Stewardship Programs are critically important to California farmers and ranchers. They need to be expanded and provide the flexibility to meet California's priority natural resource needs.

The Conservation Security Program holds tremendous promise for recognizing the ecosystem services provided by farmers and ranches within good stewardship practices, but the program is woefully underfunded. CAWG urges expansion of the scope of the Conservation Security Program to significantly increase the number of watersheds contained in the program, particularly in States like California with farmlands and environmentally sensitive areas.

To address the shortage of technical expertise in NRCS, we believe that NRCS should be directed to work with States and Land Grant Universities to establish a process for private, voluntary programs meeting important environmental management criteria like the Lodi Rules Program and the California Sustainable Winegrowing Program be deemed equivalent to equip CSP assessment, self-assessments and Farm Plans for purpose of qualifying for those programs.

My written comments provide information about our support and value-added grants administrated under the Rural Development title for the Market Access Program.

I want to close by stressing a critical component of farming that isn't addressed in the current farm bill. That is the need for a legal workforce.

Many of our cultural practices require hand labor. We are dependent upon hired migrant labor. In the past years, we've done all we can for seasonal employees to keep busy throughout the year. However, there's so much we can do to lengthen the time of employment or to increase the hourly wage. We're competing in a fierce, international market, against subsidies, competitors who have also lower production costs and fewer regulatory requirements. We are price takers, not price makers. We cannot simply pass along the higher cost of wages paid by any more than we can pass along the cost of energy and other inputs.

We need comprehensive immigration reform, not only considerable enforcement measures and border security issues, but also includes a meaningful Guest Worker Program. Agriculture and the consumers, all that we produce, are dependent upon a legal Worker Program.

Thank you again for this opportunity to share my thoughts with you.

[The prepared statement of Mr. Fry appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Fry.

Mr. Montna, it's good to have you with us today.

STATEMENT OF AL MONTNA, RICE PRODUCER, YUBA CITY, CA

Mr. MONTNA. Good morning, Chairman Goodlatte, Ranking Member Person and members of the committee.

I am Al Montna, a rice producer from Yuba City, California. I serve on the Board of the California Rice Commission, which represents the entirety of the State's rice growers, millers and marketing organizations.

I'm also speaking on behalf of the USA Rice Federation and the U.S. Rice Producers Association which represent rice growers and handlers across the country. I also serve as president of the California State Board of Food and Agriculture.

Thank you for holding this hearing and for the opportunity to express our views on farm policy and the farm bill.

I'd like to briefly highlight some of the key points more outlined more thoroughly in the written testimony I've provided to the committee.

Preservation of the 2002 Farm Act safety net is the rice industry's top issue. In February, the industry adopted a resolution supporting the extension of the 2002 farm bill in its current form until a multilateral WTO agreement is approved by Congress.

There are clear benefits to extending the 2002 Farm Act. Unilateral disarmament of U.S. farm policy is prevented. A new farm bill is written only once, after WTO negotiations are concluded, and the new trade rules are known. The safety net that provides farmers and their lenders with predictability and stability is maintained.

We would also note that farm programs continue to operate in a physically responsible, counter-cyclical manner. As the committee noted recently in your letter to the Budget Committee, Commodity Program costs through fiscal year 2005 were down \$19 billion, that's lower than the CBO projected for the 2002 Farm Act when it was passed.

To the extent which Government Programs, particularly the loan rate assists rice farmers and with market losses is, in fact, quite modest, particularly in light of naturally higher production costs. Rice production costs continue to rise increasing nearly 30 percent since 2000. Continued pressure on fuel prices are expected to push 2006 production costs even higher.

Farm policy therefore must recognize the fundamental differences in cost of production and high input, high yielding and highly regulated crops such as California rice.

The next farm bill must recognize the inherent conservation benefits of rice in production. Few, if any other crops, delivered the wildlife, conservation and environmental benefits of our 500,000 acres of rice in California.

With 95 percent of the original wetlands now gone, 235 species of water fowl, shore birds and other wildlife along the Pacific Flyway have come to depend on our rice lands. At certain times of the year, rice acres now hold up to 60 percent of the water fowl in the Pacific Flyway and over 300,000 shore birds. If you were to eliminate all of these rice acres today and acquire and restore enough wetlands to support the same number of wintering water fowl, over 175,000 acres would have to be created. That would cost at least \$600 million. Once created, approximately \$20 million would be spent each year to maintain these wetlands.

The sustainable public resource benefit comes essentially free to the public because of a viable California rice industry and also note, Mr. Chairman, this area is of strategic natural conservation importance, especially for the water fowl and shorebirds.

Programs such as CSP and EQIP are important tools for further promoting conservation goals and Congress is to be commended for recognizing the potential benefits of farming to the environment.

They are not, however, substitutes for a strong commodity title which enables our industry to provide consistent acreages of unparalleled wildlife habitat.

The U.S. market for imported rice is remarkably open with U.S. tariffs on rice imports almost nonexistent. Unfortunately, rice remains among the most protected agricultural commodities among our trading partners, especially in the Pacific Rim countries such as Japan and South Korea.

Access to foreign markets is critical to our industry. And the WTO negotiations and the South Korean FTA are the best ways to bring down trade barriers world-wide. The details of any eventual agreement are still very much in negotiation. However, all must result in meaningful, measurable and timely market access.

Mr. Chairman, the rice industry is proud of our contributions to the Nation's balance of trade, the environment and the support of world communities. We look forward to working with Congress and the administration on the development of the next farm bill and the Rice bill grant.

In the interim, however, the rice industry supports an extension of the 2002 Farm Act in its current form until a WTO trade agreement is negotiated and approved by Congress.

Thank you, Mr. Chairman. This concludes my testimony.

[The prepared statement of Mr. Montna appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Montna.

Mr. Pucheu, we're pleased to have your testimony.

STATEMENT OF JOHN E. PUCHEU, JR., COTTON, TOMATO, SUGAR BEET, AND ONION PRODUCER, TRANQUILLITY, CA

Mr. PUCHEU. Thank you, Mr. Chairman. Mr. Chairman, members of the committee, welcome to California and thank you for holding this hearing in Stockton this morning.

My name is John Pucheu. I have been farming in partnership with my brother for almost 40 years. We farm Pima cotton, upland cotton, processing tomatoes, sugar beets and onions for dehydration.

The San Joaquin Valley is one of the most diverse environmental economies in the world. We believe it is critically important that farm policy is balanced between commodities. Even slight acreage shifts from row crops to specialty crops can cause market disruption. We also need science-based regulations and an effective immigration policy.

A significant majority of California's upland and pima cotton producers strongly support the current farm law. Producers have made substantial long-term investment, cropping and marketing decisions which are based on the current law. It must continue to operate without major modification through its scheduled expira-

tion with a 2007 crop year. We are particularly concerned by repeated efforts to further reduce limitations on benefits or limit eligibility for the loan. We appreciate your continued opposition to these proposals. Current limitations already place most of our operations at a disadvantage because of our costs and our economies of scale.

If the Doha Round negotiations do not progress to the point that the impact on future U.S. farm policy is clear, we would support continuation of the current farm bill for at least one additional year. Given our significant financial investment and alternative cropping opportunities, it is imperative for farmers in this area to know what the policy will be well in advance of planting the crop. Uncertainty is highly disruptive and costly.

Cotton producers are deeply concerned that the language in the recent Hong Kong Ministerial Agreement will be used to single out cotton for special and differential treatment. The cotton industry has supported the Doha Round of negotiations, but we cannot support an agreement that requires cotton to accept deeper and quicker reductions in domestic support, that does not provide meaningful increases in market access or that allows countries like Brazil, China, Pakistan and India to declare themselves less developed for the purpose of evading compliance.

California cotton producers support using current law as the basis for future farm policy. The combination of the marketing loan, counter-cyclical payments when prices are low and a direct payment for stability are a sound foundation.

There should not be limits on loan eligibility or on the marketing loan gains because it would disrupt orderly marketing. Payment limitations which already unfairly penalize growers in the San Joaquin Valley in the irrigated west or across the Sun Belt, should be not reduced any further and current eligibility requirements should be maintained.

Pima producers support continuation of a nonrecourse loan program with a competitiveness provision to ensure U.S. extra long staple cotton, also known as pima cotton, remains competitive in international markets. It is important to maintain balance between upland and pima programs to ensure that acreage is planted in response to market signals and not program benefits.

Conservation programs continue to be an important component of farm policy. The EQIP is especially useful to San Joaquin Valley farmers as we work to improve air quality and irrigation efficiency. Conservation programs should be operated on a voluntary, cost-share basis as a valuable complement to Commodity Programs. They are not an effective substitute for the safety net provided by the Commodity Programs.

California exports virtually 100 percent of its cotton production, so we strongly support continuation of the successful public-private partnership fostered by the MAP. And we urge continued funding for Foreign Market Development Program and a WTO-Compliant Export Credit Guarantee Program.

Research and crop insurance are also important to the future of our industry. We are disappointed that the Risk Management Agency has been unsuccessful in responding to our need for affordable, higher levels of crop insurance coverage. We need to insure

levels of 90 or even 95 percent of our yields in order to have effective risk management. I hope RMA will re-evaluate the products that are available to us.

Recently, specialty crops have made it clear that they want a significant portion of the next farm bill through increased earmarked funding for conservation, nutrition, research and block grants. Historically, the fruit and vegetable industry has opposed subsidies for their crops and have supported severe penalties of specialty crops planted on program acres. Since a significant number of California cotton producers also produce specialty crops, cotton producers do not oppose programs that benefit specialty crops. We need a viable specialty crop industry. However, we also need a balance between programs and adequate resources to ensure that there are no significant shifts in funding between the program and specialty crops.

We look forward to working with the specialty crop interests and Congress in addressing their concerns.

Thank you for the opportunity to present these views. I look forward to working with members of the committee in developing effective farm policy.

I'll be pleased to answer any questions at the appropriate time. Thank you.

[The prepared statement of Mr. Pucheu appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Pucheu and that time is now. We'll have a round of questions from the members of the committee. And I'll start with a question that may stir some discussion here. As many of you know, when we wrote the last farm bill, the one we're operating under now, there was for the first time in decades a budget surplus and there was a generous amount of money made available for the writing of the current farm bill.

As we go into writing the next farm bill, we know that fiscal situations are tight and we don't yet know what amount of money will be available. We certainly as members of this committee will be pushing for making fair resources available to our farmers and ranchers. But there will be many demands to increase spending in some areas of the farm bill. As has been mentioned here, fruit and vegetable producers may ask for a share of commodity title spending. Others may ask for significant increases in world development or conservation or research. I've heard all of those things mentioned here today.

And so as a general question that I'll take volunteers to answer, how do you respond to those who want to share in the spending made available, knowing that to expand some programs, you might have to reduce others?

Are there volunteers? [Laughter.]

If there are not, I have follow-up questions, so you might want to jump in while it's a broader—we're going to get more specific here in a second.

Mr. LoBue?

Mr. LOBUE. Well, Mr. Chairman, being on the have-not side of the farm bill, I think it just needs to be more balanced and direct more of that aid to help specialty producers with the environmental concerns that are being levied against.

I mean between the air and the water restrictions that are being placed on us, I think that's where a portion of that money just has to go. And something may have to give, but I think that's today a better use for those funds.

The CHAIRMAN. Anything in particular, you'd want to mention that might have to give. [Laughter.]

Mr. LOBUE. No. [Laughter.]

The CHAIRMAN. Now you understand how we feel. Mr. Montna?

Mr. MONTNA. Mr. Chairman, I'm not going to ask you to take money out of the Rice Program. I do think the one area all producers can agree, all farmers can agree are areas of conservation, research, promotion, trade. And I think those areas we can all agree and come to some agreement. I think the difficult part for this committee is going to be where it comes from question and that's going to be very difficult.

The CHAIRMAN. Let me ask a follow-up question to you on that and I'll also address it to Mr. Pucheu, how would you rank the relative importance of the directive payment, the marketing loan and the counter-cyclical payment, which of these provides the greatest safety net for rice producers, in your case, cotton producers in your case?

Mr. MONTNA. I think most people would look to the direct payment first, Mr. Chairman.

The CHAIRMAN. Mr. Pucheu?

Mr. PUCHEU. I think the cotton producers would look at the marketing loan first.

The CHAIRMAN. We got different answers in different parts of the country from different commodities, so I find that interesting.

And for those of you Mr. LoBue calls have-nots, let me ask you, all of your testimonies include a discussion of the importance of a wide range of Federal programs and desire to expand and increase Federal dollars, specifically for the specialty crop industry.

In the current budget environment of less funds overall for agriculture, can you prioritize your industry's most pressing issues that Congress needs to deal with to help specialty crop producers? If you want increased help, what would you target first?

Mr. LOBUE. Two areas, one the increased air regulations that were coming into effect and also the water discharge area. Most of our industry has already converted to water conservation, low-volume irrigation, but still having to mandate and fund discharge requirements and monitoring. We've seen our permits go from \$200 to \$4,000 in 2 years. So those are the things we need help with.

The CHAIRMAN. Mr. Ferguson?

Mr. FERGUSON. I think for the farm industry, the asparagus industry, I'm looking at the export markets and someone trying to level that playing field out there. Let's put all these subsidies aside for a second and look at the marketplace out there. Whether it can be implemented in the farm bill or it's got to come from another branch of the government, but the political tricks that are played in the marketplace are a challenge. And here we are trying to come into that market and for whatever reasons, phytosanitary, for example, the standards are equal across the board and we can get hung up overseas and it can be costly. I guess that would be the first one for our industry. The second one would probably be, once

again would be research. This labor issue is not going to end and we certainly would like to see some research monies being put into something like mechanized harvesting and packaging.

The CHAIRMAN. Very good. Mr. Chiesa?

Mr. CHIESA. I guess for myself, 95 percent of the world's consumers are not sitting here in the United States. We have to look globally if we're going to continue to prosper in agriculture. So MAP funding, research are very important to us. But I think everyone here again could agree on the EQIP the conservation side. California is a little unique in the air quality and water quality problems we have. The EQIP has allowed us the opportunity to deal with some of those issues, either chipping brush—we're trying to cut down on our burning, some water quality issues. So there's a real need on the EQIP side and it's very difficult, obviously to prioritize, but if I had to and I'm speaking on behalf of myself and probably everyone in the room, I definitely would say on the research and the EQIP side would be the most important.

The CHAIRMAN. Thank you. Mr. Fry?

Mr. FRY. Yes, I would agree also with the market. The marketplace in the winegrape industry is—we're getting pounded by these imports. They've taken over 20 percent of our market share. So that's an important aspect. The other one is research like my other colleagues have said. That's very important because while the other countries around the world are killing us on research compared to the value of our crop and dollars we put into it, it's very small.

And then also, invasive pests, always new pests and all these imports are coming in. We need to control those borders and make sure these pests won't affect our crops like Glassy-winged Sharpshooter has with the PED.

The CHAIRMAN. Thank you. It's now my pleasure to recognize the gentleman from Minnesota, Mr. Peterson.

Mr. PETERSON. Thank you, Mr. Chairman. The issue of growing specialty crops on program acres, you guys didn't mention it. Are you—where are you at on that issue? You mentioned it, I think. You'd like to see that happen? Do you support the existing situation.

Mr. PUCHEU. We don't have that program.

Mr. PETERSON. I understand, but I mean you want to maintain the existing situation, I would assume?

Mr. PUCHEU. In the Brazil cotton case, the Court found fault with the specialty crops issue and could possibly disallow our green box payments.

Mr. PETERSON. Right.

Mr. CHIESA. I'm not familiar enough with it. I'm sorry. I can't comment on that.

Mr. PETERSON. Apparently, it's not that big an issue in California then? At least in this part of California.

Mr. FRY. To get into the winegrape business, it's a lot of money. It costs about \$15,000 just to plant a vineyard, an acre. So you have to have a lot of money to jump into it, so I think that's a barrier for the winegrape industry on that side.

Mr. PETERSON. I have some sympathy for you guys that aren't getting much out of the farm bill, in California, in my opinion, my good friend here might not agree with me, kind of gets carried

away with some of this stuff and especially in the environmental area and it sounds to me like you're wanting us to use the farm bill to fix problems that maybe have been caused by California residents. My reaction is maybe you ought to tax those folks or something, if this is what they want, they ought to pay for it.

We've got our own problems in Minnesota, but not, they're not quite as wacky there as they are here. [Laughter.]

So anyway, just to comment. And then moving on to the trade situation, this is something I've been really involved in since I was first elected to Congress in 1991. I was in Geneva every Ministerial, every meeting they had leading up to the completion of the Uruguay Round. Many of those meetings, I was the only Member of Congress who was there. And I saw firsthand what was going on. I did not support that agreement because I predicted what was going to happen. I did not support NAFTA because I predicted some of the problems that were going to happen there. And the one silver lining in this from my point of view is that I think people have woken up a little bit now and are being a lot more skeptical about what's going on with the current situation.

I am hopeful that if they proceed along the lines that they've been pursuing and actually get a deal which I'm not sure they're going to, but I don't think it would pass in Congress. But the bottom line is we've got a real problem and this is not something that just was kind of sprung onto us. This is something that we kind of got ourselves into and to some extent I think we haven't paid enough attention along the way. Now we're having people say you've got to take money out of the agriculture budget to try to paper this over so that we can deal with it.

And we're going to be challenged more. We've been challenged in cotton. We're being challenged in corn and I'm sure we have more of these things coming. So I think we need to look at some different ways to do this and we are—I am, at least, pursuing some different ideas in terms of can we shift the focus. In my part of the world where we produce a lot of corn and soybeans and export them, we're exporting them at a loss. And we're paying farmers basically to keep them on the land so we can sell the crops at a loss which doesn't make a whole lot of business sense to me, so we're now looking at if there's a way that we can change that to try to focus on energy which is something we don't export. We think there's some real potential.

I guess I've gone over my time but one of the issues was is there anything going on in California significantly in developing an ethanol biodiesel industry?

Mr. MONTANA. Mr. Peterson, there are plants being built. Most fuel sources though are coming out of the Midwest. Corn is being brought in from the Midwest. There are sources here in California people are working with. Sugarcane is being worked with now. They're talking about switchgrass, some other things. Rice straw can be used to convert ethanol, but the plants that are running today are bringing in corn and it's all coming in trainloads out of the Midwest.

Mr. PETERSON. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. It's now my pleasure to recognize the gentleman from California, Mr. Pombo.

Mr. POMBO. Thank you, Mr. Chairman. I first of all want to thank all of my colleagues for coming out to California. I think that by this first panel, by the testimony you heard, and what you will hear from the second panel will realize the diversity that we have in this part of the country in terms of agriculture. It's very different than probably any other place in this country and any other place in the world in terms of the crops that we produce and the diversity that we have.

I think you also have the opportunity to hear from these witnesses what some of the real issues are that they deal with that are different than what you will hear in other parts of the country. I think that that's important.

Mr. LoBue talked about the air quality and water quality issues that are being mandated on agriculture in California and the very real costs that are associated with that. I just to start with, I'll ask Mr. LoBue, the way that the regulations are coming down now, the way that they're being implemented now, what effect do you believe that will have on agriculture in California in terms of the costs of implementing those rules?

Mr. LOBUE. Well, a lot of those—agriculture is just becoming a regulated-now industry as far as in terms of air and water pollution. A lot of these laws aren't really written yet and they haven't been defined yet, but I know the biggest thing that's going to happen will likely be the conversion of all the forklifts, propane forklifts over to probably electric. Issues like that are going to really increase the cost and reduce the amount of labor that we're going to be able to use.

To convert a forklift, you're probably talking—just to convert the engine over, \$4,000 and \$5,000 and that's above what you're going to get in many of these incentive programs, so I think what you're going to find here in California, as the costs become higher, which they will, we're going to have to pay something for those. We're going to see more residential development take over agriculture. That's the only people who can afford it.

Mr. POMBO. My colleague refers to some of the wacky things that we do in California, but I will caution him and the other Members up here that are not from California that all of these wacky ideas that start in California usually end up going to your States as well. [Laughter.]

Mr. PETERSON. Will the gentleman yield?

Mr. POMBO. Absolutely.

Mr. PETERSON. One of the good things we've got going in Minnesota is it's too cold and so most of your people don't come there. [Laughter.]

Mr. POMBO. No, but our laws do. [Laughter.]

It's a very real hurdle that we have in front of us in terms of some of the new laws and rules and regulations that are coming down. Some of the stuff that I've seen that's been put out puts us in the position where I believe many of our producers will make the decision not to produce any more because they just can't compete in an international economy which all of us are being forced to compete in right now.

Which brings me to my next question for Mr. Ferguson. You brought up in your testimony about the phytosanitary trade bar-

riers and the issues that they bring with produce, fruits and vegetables in international trade.

How do you see the next farm bill helping in that area?

Mr. FERGUSON. If there's a way or method in which to level that playing field through research, science that says that what we consider to be over here satisfactory rules and regulations for phytosanitary imports, then those same rules and regs should apply overseas. Depending on what the market is doing, if the prices are too high, political situations, we're more or less at the whims at the other end, so your shipment arrives on their dock and winds up in cold storage for not one day but a week, that turns into a loss.

So if there's a mechanism in which to, through agreements, whatever, that can level that playing field, then you really have an open market, where their products are able to come into our country and we're able to ship our products to their country, on a fair and level playing field.

Mr. POMBO. Let me ask you while we're on that topic, let me just quickly ask you about the issue of dumping. That is an issue which has impacted your industry as much as any probably in California.

Could you enlighten the committee a little bit about how that's impacted you?

Mr. FERGUSON. Well, the impact takes place about, well, it's like having a bad frost. It happens and you really don't feel the real impact of it or realize it until four or 5 years later when the World Trade Organization or the clearinghouse to review the situation takes action on it. It's already happened. It's passed through. We have a short season and if there's a determination at the end of the season that somebody was dumping on a product below our prices, under our market. It takes a lot of research. It takes a lot of money and industry doesn't have all that money to do that.

I'm speaking just for asparagus. Maybe there are some other commodities that have the same situation happens to them, but by the time it's all taken place and its termination is finally made, the season is over. We've moved on. Maybe some of us have even gone out of business.

Mr. POMBO. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. The gentleman from California, Mr. Cardoza is recognized.

Mr. CARDOZA. Thank you, Mr. Chairman. I want to thank you very much for bringing the committee to our part of the world. I think our panel has done the Central Valley proud by their testimony today and I appreciate their efforts and I specifically want to acknowledge Chairman Pombo for encouraging you to bring the committee out and helping orchestrate this. He's a friend and colleague and we work very well together in the Central Valley here on behalf of agriculture and our constituents.

At the outset, I want to encourage the members of the committee to, in particular, look at Mr. Montna's written testimony in our packets, because I think it really, although it deals specifically with the rice industry, it really talks so much about some of the problems that are plaguing California agriculture and I think it was very well done.

When we were traveling from—to Stockton from Lodi today—the other way around, from Lodi to Stockton, I was highlighting for a number of the members on the committee the tremendous urbanization that's growing, that's happening in our valley and if we don't keep agriculture profitable or create some profit in agriculture for those commodities that aren't profitable now, we, in fact, will see increased urbanization and we will lose one of the true gems in the world, one of the unique environments in the world to grow and produce food for the United States.

Those programs that Mr. Montna and Mr. Chiesa and others have—Mr. Pucheu—all talked about, the EQIP the MAP are all critically important to leveling the playing field and making sure that we can compete and export agricultural production from this area.

When Collin was talking about the wackiness of our State, part of that's true, certainly with the State Legislature and some of those organizations, but I just would like to remind our Federal colleagues, that we also have to deal with the U.S. EPA, the U.S. Corps of Engineers, the Endangered Species Act, trade policy that doesn't put us on an even playing field in the world oftentimes and that truly some challenges that our California agriculture folks have to deal with. So we get wacky from both ends of the country.

The other thing that's really troublesome in our valley is the challenges with air quality. We have a big bowl here and captures the pollution that blows over from San Francisco and the Bay Area and really we have to some unique climatological situations where the EQIP is essential to helping us deal with those challenges and keeping agriculture viable.

My questions, I have three questions. First of all, for Mr. Chiesa. As someone who has shifted your operations from peaches to predominantly walnuts and almonds, can you briefly discuss what outside forces drove this shift and, in general, how do we as the Agriculture Committee, help you deal with some of the regulatory pressures you are under in order to ensure a long future in farming in the valley?

Mr. CHIESA. Every year, our family has to make decisions on what commodities we're potentially going to grow. Obviously, the long-term—planting a tree is a long-term investment. But we took a look, when we started moving out of the peaches, we realized that we didn't feel there was a reliable labor source in the United States. I think the things are not headed in the right direction and the immigration reform package that was passed out of the House only dealt with one issue. We really believe there has to be some sort of a Guest Worker Program, where status adjustment, maybe not citizenship. When that didn't happen that had us thinking.

Another is trade. The imports are highly subsidized coming out of the European Union. I think specialty crops are subsidized about \$11 billion at some point. So we're competing against that. And really it's not a level playing field for us.

We thought we saw the handwriting on the wall and we've converted over to the nut crops. There's nothing to say that this won't occur in other countries, but again, I'd like to reiterate that most of the world's consumers are not here in the United States and we have to keep looking abroad for our markets if we're going to con-

tinue to flourish, because we're producing more with less all the time. So that was our decision to move over.

The second part of your question, what can you do to help and I always like to say the cumulative effect is getting us down here and Congressman Peterson is right. We've got some wacky people around here. We have some pretty good ones too, we've got some farmers. But between the air quality regulations, the critical habitat for endangered species, people telling you what you can plant or how you can work your land, the pesticide reformulations that no one has, the water quality, the TMDLs, PM10s, the cumulative effect on us is overburdensome.

Again, coming back to programs like EQIP, more research that allows us to figure out solutions, because one farmer can't figure it out by himself. He doesn't have the resources, but if we do it as a cumulative effect, through research, cumulative dollars, UC Extension, we have the ability to beat these things and continue to flourish. And you're right, with urbanization, it's so difficult for a person not to develop when you're making \$500 an acre, \$200 an acre and land at \$25,000 an acre, it doesn't make sense to expand around here. It makes sense to sell for houses. So the pressure is on that way.

But if farmers can make a good living, there's an opportunity for me, there's an opportunity for my kids, then you won't see the land conversion.

Mr. CARDOZA. Thank you. Mr. Chairman, I see my red light is flashing. I have a couple more questions, but maybe I'll be ask them later in another round.

The CHAIRMAN. I thank the gentleman. Congressman Frank Lucas is from Oklahoma. He chairs one of our very important subcommittees that deals with rural development, conservation, research, credit and a number of other things and I've heard most of those mentioned here this morning.

Frank, welcome.

Mr. LUCAS. Thank you, Mr. Chairman, and I don't know that I really have any questions. I've got a couple of observations I'd like to offer.

First off, being an Oklahoman, my understanding is that by the nature of Oklahoma's contribution to your genetic pool here in California, if I refer to as anybody as wacky, I might be talking about my third cousin, so I'll leave that alone. [Laughter.]

The farm bill process, the last two times and this time represents a substantial amount of change. If you look for a moment at what has gone on, and most assuredly any peanut farmer or tobacco farmer in 1996, comparing his or her hand now would say the world is dramatically different, which it is. There are things going on in this farm bill.

The 2002 farm bill was the 1996 farm bill with the counter-cyclical payment and some really, what we thought at the time were massive increases and the conservation spinning on EQIP, dramatic increases in improvements and clearly, you've said here today that there's not enough money in EQIP.

And in 2002, we thought that we were able to secure enough dollars to meet the needs and to match all the backlogs. Who would have guessed that the challenges environmentally are so great out

there that when your fellow producers, not only in California, but across the country, realize that there might actually be some money in those programs, that we'd have the kind of dramatic increases in application for those dollars.

I have lived my life as a farmer, in addition to being a Congressman, from an agricultural district just like you fine ladies and gentlemen are. I must say, it's an amazing thing to actually sit on an House Agriculture Committee panel and hear people say that the present farm bill should be extended or renewed. How many times, gentlemen, in your lifetime have you ever heard that said about any previous farm bill? I think that's a major accomplishment.

Once again, thank you for your observations, your input. We do all face some tough challenges and hopefully, we can move together.

And with that, Mr. Chairman, in the spirit of brevity which is out of character for Members of Congress, I yield back my time. [Laughter.]

The CHAIRMAN. The Chair appreciates the gentleman's brevity and his heritage. And we're pleased to now welcome the gentleman from Colorado, Mr. John Salazar, who is in his first term in the Congress and we're delighted to have him as a member of the committee.

Mr. SALAZAR. Thank you, Mr. Chairman, and thanks to all my fellow farmers. I was just able to meet Mr. Bill Tracy who is a fellow potato grower here from California. Thank you for your contribution in the potato industry.

I want to thank you all for your input. I was reading a 2006 baseline briefing summary that is actually put out by the Agricultural and Food Policy Center at Texas A&M University and in this 2006 briefing summary, basically it says that most of the program crops are going to be probably priced out of the market, I mean downward trend: feed grains, wheat, cotton, rice. However, it states that the dairy industry which—and let me just read to you. It says, "Representative dairy farms changed only slightly from the 2005 baseline with more than 50 percent of the farms in good condition." True or false? Panel members?

Mr. FRY. That's the next panel.

Mr. SALAZAR. Dairy farms across your area.

Mr. MONTNA. Well, in California, of course, being the No. 1 dairy State in the Nation now dairies are doing quite well. I'd say true.

Mr. SALAZAR. It goes on to say, "Milk prices are projected to fall from the \$16.05 hundredweight spike in 2004 to about \$13.50 range, 2006 to 2010." Prediction?

Mr. FERGUSON. That's what I've heard, Congressman.

Mr. SALAZAR. Great. So it seems like the only two industries really that are doing well or will be doing well is basically the dairy industry and the beef cattle industry.

One of the reasons that they have been doing well is because producers have managed to be able to unite and carry forth programs such as the Diversion Program, something that we as potato growers have modeled over the last several years.

This last year, Colorado teamed together with Washington, Oregon and Idaho. We took the four largest growing potato growing States in the country and formed some kind of a Diversion Pro-

gram which last year, for example, we couldn't sell a single potato out of the country or I had to dig a hole and bury over 40,000 hundredweights on my farm. This year, we're enjoying a great profit margin and it certainly won't dig us out of the hole from last year, but as we see, as budgets tighten up, we're having to make the hard choices up here and it's only the input that you give us that allows us to do that.

One of the things that we're looking at is maybe utilizing the funds that are within the agriculture budget to implement some of the alternative energy programs and actually it will divert some money from other programs as well. We think that will maybe alleviate some of the acreage pressures that we have on production of food and feed grains and others to energy. Could I have your comments on that?

Mr. MONTNA. Looking at agriculture, in general, in California, alternate crops are hard to come by. Energy would be a great place to do it. I think turning U.S. agriculture loose with energy would be a great salvation for U.S. agriculture. I think people—if the plants are available, and you can convert the feedstock for profit, I think you'll see a tremendous amount of participation.

Mr. SALAZAR. Could somebody maybe address the specifics of what an energy provision within the farm bill should read like or be like?

Mr. MONTNA. Congressman, the difficulty we're having, I'll just give you an example, the California rice industry has a million and a half ton of rice straw to convert. We can't, alternate sources still can't get the product out of the field at \$25 a ton, pay us \$25 a ton to get to a location to roadside where it can be converted.

Tremendous amount of feedstock is just going to waste and that's the problem, getting a price with whatever is competing with that foodstock to get it converted into fuel. It would take some artificial enhancement of that price what we currently can get paid to get it out of the field and not using—now we're flooding the fields and/or disking the product in and letting it deteriorate. So it's all cost-driven and whatever alternative is happening out here, even to buy some fuel today isn't giving, getting that paid enough to convert it.

Mr. SALAZAR. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. I think the gentleman from Kansas has stepped out.

We'll now recognize the gentleman from Iowa, Mr. King, Congressman Steve King represents the western side of the State of Iowa

Mr. KING. Thank you, Mr. Chairman, and I also appreciate you holding this hearing and coming out here to hear from California agricultural producers. I come from the center of America and the corn, soybean and cattle and hogs region of America. I find that there is some significant differences in the testimony that we heard here today and what I expect to hear tomorrow in Nebraska City.

First, I'd like to address Mr. Ferguson. I appreciated the tone and the delivery of your testimony and the practical application of it in that you talked about the need for a level playing field and an open market and to reduce and eliminate market barriers, market access and reduce tariffs in foreign countries and about your asparagus production.

It was interesting to me that it seems as though your industry is under threat and there has been a reduction in the acres that are significant here in this part of the country.

My question is what happens if we aren't able to open up some of these markets for asparagus? Then when you start looking at alternative crops, how does your industry change, what do you raise then as an alternative?

Mr. FERGUSON. Well, as an example, in northern California, we've already lost the sugar industry. If I can't find another home for my product, chances are I'll probably fade out of the asparagus industry and find another commodity that my family could survive off of.

Mr. KING. You wouldn't speculate on what that might be today? It would be a decision that would have to be made—not a hypothetical, but a real one?

Mr. FERGUSON. I probably wind up impacting some of the commodities that the gentlemen to the left and the right of me here are currently raising.

Mr. KING. Thank you. And Mr. Chiesa, you made a statement also that I appreciate. You said we are producing more with less all the time. And I would submit that that's been the history of agriculture for ever and it will be the history for our future if we're going to be competitive and then we will. By doing each one of these adjustments as we're going through the growing pains of making those adjustments as technology unfolds.

You also talked about the need for a Guest Worker Program and I understand the forces that drive that request. But could you stipulate anywhere in the world or history where there has been a successful Guest Worker Program?

Mr. CHIESA. History doesn't work. It's difficult. I guess I'm not looking for a—to legalize people. But right now our current work force is illegal. It's a fact. California probably has about 50 percent of the illegal work force in agriculture and if that was cut off, you would hear literally, you may hear crying today. I think we've kept it on the straight up. We're trying to put a positive spin. Everyone is looking for a little help, but we're resourceful people. We're very resourceful people. We can make a difference, but without a workforce and I wish that I had more knowledge on the ins and outs of a Guest Worker Program. I don't.

I know there's a definite need. Without some sort of help here in California, again, because we utilize the majority of the illegal workforce, we are in trouble. Research say that tomato industry, processing tomato industry by going to mechanization, I see myself going to anything we can mechanize to try to alleviate some of those concerns of mine. But we can't do it fast enough. And we all can't be nut growers. And we all can't be rice growers. There's—we've got 250 commodities here in California. Some say 350 commodities. So some of it requires a labor force for harvesting and that's what we need to have. There has to be some sort of comprehensive package, not just border enforcement. We need to look at allowing some of the people to come in here and work, legally, and then if we decide they need to go home—

Mr. KING. I would point out if you have 50 percent of illegal workforce here in California, also 50 percent of the emergency

rooms have been closed in Los Angeles County. More than 50 percent of the entrants into school are non-English speakers and more than 50 percent drop out rate in the schools and those are all things we have to wrestle with as well.

I didn't want to put you on the spot on that but I want to let you know also I feel your pain, but we have a broad subject to address with that and I appreciate your testimony with regard to mechanization and how we might be able to make some other ways to adapt as well as look at the immigration issue.

And I have a quick question for Mr. Montna. Producing ethanol in California off of Idaho or Iowa or Kansas corn, why don't we just ship you the ethanol?

Mr. MONTNA. We're ready, Congressman. We'll do that.

Mr. KING. Thank you.

Mr. MONTNA. You do it much more efficient than we do. You grow the products and convert them right there.

Mr. KING. Thank you. Thank you, Mr. Chairman, I yield back.

The CHAIRMAN. I thank the gentleman. It's now my pleasure to recognize Congressman Lincoln Davis from the great State of Tennessee.

Mr. DAVIS. Mr. Chairman, thank you very much and Ranking Member Peterson for arranging for this event today. This meeting with farmers who do a different type of farming than we do back in Tennessee. Mainly ours are beef cattle, but in the district I represent, it includes cotton and soybeans, corn, a lot of timber, because we have the Cumberland Mountains in the district I represent, most of that being hardwood timber. And we have a tremendous horticultural industry in the central part of the district I represent in Tennessee.

So when I look at this valley, as we left this morning, from the hotel and drove out in this beautiful green valley, it was kind of like where I grew up and still live in the Wolf River Valley in Tennessee, except most of your farms are larger than the entire valley that I live in. So this is a beautiful place, and certainly visiting with you and listening to you, has given me a new perspective and a different perspective on agriculture, other than just the type that when I was at Tennessee Tech and majored in agriculture, I have a degree in it, farming there and here is different.

And because of that, I think that agriculture today is a national defense issue. We often look just at the Defense Department, the CIA, the NSA, the FBI, Homeland Security Agencies as being the ones that are our national defenders. But if our need for energy that now 60 percent is supplied by foreign mission has not put us in a situation where our national defense is jeopardized, then we better wake up. And we're less than 2 percent of our entire population is involved in agriculture today.

If we make a mistake with this new farm bill, and if we abandon the farmers in this country, as far as I'm concerned is a national security issue.

I don't really have a lot of questions for you. I just want to make a few statements of which I'm pretty much about to conclude, but something that really concerns me, when I grew up, we also grew broilers. We had 25,000 broilers. Houses were 200 feet long. My brother and I would take a wheel barrow, run them down between

those little feed trays in the late 1950's and we would feed those boilers out. The bird flu has become an issue that seems to continue to rise in the world as perhaps being an epidemic that could depopulize our world and our Nation. That is a major part of our industry.

I think all of us in agriculture need to be aware that what we do, the safety nets and the safeguards that are there for us, as far as disease, whether it's mad cow disease or whatever it may be, that we literally need to be aware that it is our responsibility to help protect our Nation from some type of epidemic.

So I believe that agriculture is a national security issue and that it's not only those agencies that I mentioned that are involved in that, but that I mentioned a moment ago, it is our farmers and I thank you for the job that you're doing and thanks for being here today. I yield back the rest of my time.

The CHAIRMAN. I thank the gentleman. Congressman Jerry Moran represents the State of Kansas and is another chairman of one of our important subcommittee, the General Commodities Subcommittee about which we've heard a great deal today.

Mr. MORAN. Mr. Chairman, thank you very much for coming back to me. I appreciate the opportunity to be back in California. We were here for the 2002 farm bill and I suppose we've now got a lot to learn from the specialty crop producers who have taken a much more active and engaged interest in what happens in this farm bill.

It seems important to me that I come from a State in which very much are program crops, but it seems important to me that all of us in agriculture work together and I think there's—I went to Congress, in part, to see if we couldn't provide some stability in rural America, some prosperity and it really doesn't matter to matter whether you raise wheat or almonds, that family farm, that farming operation is the same kind of opportunity whether it's in California or Kansas.

And I also recognize it politically, that for us to have a viable farm bill, a farm bill that meets the needs, the country's needs, that we very much need the support of Members of Congress who come from California and Florida and Texas. So as a practical, political matter, I think it's important for all of us to work together.

I know that a number of efforts have been on-going for you all to have sat down with program crop producers, your organizations, your associations and I hope that is a continuing effort to even here in California with rice producers and cotton growers. I guess one of the differences is that, particularly in rice, many—and cotton—many of the farmers produce specialty crops as well.

You all are going to have to provide us some leadership. These are very difficult times. I explained to Kansas farmers that our ability to put together a farm bill is a tremendous challenge. I assume they say that at every farm bill. But with perhaps less resources and yet more at the table, our challenges are tremendous.

I appreciate your testimony. The only thing I would add and I'm reluctant to bring this up is that a number of you, particularly in the specialty crop area mentioned crop insurance. The Chairman introduced me as the chairman of the Subcommittee on Farm Programs, which is true, but it also has jurisdiction over corp insur-

ance. I want to extend to you the opportunity that if there's a way that we can set down and try to address the issues in which RMA, USDA and crop insurance is generally failing to meet the needs of producers of specialty crops as well as cotton and rice, we're very interested in doing that.

It's important, once again, for crop insurance to work for all of agriculture and we've been down this path numerous times in Washington, DC. I made the mistake early on in my tenure as chairman of—trying to invite a representative on behalf of specialty crops to tell us how to fix crop insurance and discovered there is no a specialty crop. So if there are things that we can do that may be to your advantage in providing information and working with RMA to get crop insurance to work, to your benefit, to your producers' benefits, please let us know.

And again, I appreciate your testimony. We take it to heart and I had the opportunity to learn a lot about California agriculture and we want to work closely to see the good things happen in agriculture across the country. So thank you for your testimony and if I can engage in a conversation with any of you afterwards about any of these issues, I'd be happy to.

Thank you, Mr. Chairman. I yield back the balance of my time.

The CHAIRMAN. Thank you. At this time, I recognize Congressman Randy Neugebauer, who represents the State of Texas.

Mr. NEUGEBAUER. Thank you, Mr. Chairman. And it's good to be out in your district. I'm particularly interested, when you look at my district, I'm going to probably relate more to the next panel, because I have a lot of cotton. I have a lot of cattle and dairy and peanuts in my district. And so I was particularly interested in hearing some of the testimony from the specialty crops because most of the vegetables that we used to have in our district have left for whatever reasons.

As Chairman Moran was saying and particularly, a couple of things that are interesting to me because I think it's the future for agriculture, and my background is I just recently came to Congress from the private sector. I've been a business man for a number of years, and so one of the components of running a successful business is managing your risks. And what we do know about agriculture today, it is big business. The capital that it requires, both operating capital and the fixed costs of equipment, none of that stuff is cheap any more. And so in order to run an effective business, I think we have to have an effective risk management tool for our producers.

It would be interesting to hear from you just briefly what you think some of the things that under the current program or areas that we need to be looking at as we move forward.

Mr. LoBue?

Mr. LOBUE. I'm frankly not sure what we can do. We partake in Federal crop insurance on all our products. We could not survive a disaster without crop insurance. We have tried to compensate for the fixed cost aspect of farming, but you cannot, it is there and it is inherent, but the issue, like we've been talking about, we're going to have to invest more in fixed cost because our variable cost, our labor costs are getting to be more expensive or nonexistent. So

that is an issue that is going to increase, not decrease in the future.

Mr. NEUGEBAUER. Before we move to the next panel, one of the things, I have introduced a bill where actually we combine two kinds of coverages that are existing in the marketplace today to give producers a higher coverage, and also to get out of the ad hoc disaster business. And basically, what it takes is a GRP policy and combines it with a general risk policy. And so that if you do have, for example, the early frost or something that would impact the region, you don't have to wait for Congress for 2 or 3 years to determine whether you're going to get disaster aid for that particular event or not.

And so it's just like a policy that at the end of the growing season, that you're going to get paid on that based on the yield of the county and you're also going to get paid on your general risk policy. I think that's better policy, long-term, for our country, and I think it's better policy for the producers because I don't know about you all, but when I go back to my banker, he doesn't want to know about what Congress is going to do in a couple of years. He wants to know about where are you going to get the money to operate your business for the next crop cycle.

I'd be interested to hear from the panel of your thoughts on that.

Mr. Ferguson?

Mr. FERGUSON. Well, with regard to asparagus, it's another program that I think would fall in that same category. For a time, there's been some companies out there that tried to come in and provide some kind of insurance coverage for the asparagus. Not successful. The payout, I think they calculated on some wrong figures. Possibly, as you mentioned, the general risk policy overall for the general area, but we just kind of take it as Mother Nature hits us with it. Some of the tools we just don't have in the asparagus industry right at this point in time.

Mr. CHIESA. I guess I would echo the same sentiments as Mr. Ferguson. I'm also assuming this is going to be much like crop insurance that's underwritten?

Mr. NEUGEBAUER. Yes. What I'm trying to do is get us out of the ad hoc disaster business because that is just, to me, is a flawed way to provide risk management tools to producers. I don't think it's a risk management tool because it's got such great uncertainty.

Mr. FERGUSON. You would be surprised at how many people go without even catastrophic coverage which is a tremendous deal that is provided through crop insurance.

I guess as a business person, you risk—you do risk management and that's why some people, I guess, think they can afford a crop loss and others can't. But I think it would be a tremendous tool. Again, the same thing. It's something else for us to provide security, a safety net, as you would say, for our growers. I think there's a place for that.

Mr. NEUGEBAUER. Thank you. Mr. Fry?

Mr. FRY. Yes, in the winegrape business, the crop insurance program has been working rather well. Actually, in this last year, we've actually been able to tie our prices on our contracts to the crop insurance, so actually that's a new program that RMA just came out with which is going to help because all growers do not

have the same price on the different varieties. So it will help in different areas throughout the State. Those growers who have higher prices can pay more for crop insurance because it's a higher risk they have out there. So it's been working well in the wine grape business.

Mr. NEUGEBAUER. Mr. Montna?

Mr. MONTNA. Yes, Congressman. Yes, the more certainty you can put in the program, the more participation we have. We have more tools now in crop insurance in California rice and we're using it, but the certainty in all of these programs, lack of sign up in CSP was due to the uncertainty of the money being there. Back side of the budget, it gets cut.

And our bankers on the conservation side, won't even let us put our conservation payments down because certainty isn't there. So there's a lot of confusion and for instance, CSP sign up and even though the State office is doing a great job trying to explain it to growers, they do a yeoman's job of that, but the uncertainty on the budget side, one of the bankers told one of my people that that's a joke, that program. So we have to get certainty on all of these and then I think you'll see growers embrace them.

Mr. NEUGEBAUER. Mr. Pucheu?

Mr. PUCHEU. We produce cotton and cotton production in the San Joaquin Valley is very different than cotton production in the high plains. There's a lot more consistence, so there's very low participation rates in crop insurance other than most all of us have, the CAT coverage, but we also grow processing tomatoes. We grow them from transplants and they have a very vulnerable period when you first put them out where you can either have hail or you could have frost and you could have a total crop failure. And we use crop insurance for that.

What the cotton industry needs in California is higher levels of coverage to make it so it would pay out to have crop insurance.

Mr. NEUGEBAUER. Eventually what this program does is it provides basically combined coverage where you can actually cover 100 percent of that, whereas you know right now the higher you get, it's not cost effective and so when we score it and you actually look at it, you can actually lower the general coverage that you cover, put up a higher amount of the GRP on top of that and then if you do have the catastrophic event come and also would even allow a little bit of room there to put, I don't know what your weather pattern here for hail, for example, but one of the things in our area is hail. And so that it actually allows an opportunity to give some choices.

I think one of the things that I look across when we—and I think we're getting better, but we don't have a lot of choices, not a lot of flexibility in the programs that we have. So I think what we need to do is allow in the next farm bill more flexibility so that you can tailor your risk management tools to your particular situation and to your particular commodity.

Thank you, and Mr. Chairman, for your patience in giving me a little extra time there.

The CHAIRMAN. Thank you, gentlemen. It's now my pleasure to recognize Congressman Joe Schwarz, who represents the southern

portion of the State of Michigan and he's a new Member of the Congress and the committee.

Mr. SCHWARZ. Thank you, Mr. Chairman. Very quickly, Mr. Ferguson, we grow asparagus in Michigan too. We have the same problem that you do and I think our friends in Central and South America, especially perhaps the Peruvians, there needs to be some sort of—one hates to use the word protection, but I'm going to use it, for asparagus growers in the United States, where the acreage under cultivation in asparagus in Oceanic County on Lake Michigan which is our biggest parish-growing area continues to go down. And Michigan asparagus is terrific, but it's not going to last much longer if we don't reach some sort of agreement with our friends, the Peruvians and others, especially the Peruvians who are growing asparagus instead of coca, as you know. So I agree completely.

I'd like to talk to Mr. Chiesa a little bit about fumigants and some of the problems that you've had and some of the environmental, maybe extreme positions that have been taken in regard to some compounds and methyl bromide comes to mind. And would like to—and perhaps someone might want to tell me what the position of the State of California is, ethyl bromide use as well. Is California fully accepts the Montreal protocol, no methyl bromide use in California at all?

Mr. CHIESA. We use it.

Mr. SCHWARZ. But you're using less and less of it and the price is going up, is that correct?

Mr. CHIESA. Yes. We've had the critical use exemption. I think strawberries are using most of it at this point, still using fumigating of certain nut crops and it's an extremely valuable tool. It used to be inexpensive for sterilization of the soil. It was the only thing to use. Through technology, through research, we've developed some alternative uses, alternative chemicals, although I wouldn't say they work as well.

Mr. SCHWARZ. Would you say phosphene is working as well?

Mr. CHIESA. No.

Mr. SCHWARZ. Phosphene is probably a more dangerous compound, at least to human beings than methyl bromide. Some of these things defy logic.

Mr. CHIESA. Yes.

Mr. SCHWARZ. What a surprise.

Mr. CHIESA. You stunned me. So it's a problem. For us to have long-term viability, the research, there are products out there, they can find that will replace methyl bromide. We just haven't found them yet and that's why we're asking for longer phase-outs. That's why we have been asking for longer phase-outs on methyl bromide.

Mr. SCHWARZ. I believe there are some works that have now been published, post-Montreal protocols indicate methyl bromide in no way is as dangerous to the ozone layer as people had once thought it was and it's cheap. It's safe. More safe than phosphene or other fumigants. I was amazed. Methyl bromide is such a simple compound, stable compound that we do some things that just are counter-intuitive.

Thank you. I just wanted to get your reaction on that. I appreciate it and I yield back, Mr. Chairman.

The CHAIRMAN. Thank you. The rules of the committee do not allow non-committee members to ask questions of witnesses unless yielded time by a member of the committee, so I'm going to ask unanimous consent that I be given an additional five minutes so that I can yield back to the gentleman from California, Mr. Nunes; and also ask unanimous consent that I can give an additional two minutes to the gentleman from California, Mr. Cardoza; and two minutes to the gentleman from Minnesota, Mr. Peterson, so that they can ask a couple of follow-up questions. Without objection, that is how we will proceed. And I yield five minutes to the gentleman from California, Mr. Nunes.

Mr. NUNES. Thank you, Mr. Chairman. It's great to be back on your committee. I want to thank the chairman for spending a lot of time out here the last few years. He's been—he was actually in California last summer, came to my district and I know that he's been here before. And the process for writing this new farm bill is a very difficult process that we go through and I'm glad that he's really looked at the issues that are impacted out here.

I found it pretty interesting that every one of you brought up MAP funding and that leads me to believe that MAP funding has been successful. And so I have a very simple question that I think we can just start with Mr. LoBue and go down.

But the current level is \$200 million a year, MAP funding. It's been a successful program. I think all of you in your testimony indicated that you want at least \$200 million. Is \$200 million enough? Is it a program that we should look at funding at even a higher level and if so, how high could that level go? And we'll start with Mr. LoBue.

Mr. LOBUE. I tell you, I'm not sure how much more is needed. I know for the citrus industry could probably use oh gosh, in excess of another \$20 million probably. So I'm not sure how big the whole program is. You said \$200 million, but I know that's not nearly enough for what we could use it for.

Mr. NUNES. OK, thank you.

Mr. FERGUSON. The asparagus industry is using about \$250,000 that we used last year, the program for, so we've been successful with it. We could always use more.

Mr. NUNES. OK.

Mr. CHIESA. I guess speaking on behalf of the nut program, the almonds and walnuts that you've seen tremendous growth in exports over the past 5 years, the dollar has something to do with it, but the MAP funding has been instrumental in the growth of the industry. And since we're here asking for everything we want, more spending for MAP, I would agree it's not funded at a high enough level.

Mr. FRY. I would agree with that also and in the winegrape industry, export has been a savior for a lot of these wineries who are exporting to the UK, to Europe, all that has been a savior because the domestic market hasn't been that strong, but now recently, the last couple of years that's the market that everybody wants to be in in the United States, but that export program, the MAP is very important and vital for a lot of these wineries to stay in business.

Mr. NUNES. Thank you.

Mr. MONTNA. Congressman, a couple increased spending with access and you can turn U.S. agriculture loose and get the non-tariff trade barriers off our back. We don't have to have farm bill discussions if we could do that.

Meaningful access, meaning CAFTA, its 15-year phase-in. And we're talking about changing farm programs and we have a 15-year phase-in to access a market. That's not meaningful access to me. To couple the two together, turn us loose with promotion and U.S. agriculture will be very healthy.

Mr. PUCHEU. The cotton industry is very happy to have the \$200 million in funding compared to where we were in the past. I mean we would like to have more just like all the other commodities. Exports are very, very important to cotton. Over two-thirds of the U.S. cotton crop is exported every year and I think cotton is the second largest participant in the MAP after beef.

Mr. NUNES. Thank you, Mr. Pucheu. And Mr. Chairman, and the rest of the members of the committee, I think it's important as things can become very regional as we look at this new farm bill, but this is by and large a cross section of California agriculture here which with some program commodities, cotton and rice, specifically. So I hope that we look at that everyone here testified that on something that we can all agree on and hopefully we can fund that at appropriate levels because, as you know, Mr. Chairman, you're going to have to start with the things that are easy to get done and hopefully this is going to be the easiest thing and things are going to be much tougher as you go down the road.

Just a quick comment too, not to get into what Mr. Peterson said about the people here in California, but I thought LoBue had a good point, bringing up the air quality credits for farms, because this is something that should be looked at because this was a Federal law with Federal implementation issues that the State then took on and made it even worse. And I think all of you who are in agriculture here know that agriculture is being blamed for the air pollution problem in the valley and we get no credit for the good things that our crops do, like clean the air. So that could be something that we look at, that we could change federally, that would actually help our State. And with that, Chairman, thank you so much for having me here and I yield back.

The CHAIRMAN. I thank the gentleman, and it's now my pleasure to yield an additional 2 minutes to the gentleman from Minnesota, Mr. Peterson.

Mr. PETERSON. Yes, thank you, Mr. Chairman. I just wanted to follow up a little bit on this crop insurance. I meant to do that and I got distracted. But as I understand it, you've got a lot of folks that are just carrying CAT coverage, is that right?

Mr. PUCHEU. That's correct.

Mr. PETERSON. When Mr. Neugebauer was talking, when I first came to Congress I had bills like he did and after working on this for many, many years, I've kind of given up on crop insurance ever being able to do what needs to be done. One of the reasons is we've got this actuarial requirement in there that it be actuarially sound which means by the time it gets run through that bureaucracy and all of the reinsurance and all of the other stuff that when they

come up with a product, you aren't going to be able to afford to buy it.

And so just real quick, if you could each tell me kind of what percentage of the people are in CAT coverage and I don't know if you've looked at this bill, but I've got a bill that would put this permanent disaster in. But one of the things that it does is it gets rid of the CAT coverage which is a joke. That was basically put in so that people could qualify for these disasters. And it says that you have to buy out in the traditional insurance in order for you to get a disaster and I think this is the only way that we're going to actually ever get to the bottom of this. So maybe we don't have time, maybe if you could each of you take a look at that bill that I've introduced and maybe in writing give me some kind of reaction back would be helpful. So thank you.

The CHAIRMAN. I thank the gentleman, and the gentleman from California, Mr. Cardoza is recognized for 2 minutes.

Mr. CARDOZA. Thank you, Mr. Chairman. I have two quick questions. One for Mr. Montna and one for Mr. LoBue. I know you've been instrumental in encouraging your fellow rice growers in the Sacramento Valley to sign up for the Conservation Security Program. Can you tell us briefly some of the obstacles you have faced getting your people to sign up and maybe a few changes that would be, we could make—be helpful in order to get California's farmers better access to that program?

Mr. MONTNA. Yes, first of all, Congressman, I think it's the best Working Land Program I've ever seen for viable agriculture, putting its practices on the ground. It's a fabulous program, but we're not there yet. There was a lot of confusion in the sign-up. People were leery of the program. Paperwork was onerous and farmers backed off. We were surprised in the first sign-ups, there wasn't the participation that we thought we'd have.

As I said earlier, California NRCS office worked hard to educate us and did a yeoman's job doing that, but people were fearful. Bankers didn't trust the program because of the cuts. The enhancements got cut at the last minute and so they can't put it on their bottom line. But I think if we can solve those issues and budgetarily they can count on this great Working Land Program that you designed, I think we'll have great participation.

As we go to transition to green, if we're going that way more and more, we have to be able to trust the programs to get the participation. That would be my major recommendation.

Mr. CARDOZA. Mr. LoBue, as a member of the citrus industry and an industry that's heavily regulated on both the State and Federal level, can you briefly explain to the committee some of the air quality restrictions you are under so that the committee truly understands what's happening here in our valley with air quality?

Mr. LOBUE. Yes, the air quality here basically is that the dust mitigation and PM10 problem, we've had to go in, sand all the drives, water them down, placing of signage, acting as traffic cops to make sure that everybody is under the 25 mile and air speed limit. Those are the easy issues that we've had to address to date and like I've said the big tickets are yet to come. We have to—in the process of converting diesel pumps over to electrical pumps, although there isn't Carl Moyer incentive funds to do that.

Mr. CARDOZA. That's a State program?

Mr. LOBUE. That's a State program, yes, and very helpful. Without that, I don't know where we would be and then also the big thing now would be conversion of all the propane forklifts over to some sort of electric.

Mr. CARDOZA. I think it's important for the committee to understand that really we're having to oil and pave dirt roads that the farmers have used for generations because of particulate matter pollution and some of those things that merely are caused mainly by excess vehicle traffic on the roads, but as a stationary source, agriculture gets hit much more disproportionately than the automobile traffic.

Mr. LOBUE. That's right. Agriculture has always been here. Now the problem is here, but why is agriculture the problem?

Mr. CARDOZA. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman for bringing that point to light. I want to thank all the members of this panel for a very excellent discussion about issues confronting California agriculture and your perspective as we move to writing the next farm bill.

As we thank and excuse you, I'm going to ask a very distinguished guest that we're very pleased to have, the secretary of the Department of Food and Agriculture for the State of California, the Honorable A.G. Kawamura to come forward and say a few words to the committee and to your constituents.

Mr. Secretary, we are very pleased that you took the time to come down from Sacramento today to listen to the witnesses, because I know this information is valuable to you as the Secretary for the State as well. So welcome and thank you for joining us today.

STATEMENT OF A.G. KAWAMURA, SECRETARY, CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

Mr. KAWAMURA. Thank you, Chairman Goodlatte, and welcome members of the committee, welcome to California, the No. 1 agricultural State in the Nation, the fifth largest agricultural economy in the world, if you believe that the United States is one, European Union is two, arguably, China and Brazil would be three and four, California is the fifth largest agricultural economy in the world. We're also the No. 1 destination for many of the agricultural products and inputs. California is that No. 1 destination. We would note that Nebraska farm products, for example, California is the No. 1 destination for those products and we are the No. 1 ethanol users in the country as well.

And so welcome to California. My name is A.G. Kawamura. I'm the Secretary of Agriculture here serving under Governor Schwarzenegger and I thank you for this opportunity and more importantly, this chance to let our industry tell you some of the grave concerns and also the wonderful opportunities that the farm bill presents to us.

I think if I can remember what Congressman Davis said and he mentioned security as a big part of what agriculture is to this country, in fact, we're very strong believers here that agriculture is a part of the critical infrastructure of a nation and that it is also a part of the environment, the human environment of a nation. So

as a resource, that's part of the environment, that's part of the national security, it should be supported and it should certainly be invested in and that probably is the next most important notion of what the farm bill represents to a nation.

A farm bill is not a cost to this Nation. It is the investment this Nation makes in its food security, also in its fuel security possibly. And so when we talk about food, fiber and fuel, this is the dynamics that plays into this farm bill in this 21st century.

Historically, farm bills have come out of crises, have been developed out of crises, certainly out of the Great Depression, World War II, Korean War, the Cold War. Currently, many people would argue we are in a crisis. We're in a crisis with our war in the Middle East. We are in a crisis in many other areas of globalization as well. And so as a response to crisis, the farm bill has many times lurched forward or has evolved.

Many times also in this Nation, we move forward because we set ourselves a mission. It might be a mission to go on to the moon. It might be a mission to change the communication and the communication systems and the electronic systems of this Nation in terms of digital progress. It may also be the desire in years past to harness the water systems of this country, create a dependable irrigation supply, electricity supply. Of course, I'm talking about the hydroelectric system, dam systems of this country.

These are great movements that we've had in this Nation to move the Nation forward into a new era and I would ask you to look at the farm bill as an opportunity to move this Nation into a new era in this 21st century, certainly in the area of biofuels and the production of all the fuel sources that can come out the agriculture stream, whether it's from manure in terms of methane digestion, whether it's from methanol and all the other bio-based, fuel-based systems, we can have, whether it's solar, whether it's wind, all the renewable portfolio of fuels. We're very excited about, in this State as well as the Nation, fuel energy independence, away from the dependency of other nations.

And then certainly in the area of nutrition, we have certainly a health crisis in our country. We call it a health system, certainly it's a sick system, if you will. We spend 97 percent of the health care dollar, the sick care dollar, if you will, on people that are sick, after they are not doing well, and 3 percent on wellness. Three percent of that is spent on wellness and prevention.

The agricultural products of this Nation in their best forms, fruits, vegetables, nuts, whole grains, dairy products, are part of that great diet that can move us forward as a Nation and as a world and raise the standard of living in a health-driven environment. And certainly, when the Center for Disease Control says we have an epidemic of obesity and other nutritional, other related diseases, we should take that to heart and recognize that we're part of the solution set.

And lastly, of course, in looking at where this Nation has to go, we have a lot of resources and we call them scarce resources at this time. In the farm bill much of the money that you would put into a farm bill comes back to you in terms of revenue. And so the farm bill represents an investment, a dollar put in and a return in many different areas. And certainly in the environmental side of the Con-

servation Programs and the many partnerings that we see, our goal is to bring together the State resources, the Federal resources, the industry resources and the nonprofits, the many greater nonprofits that are here operating in the Nation and help forge those converging resources into something that makes us move forward also in these arenas.

Parallel lines of effort are just that, parallel efforts to try and move our country forward. Parallel lines never meet. We need converging lines, a vision where this Nation needs to be in the next 20 to 30 years and where agriculture will play—what position agriculture will play in that future.

Lastly, I would like to address again. I think it was mentioned several times what a nation can do for itself, what a State can do for itself in terms of pest exclusion, I would just like to again voice my concern that as we look at the unfolding event of avian influenza, we recognize there's a lot of threats to this world at any time, tsunamis, earthquakes, levee failures. These are threats. Currently, we are dealing with an emerging incident, an emergency, if you will, in the other countries. When we're watching it unfold, this is part of an infrastructure that we have to have in place and basic species protection and what the Federal Government can do at our borders, we encourage that continued investment. We also recognize that the shutdown of any industry by a disease or an intentional deliberate disease during a time of terrorism, these are kind of the things that we have to invest in those protective infrastructures.

Aside from that, the one other that I would ask all of you to recognize and I know you do is in the area of immigration, that our labor supply is a very vital part of that critical infrastructure and if the people don't show up, you will also shut down in your business. And I know it's a difficult situation. Those of us in the many States, we look forward to the solution set that will come from Washington in this arena.

And so I thank you, Mr. Chairman, for an opportunity to speak to you. I recognize that this opportunity to start to create a farm bill is just that, a chance to create a 21st century position for agriculture that is very timely and more importantly, enormously profitable, vibrant and a resource to the Nation in all the different areas.

[The prepared statement of Mr. Kawamura appears at the conclusion of the hearing.]

The CHAIRMAN. Well, thank you, Mr. Kawamura. We appreciate your input today and thank you again for taking the time to listen to the producers that we've had the opportunity to hear from as well.

Mr. KAWAMURA. And we're not so wacky, we try hard not to be. [Laughter.]

The CHAIRMAN. We all enjoy coming out here to take a look. [Laughter.]

Mr. PETERSON. I think the people out in this part of California are just fine, but you have some folks in some of the cities—

[Laughter.]

The CHAIRMAN. At this time we would like to invite our second panel to the witness table.

Mr. Jack Hamm, dairy producer of Lodi, California; Mr. Robert Shipley, poultry producer of Modesto, California; Mr. Bruce Hafenfeld, cattle producer of Weldon, California; Mr. Bill Tracy, cattle, cotton, alfalfa, grain, almond, pistachio and carrot producer of Buttonwillow, California; Mrs. Tonya Antle, fruit and vegetable producer of Salinas, California; and Mr. Earl Perez, tomato, broccoli, bean, melon, cotton, alfalfa, almond and apricot—she may have you beat, Mr. Perez, producer, Crows landing, California.

I think we're definitely covering a lot of commodities on this panel. I'd like to welcome you all, remind you that your entire written testimony will be made a part of the record and ask you to strictly limit your testimony to 5 minutes. And we'll start with you, Mr. Hamm, welcome.

STATEMENT OF JACK HAMM, DAIRY PRODUCER, LODI, CA

Mr. HAMM. Thank you, Mr. Chairman. I have to plead for your patience. I have an untimely case of laryngitis today.

Good morning, Mr. Chairman, Ranking Member Peterson, Congressman Richard Pombo and the rest of the committee. Thank you very much for holding this field hearing here in Stockton, California to hear from us farmers regarding the 2007 farm bill. My name is Jack Hamm and I am the general manager of Lima Ranch, our family's dairy farming operation. The Lima Family has a long history in the dairy business in California, starting in the 1920's. They began with 40 cows and farmed 120 acres. After graduating from Cal Poly San Luis Obispo I joined the operation. Lima Ranch presently milks 1,600 cows and farms 1,350 acres of alfalfa, corn, wheat and almonds.

Presently I serve on the board of directors for Western United Dairymen, San Joaquin County Farm Bureau and the San Joaquin County Rural Conservation District.

The focus of these hearings, as I understand it, is to look to the next farm bill and give you our ideas on what it should look like. Thank you again.

In the commodity title of the farm bill, the Dairy Price Support Program is our safety net. It benefits all dairy farmers in the country equally and does not discriminate based on size of operation, location in the country or where you sell your milk. It is also the only farmer safety net that is implemented at no cost to the Treasury. Still, it gets a huge "score" both here at home and in the WTO. The CCC gets its money back, plus a little when it sells our dairy products back to the market when our prices rise. As we look at the issue here today, the CCC has not purchased surplus dairy products for months and has virtually no stocks currently in storage. Still, the program gets no credit for the fact the Government has recovered a cost incurred in 2002 and 2003. Consumers benefit because price increases are mitigated by the sell-backs, producers of feed grains and alfalfa benefit by the stability of their dairy farmer customers and the Federal Treasury recovers its cost of the purchases, but dairymen still get tagged with what is portrayed as a big expensive government support program. This is unfair and we'd like to see it changed.

An issue from the 2002 farm bill that is still waiting to be implemented is being held up on the flimsiest excuses. Our own Govern-

ment is saying that imported dairy products cannot be assessed the promotion and research checkoff of 15 cents per hundredweight because we exempt and understand here it is 0.014 percent of domestic milk. The marketers of those imported products benefit from our farmer-funded promotion and research programs. So it's time our Government says they have to pay their fair share.

Also, on a dairy-specific issue, the Dairy Export Incentive Program, or DEIP, too often goes unused. I urge the committee to keep pressure on the USDA to fully utilize this fully WTO-compliant tool for leveling the playing field that Congress provided us.

The conservation title includes a very important component to western dairymen. The Environmental Quality Incentives Program has worked very well in San Joaquin County where I live. According to Dave Simpson from our local NRCS office, they have already approved 147 contracts for cost-share assistance in 2006. That means EQIP will be directly responsible for over \$4.4 million in environmental improvement projects. These numbers will grow as our water quality funds are received.

On the same subject, but perhaps taking a different approach, dairy farmers in California have been at the forefront of adopting technology for waste management that produce energy. Dairy farmers need options for managing nutrients. Agriculture can develop as a significant energy supplier, but that will require incentives. We need good, long-term thinking with Government, keeping an open mind on funding research. I encourage the committee to consider an aggressive energy title in the next farm bill.

The WIC and Food Stamp Programs provide nutrition assistance and education to our most at-risk citizens. This part of the farm bill that does not run the risk of violating WTO rules and adding additional foods to these programs will improve nutrition to the recipients. But you can't there by "robbing Peter to pay Paul." Dairy is a major part of these programs today and every new research project suggests they should stay. More funds will be needed for recipients to have a chance to include the extra foods recommended by the Government in a healthy diet.

On the same subject, there is a need for accurate and current data on exactly what emissions come from farms. The Congress has granted dairy farmers a one-time opportunity to use a promotion and research check-off funds to conduct air emissions. As part of the next farm bill debate, I urge the committee to consider allowing farmers at the national or qualified program level to consider environmental and public health research funding with our own check-off dollars.

Finally, since dairy is such a, I should say capital-intensive project, I hope that Farm Credit will continue to meet the needs of farmers and ranchers in California in the next farm bill.

Thank you, Mr. Chairman, and thank you on behalf of all the dairymen in California.

[The prepared statement of Mr. Hamm appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you. Mr. Shipley, welcome. We're pleased to have your testimony.

**STATEMENT OF ROBERT SHIPLEY, POULTRY PRODUCER,
MODESTO, CA**

Mr. SHIPLEY. Good morning. Thank you, Chairman Goodlatte, and committee members for the opportunity present the views and recommendations of the California Poultry Federation regarding the reauthorization of the farm bill. The State's diverse and dynamic poultry industry appreciates the opportunity to be here today.

My name is Robert Shipley. I am president of Squab Producers of California, the largest squab cooperative in the world. Our 80-grower members produce nearly 1 million squabs per year that are shipped to ethnic markets and high-end restaurants throughout the United States. We also produce and market chicken and other specialty poultry to major retail and restaurant destinations throughout this country. I have served as president of this cooperative for 25 years and the organization has served the California agricultural community since 1943.

I am also the vice chairman of the California Poultry Federation representing the State's entire chicken, turkey, duck, game bird and squab industries. The California Poultry Federation is also the home of the California Poultry Health Board that administers the National Poultry Improvement Plan.

You have my written testimony today, so I am merely going to summarize in my statement the issues that we feel most critical for your consideration.

The USDA's Rural Development Program has helped the California poultry industry reach out to provide comprehensive training and assistance with disease prevention. This effort, including bio-security summits, educational material, signage and large and small group specialty training has successfully served various ethnic groups by providing training and materials in multiple languages.

USDA rural development matching grants have provided smaller producers the opportunity and tools to increase their bio-security and disease prevention on their farms. These programs are effective and they need to be retained and funded.

U.S. agricultural exports show a positive trade balance, unlike other sectors. Further increasing agricultural exports thus will help reduce the overall negative trade balance. A good farm bill which allows U.S. poultry producers to stay competitive abroad results in significant contribution to our entire national economy, due to the strong multiplier effect our exports provide.

Many small family farms are processing facilities with thousands of jobs, are large, vertically-integrated poultry companies and numerous related and unrelated companies are impacted significantly by value-added type exports which poultry represents. We believe it is time to consider providing a safety net for our farmers' income, rather than providing a safety net for individual commodities. This approach gives greater flexibility for production decisions and land use options. These programs would also better comply with likely outcomes of current Doha Round of negotiations with WTO. If such beneficial farm programs are voluntary, incentive-based, offer better risk-management options and promote export without shortages

and trade disputes, it seems appropriate to consider a new farm bill that contains these provisions.

It is also vitally important that the new farm bill serve our poultry industry by assuring that we can purchase corn, soybeans and other necessary feed ingredients at price levels that allow us to be cost competitive at home and abroad.

The best way to help ensure cost competitiveness is to encourage planting on sufficient crop land to meet our feed grain needs for domestic and export, both now and in the future. If we need more grain, we should have the land available to plant more grain, based on market demand and expiring acreage from set-aside programs should be re-enrolled on the basis of environmental benefit on a competitive basis.

Diversion of grain to other and new uses including ethanol should not be allowed to disrupt the affordable supply of feed grains required to keep the poultry industry competitive.

The U.S. poultry industry, including both meat and eggs, have developed highly successful voluntary standards for animal welfare. These voluntary national standards have been universally accepted as the foundation to assure poultry is grown in a humane and responsible manner. The farm bill should not be the vehicle for any narrowly scripted or highly restrictive special interest initiatives in these or any other areas. You will no doubt be asked by activists to include language to dictate special interest farm methodology. Our industry asks you to keep your focus on the real purpose of the national farm bill, as omnibus legislation to promote agricultural economy and protect our citizens' food supply.

In the few moments that I have left, if I might indulge you. I would like to share a short story about how Government might be missing the boat trying to serve our agricultural interests. Our association of family farms depend on squab sales for their livelihood and they have earned a great reputation throughout the world. For the past 16 years, we have shipped many millions of dollars worth of squabs to the Chinese communities and Canada. This export market has represented an excess of 25 percent of our sales at times through the years.

Last spring, for some reason, and I'm an honest when I tell you I still do not know who or why, some attorney with FSIS with one swipe of his pen, with no public hearing, no comment period, no rulemaking effort, and not even any formal notice to industry ended that market.

Then on December 23, the Agency's Field Operations Department finally realized that and abruptly stopped signing documents. Sixteen years of serving this market suddenly dead in its tracks. This senseless, arbitrary action has absolutely nothing to do with food safety for the American public, none. FSIS agrees with this silence as they continue to allow the same exact species of poultry processed exactly the same way to be imported into this country from Canada to be consumed by the American public.

There is something wrong with this scenario. Product comes in. Ours can't go out. And that occurs because some staff attorney apparently saw a definition he didn't like and offered new interpretation.

I have been working with FSIS for more than 7 months to bring this to a resolution. I have recently received sympathy, promises and excuses. I have personally traveled to Washington twice to be with USDA officials. Our lobbyist, who many of you know, Charles Hansen, and our CPF president Bill Mattos have worked diligently on this issue as well. Nothing. We have audiences, but that is it. We are in jeopardy of losing a lucrative market and our losses are already significant.

We cannot seem to get our own agency to understand the implications of their own ill-informed behaviors. Even worse, those who agree it is unwarranted, and that happens to be everyone at USDA with whom we have spoken with face to face on this issue, can't or won't fix it.

I share this story with you because we believe that you need to hear that it doesn't just matter what the Farm Bureau promises to bring to small farmers. When what the small farmer is seeing is that without warning, without justification, without remedy, some naive staffer can indefensibly destroy their market that has taken decades to develop.

I suggest that within this process of hearing input for farm bill renewal, that this committee look at what is happening in the trenches as well and understand what real impact farmers see Washington making on their business, not just the "feel good" programs you are hearing about for the most part today.

I thank you for your patience and your indulgence on this, and most importantly, I thank you for this opportunity to share some of our thoughts and the recommendations from the California Poultry Federation, as well as the thousands and thousands of poultry growers, processors and producers throughout this country. Thank you.

[The prepared statement of Mr. Shipley appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Shipley and we certainly will follow with interest, the matter you raised.

Mr. Hafenfeld, welcome.

**STATEMENT OF BRUCE HAFENFELD, CATTLE PRODUCER,
WELDON, CA**

Mr. HAFENFELD. Chairman Goodlatte, Mr. Peterson, and members of the committee, thank you for the opportunity to present the California cattle industry's perspective on the 2007 farm bill. My name is Bruce Hafenfeld. I am a rancher from Weldon, California and the first vice-president of the California Cattlemen's Association.

California ranchers own and/or manage over 34 million acres in our State. These working landscapes support 90 percent of the species listed under the Endangered Species Act in California and are the safeguards of our watersheds. The amount of rangeland available to ranchers and wildlife in California is decreasing by tens of thousands of acres a year, due to development and other land conversion.

The 2007 farm bill should place higher priority on enhancing and fully funding USDA Conservation Programs. However, this is not a request for more dollars. We need to work to make these pro-

grams more user-friendly. Far too often, good Conservation Programs have been undermined by policies which preclude participation.

Additionally, we believe the effectiveness of these programs can be vastly improved by allowing them to take advantage of all potential funding sources.

First, with the tremendous amount of funding generated through mitigation for endangered species, the effectiveness of conservation programs could be enhanced by allowing the opportunity to cost-share mitigation funds with the USDA Conservation Program funding. In this manner, the limited amount of USDA conservation dollars available could be leveraged to meet the conservation goals not only of the USDA and the mitigation requirements of Fish and Wildlife Service biological opinions. Presently, USDA is restricted from utilizing mitigation funding for cost-sharing under the EQIP, GRP, CSP and WRP Programs. In fiscal year 2004 alone, Fish and Wildlife Service spent \$60 million just on habitat acquisition. By purchasing easements and leaving these lands in agriculture production, we can meet these conservation goals and preserve rural economies, tax bases at no extra cost to the Government. I have firsthand experience with this issue. On my own ranch, we're working with Natural Resources Conservation Service, Fish and Wildlife Service Region 1, Army Corps of Engineers, Sacramento District, National Fish and Wildlife Federation and the California Rangelands Trust to pioneer this type of project.

Second, more flexibility is needed with respect to cost sharing. In many cases, ranchers simply aren't able to contribute a required amount of cost-sharing if the project will generate little in the way of additional economic activity. Even if it provides substantial benefits for wildlife protection.

Third, the 2007 farm bill should give USDA more flexibility to allow private land trusts to hold conservation easements and negotiate the terms. Today, the California Rangeland Trust has applications for over 400,000 acres of easements, but they have difficulty utilizing these programs because of the lack of funding and flexibility.

Fourth, the 2007 farm bill should compel more coordination between USDA and Department of the Interior in implementing conservation programs on the same landscapes and should include safe harbor agreements, critical habitat exclusions and 3D rule exclusions in the listing of endangered species and exclusions that will protect property rights, property value and the liability of the ranchers utilizing USDA conservation programs. Without these kinds of safeguards from restrictive regulations, the reach of the USDA Conservation Program is limited.

Lastly, we are supportive of tax deductions for land owners who choose to protect their property with conservation easements and tax incentives for voluntary stewardship efforts so long as these properties stay within agriculture production.

As a part of my written testimony, I am submitting to you the California Rangelands Resolution signed by roughly 40 agriculture and conservation organizations and Federal and State agencies. This unprecedented agreement brings us together in recognizing

the ecological benefits inherent to ranching and the efforts to improve the viability of ranching in California.

In conclusion, with relatively modest changes to the existing programs there are clearly more efficient ways to use limited pool of funds to conserve our natural resources and protect the viability of ranching.

On behalf of the California ranchers, we thank you again for the opportunity to provide this testimony and we look forward to working with each and every one of you on the 2007 farm bill.

Thank you.

[The prepared statement of Mr. Hafenfeld appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you.

Mr. Tracy.

STATEMENT OF BILL TRACY, CATTLE, COTTON, ALFALFA, GRAIN, ALMOND, PISTACHIO AND CARROT PRODUCER, BUTTOWILL, CA

Mr. TRACY. Mr. Chairman and members of the committee, it is my pleasure to also extend a welcome to you to California. Thank you for giving California agriculture this opportunity to offer views on some of the challenges facing agriculture and the importance and the necessity of an effective farm program.

My name is Bill Tracy. I do my best speaking extemporaneously, but because of the time constraints, I'll stick to the script. I am a member of a "hands-on" family farm currently into its fifth generation. We produce cotton, hay, grain, chipping potatoes, fresh market carrots, almonds, pistachios and operate feedlots here and in Texas and raise a whole bunch of grandkids. Besides the daily operation of the ranch, I served as chairman of the California Cotton Growers Association, National Cotton Foundation and participated on various EPA advisory and dialog committees. From 1987 through 1991 I was a member of Governor Deukmejian's administration serving as deputy director of Agriculture.

Mr. Chairman, I would first like to offer comments on the size and diversity of California agriculture. Our abundance includes over 350 commercial commodities. We grow more than half the Nation's fruits, nuts and vegetables. California has approximately 82,000 farming operations and this represents about 4 percent of the Nation's farms, however that small number represents a whopping 13 percent of the Nation's agricultural cash receipts. More than 60 percent of our agricultural sales come from a wide range of specialty and nursery crops. California is also an important producer of livestock and field crops and is the No. 1 dairy State. This diversity gives us perspective on farm programs that is likely different from much of the rest of the country.

An overview of California wouldn't be complete with mentioning water. Our diverse agricultural region, coupled with dependable weather, has made us a tremendous food and fiber producing machine. But in His wisdom to keep us from becoming another Garden of Eden, God set all this in the middle of the desert. He even provided us with plenty of water, and then set back to see what mankind would do since the majority of the water is produced in the north State, yet almost all of agriculture and the greater part

of the population is in the south State. Thus far, what we've efficiently done with water is fight over it. If we don't come together soon with an adequate distribution system, future farm bills will be a moot point here in California.

As we think about the need for an effective farm program, it is important the challenges and constraints facing California agriculture. California is one of the world's most productive agricultural areas, but also the mostly high regulated. These include regulations related to air and water quality, energy usage and pesticide applications, just to name a few. By adhering to these regulations, California farmers are excellent stewards of the land and environment, but it comes at a price as these regulations place additional cost on the system and increase the overall management burden on our farmers. Farm programs are needed to defray a portion of these costs.

Mr. Chairman, I would like to take a moment to address a personal concern, not only for California agriculture, but for all the United States and that is attracting young people and the challenges facing those who would like to enter farming. I commend USDA for raising this issue on the request for farm bill comments. We farmers are getting older. The average age of the California farmer is 57 and that age is increasing which suggests fewer and fewer young people are choosing farming as a profession.

Entering agriculture as a new farmer or rancher is a daunting challenge. The costs of establishing a commercially-viable operation are substantial as in put costs, machinery prices and land costs have increased. In order to make the necessary investment, adequate financing is crucial. An effective farm program enhances a young farmer's ability to secure financing. USDA's current program providing loans for beginning farmers and ranchers would also be used to the maximum extent possible to provide financing opportunities.

Let me also comment on the importance of export markets to California agriculture. We are not only the Nation's No. 1 agricultural producer, but also the No. 1 exporter. Access to international markets remains key to our long-term viability. California is so uniquely positioned that we're no much the western border of the continental U.S. as we are the eastern gateway to the Pacific Rim. Within the context of the farm bill, it is important to fully fund programs such as the Market Access Program, the Foreign Market Development Program, et cetera. The combined investment of private and public funds, coupled with industry marketing expertise, result in innovative, forward-looking programs that leverage money into high impact campaigns and promotional efforts. Additionally, I would encourage you to consider extending the current farm bill until we can target firm rules of current trade negotiations.

Mr. Chairman and members of the committee, I would like to express my family's support for the current farm bill. The legislation remains vital to the structure and stability of both California agriculture and U.S. agriculture, as a whole. It includes benefit delivery provisions that provide needed support in times of low prices without distorting overall planning decisions. An effective marketing loan provision allows U.S. cotton and other commodities to be price competitive in a global market. The current law contains suf-

ficient planning flexibility provisions that allow producers to react to market signals and should continue to operate without modification through its scheduled expiration. Furthermore, I believe it provides a foundation for the next farm program as well.

As a final thought, I'd like to share a big of Grandma Tracy's wisdom. She's often quote an ancient proverb that when there is food there are many problems, but when there is none there is only one.

Mr. Chairman, thank you for the opportunity to present these remarks and I would request that you and all the members of the audience hold Congressman Costa's mother in their hearts and prayers at this time. Thank you very much.

[The prepared statement of Mr. Tracy appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Tracy, for that sentiment.

Ms. Antle, welcome.

STATEMENT OF TONYA ANTLE, FRUIT AND VEGETABLE PRODUCER, SALINAS, CA

Ms. ANTLE. Thank you. Thank you, Mr. Chairman and members of the committee. My name is Tonya Antle and I am vice president of organic sales for Earthbound Farm. So Congressman Peterson, you've now finally met one of us. I am a farmer. I am a farmer's wife and I am a farmer's daughter. And at Earthbound Farm, we actually represent over 300 farmers in the western United States on 27,000 certified organic acres. I have been in the organic category for 23 years and I am very pleased and honored to be here to offer testimony also on behalf of the United Fresh Fruit and Vegetable Association.

Organic produce was once considered a sacrifice in quality to support a certain set of beliefs. Organic food is now thought of as premium quality, offering both personal and environmental benefits. U.S. organic sales have grown 20 to 25 percent over the last decade. The organic food and beverage category is a \$15 billion category today. It is one of the fastest growing categories in the food business today and it is projected to double by 2009.

I am a recent member of the USDA's National Agricultural Research Extension, Economics and Education Advisory Board. I served on a special subcommittee concerned with our new research and extension programs for organic agriculture. With support from this committee and the appropriators, these good-faith efforts by the agencies have gotten off to what we call a promising start, but they are not commensurate with either the needs of the organic sector, or the benefits to our economy, the environment or citizens that increased organic farming can provide.

In directing the Department's organic research and extension activities, this committee should first take a broad approach, ensuring that organic food and farming is recognized and served by all of USDA's programs.

Now let's look at the other 96 percent of the industry. Members of the produce industry continue to ensure that all American people have an abundant supply of fresh food at prices that are very low by world standards. We are all working hard to fulfill consumers' needs of great tasting, high quality, fresh fruits and vegetables and

at affordable, healthy food choices. We support agricultural policies to assist us in this effort and make fresh fruits and vegetables both accessible and available to all Americans.

Federal investments to ensure our continued competitive are needed in research on convenience, nutrition, taste and efforts that will allow us to compete the global marketplace. While the perishable nature of our products presents unique challenges and creates highly volatile markets, our industry has not relied on traditional farm programs to sustain our business. We are proud of our commitment to be free marketers and do not want this to change.

In developing the next farm bill, fruit and vegetable producers are looking for investments that support our market, driving consumption, export opportunities and aid in the development of new technology and improvement production practices and protect against harmful pests and diseases.

As Mr. Peterson asked before, the fruit and vegetable industry strongly supports maintaining or strengthening the current restrictions that prevent the planting of fruits and vegetables on acres receiving program payments. This includes not allowing any temporary loss to the program benefits as a remedy for 1 year or other short-term shifts to fruits and vegetables. Fruit and vegetable producers are concerned that any alterations in this provision would allow commodity producers to mitigate any start up costs or mitigate risks inherent to fruit and vegetable production resulting in an unfair competition.

The industry also supports continuing expansion of the State Block Grant Program for specialty crops that was authorized in the 2004 Specialty Crops Competitiveness Act. This program allows States to invest in programs and projects that support production-related research, commodity promotions, food safety and other programs that enhance the competitiveness of specialty crop producers.

One of our top priorities, as you asked us to prioritize is nutrition policy. While nutrition policy is not solely a farm bill issue, we have a unique opportunity to ensure that these policies are carefully considered so that the 2005 Dietary Guidelines are fully implemented. Driving domestic consumption of our perishable commodities will benefit the entire fruit and vegetable industry, resulting in stronger price for our producers across the country.

The School Fruit and Vegetable Snack Program is an effective and popular nutrition intervention program proven to increase fresh fruit and vegetable consumption among children participating in the schools. Currently, this is happening in 14 States. This program allows children to experience the great taste of fruits and vegetables and thereby has the potential to build long life, healthy eating habits. Starting in 2002 farm bill and subsequently expanded during the reauthorization of the Child Nutrition Program in 2004, this program should be expanded in the 2007 farm bill.

Now let's talk about research policy. Federal investment in research and development for specialty crop production, including organic production as I previously mentioned, processing, marketing and consumption which influences public access to these vital commodities must be reemphasized in the next farm bill. Funding that emphasizes nutrition, will provide return on investment through

better health amongst the U.S. populace and at the same time enable specialty crop producers to secure a competitive position in the global marketplace.

Research funding within the various USDA departments that address these opportunities should be significantly increased and/or reallocated to appropriately and proportionally represent the important role that specialty crops play in the maintenance of human health.

In conclusion, we look forward to working with the committee on the development of the next farm bill. Many of the pressures that fresh fruit and vegetable producers face are similar to those of producers with other commodities: increased regulation, high energy costs, transportation costs and input costs, but the perishability of our crops result in different marketing strategies, marketing requirements and the need to move our products quickly to market.

We hope that these unique characteristics can be addressed through agricultural policies that drive domestic consumption and expand foreign market access while investing in research, food safety, conservation, pest exclusion policies that benefit the members of the produce industry.

Thank you.

[The prepared statement of Ms. Antle appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much.

Mr. Perez, welcome.

STATEMENT OF EARL PEREZ, TOMATO, BROCCOLI, BEAN, MELON, COTTON, ALFALFA, ALMOND, AND APRICOT PRODUCER, CROWS LANDING, CA

Mr. PEREZ. Mr. Chairman, I feel like the clean up batter here. Maybe I'll hit a home run or at least a single.

Mr. Chairman, Ranking Member Peterson, and distinguished members of the committee, thank you for the opportunity to discuss Federal agriculture policy and the 2007 farm bill. It is critically important that Congress focus on the many challenges that now face our Nation's growers of fruits, vegetables, nuts and fiber. I commend for coming to California to learn more about these issues.

Again, I am Earl Perez, representing Perez Farms and affiliated companies. We are a family-owned operation and grow and process a variety of crops on approximately 10,000 acres. Our family migrated from southern California to this valley in 1936 and has been farming since then. We are second generation farmers and sons of immigrant parents from the northern part of Spain. Our parents chose this valley because of its unique resources of land, water and climate.

My Dad, I think, was an expert in locating lands that was of extreme good quality, so I think he did a good job. I wanted to say that because I remember him dearly and I really appreciated his efforts and ability.

Growers currently are confronted by many pressing issues that must be addressed by Congress in the 2007 farm bill. As markets become globalized, as Federal and State regulation of our industry increases, and as trade barriers continue to block access to foreign

markets, it is increasingly difficult for growers to compete against foreign producers who are often heavily subsidized and minimally regulated.

As an example, I cite one friend in the southern part of Spain who is receiving 100 percent subsidy on growing tomatoes. I think that is out of the question or unfair.

A competitive domestic agriculture industry is necessary for the production of an abundant, affordable supply of highly nutritious crops and that includes fiber too. I want to emphasize that sentence because I think that's the purpose of this farm bill is to create the sustainable and affordable food supply for this country. I think a nation without its food is very weak.

In addition, with all the concerns about food safety and bioterrorism today, a secure, domestic food supply is critical to our national security. Federal agriculture policy must be improved dramatically if we are to sustain an efficient and productive domestic crop industry.

It is important to note that specialty crop growers produced over \$55 billion in crops at the farm-gate value in 2004, and that's nationwide, or approximately 50 percent of the value of total crop production in the United States. However, only a very small portion of the resources of the USDA budget are allocated to policies and programs that address issues of concern to specialty crop growers. In the future, the allocation of Federal resources aimed at addressing issues of concern to crop growers must reflect the value of their production to our economy—the value of their production to our economy, I think that is very important. I lost my place here—as well as the dietary and health needs of our American consumers. California alone adds \$30 billion at the farm gate to the economy of California, \$30 billion. That does not include added value after they leave the farm gate.

As noted above, growers in California and across the Nation make a large contribution to our economy. However, this economic activity is in jeopardy due to a number of disturbing trends now facing our industry. These trends include: stagnant export growth due to a lack of access to foreign markets. As a result, a U.S. trade surplus in fruits and vegetables of over \$600 million existed in 1995. That has become a trade deficit at this point to \$2.3 billion. So that's a dramatically large swing there.

Heavily subsidized foreign competition, for example, the European Union, provides about \$12 billion annually in subsidies to fruit and vegetable growers; the loss of cost-effective crop protection tools due to Federal and State laws; increasing import competition from growers in nations with minimal regulation, as compared to us; increasing pest and disease problems due to the growth of international trade, because these imports are bringing some of these diseases into our country; increased Federal and State regulations such as clean air and clean water restrictions.

These trends represent extremely difficult challenges because they are putting enormous downward pressure on the economic returns of farmers. The Federal Government has an important role to play in making sure growers have the tools needed to combat these forces and ultimately remain competitive in global markets.

As you know, the Specialty Crop Competitiveness Act was introduced in 2003 to begin addressing the trends mentioned above. The enactment of an amended version of this legislation in 2004 was a small, first step towards this objective. The support and leadership of the members of this committee on behalf of the Specialty Crop Competitiveness Act, is greatly appreciated. We are highly against allowing specialty crops to be planted on acres that are set aside in any program. We think that it creates competitiveness to the specialty crops and is unfair since they are being subsidized at one point.

Much work remains to be done in the 2007 farm bill to address the competitive issues that confront farmers. As a member of Western Growers, I am aware that our industry has already started working on proposals for the farm bill. Western Growers is co-chairing the farm bill Steering Committee which is working to develop a broad array of proposals aimed at improving and expanding Federal Programs to meet the needs of growers. The policy areas addressed by this proposal include: commodity programs; nutrition policy; expanded international market access; pest and disease exclusion; research and development; and other Federal agriculture programs. Many of the provisions endorsed by the farm bill Steering Committee build on what was started by the Specialty Crop Competitiveness Act of 2004. The FBSC proposals are expected to be introduced as legislation in Congress later this year. It is our hope that these proposals will be enacted as part of the 2007 farm bill.

To conclude, California growers would greatly appreciate the opportunity to work with members of this committee in crafting a farm bill that fully recognizes the unique needs of our industry in this State, and also allocates a level of resources sufficient to sustain us in global markets. It is also important to note that Congress must act on the farm bill in 2007 and should not delay consideration of the legislation for any reason.

I'm getting close to the end of my time here, but I did want to make some recommendations which I think are important, or comments. I strongly believe in the MAP Fund Program which I think has done an outstanding job for our industries, especially the walnut business because I've served on that committee for, that board for some 30 years now and I've seen it grow up and it's been a tremendous asset to that industry in the way of promotion, advertising, setting up agencies in foreign countries to promote our product. And I've actually been there to see those people work for us and it's been very impressive to see our product grow.

All right, I want to mention a couple of other things. Research, I think, is very important to our industry. We need to continue to do research. That is our future. Nutrition is a big subject because of the explosion of obesity in this country and the diabetic problem. And the School Lunch Program is very important. I think it does a good job of impressing our young kids to each the right type of foods. So we need to expand on that program, if we can and carry the message of nutrition with it.

I think I'll conclude with that because I think my time is up. Thank you.

[The prepared statement of Mr. Perez appears at the conclusion of the hearing.]

The CHAIRMAN. That's a great note to conclude on, Mr. Perez, thank you very much. Let me start the questions by asking our livestock witnesses, in light of the discussion you had here today about some of the air pollution issues that farmers have been forced to confront here in the Central Valley of California, are any members of the panel participation in the Environmental Protection Agency's Clean Air Act Monitoring Program under the recently signed Consent Agreement?

Looking ahead a few years, do you believe that current conservation programs such as the EQIP will be adequate to meet producers' needs to comply with any EPA orders that may be forthcoming from the results of the agreement? And if not, what modifications to our conservation programs would you suggest in a farm bill re-write?

Mr. HAMM. It's hard to say because so much of what we're seeing in California right now is getting out the horse behind the cart. It's terrible. We need the science first. We have no idea what it's going to cost until we get the research dollars. And so if we can get the research, I think then we need to be able to gear up to help us.

The CHAIRMAN. Mr. Tracy, Mr. Hafenfeld, Mr. Shipley, you want to comment on this?

Mr. HAFENFELD. I think for us in the beef cattle industry, one of the things that we're very concerned about is nonsource foreign pollution from a watershed standpoint. It's going to be difficult, very difficult for our industry to monitor the vast amount on the acres that we have. I don't think any EQIP or any program that I see within the farm bill whatever, would begin to cover the potential expenses that come our way. Again, I think a lot of us in agriculture are guilty before proven innocent. And I think that's a huge issue.

Second, we have initiated here in California a voluntary watershed management, best management practices where we voluntarily put into those practices several main acres in California. That has been extremely overlooked by these agencies as they pursue these Clear Water and Clean Air Act goals.

The CHAIRMAN. Thank you. I appreciate your observation.

Mr. Shipley?

Mr. SHIPLEY. If I could just make one quick comment. He talks about the fact that we're presumed guilty a little bit. The California Poultry Federation just completed a test in cooperation with the University of California, California Department of Food and Agriculture at USCA to determine the ammonia content of the emissions from some of our larger ranches and found that the estimates that had been made by the USDA and by California had way, way overstated what they were. And in reality, we didn't even fall within some of the limitations.

The CHAIRMAN. Very good.

Mr. Tracy.

Mr. TRACY. Mr. Chairman, in the interest of time, I will not echo the comments I agree with from my peers.

The CHAIRMAN. Very good. Let me ask Mr. Hamm about Federal Milk Marketing Order. I'm aware of the fact that the slow pace of

amendments to the Federal Milk Marketing Orders are, the pace by which they're made is the reason often cited by California Dairymen for not wanting to establish a State-wide Federal Order and assuming the Federal system could be modified to improve accountability to producers and efficiency with which amendments are made, would you support establishing a State-wide Federal order in California?

Mr. HAMM. We would certainly look at it. There's other things we have our quota system that is in place that's worth \$900 million. We need to be able to transfer that and make it viable. But we are open to looking at it, yes.

The CHAIRMAN. And let me ask Mr. Tracy and Mrs. Antle and Mr. Perez a question I asked the first panel with regard to the discussion of the importance of a wide range of Federal Programs that you talk about in your testimony, specifically for the specialty crop industry. In the current budget environment of less funds overall for agriculture, I wonder if you could prioritize your industry's most pressing issues that Congress needs to deal with to help specialty crop producers?

We'll start with you, Mr. Perez?

Mr. PEREZ. Yes, my priority would be to concentrate on research and that would be designed to improve our marketing ability, also to define our products, what the properties they have in them to really bring to the consumer a conception of what we grow and what value we have on those crops. And the second, I would concentrate on conservation because I think the EQIP has done an outstanding job in bringing forth some practices on the farm that really have complied with the new laws regarding drainage into the river, maintaining the ecology of the rivers and tributaries which is very important to satisfy our environmental friends and we want to be friendly with them, so I believe that's very important.

The MAP funds have been most important to many industries.

The CHAIRMAN. Don't list them all.

Mr. PEREZ. OK.

The CHAIRMAN. Mrs. Antle.

Ms. ANTLE. Thank you, Mr. Chairman. I would have to say my top priority here today is nutrition. As we look at the obesity crisis and we look at trying to attract and keep that future consumer which are those school-age children that really need to know how to eat better and eat more healthfully, one of the things that we've done is because of our new food pyramid, in looking at nutrition, fruits and vegetables actually went up as a percentage in that pyramid, so with that I think there's a lot of opportunity to not only educate, but also allocate funds that are equal and proportionate to the percent of the pyramid that we now represent. And I think there's a lot of good work that will directly impact all of us in the specialty crop world by increasing consumption in the domestic landscape.

And there's been some testimony in these 12 State Programs where kids are getting their hands on snack pack carrots and sliced apples and some really exciting fun, easy to eat items and these kids are now going into the market and tugging on their mom's skirt and saying I want these items. I learned about them in school

and I want them. And so I mean I just think it's going to be just a great long-term effect for all of us.

The CHAIRMAN. Thank you. Mr. Tracy.

Mr. TRACY. With a global view, I feel that the marketing loan provisions have worked exceptionally well and would encourage you put emphasis on those as you go forward with the new farm bill.

The CHAIRMAN. Thank you.

The gentleman from Minnesota, Mr. Peterson.

Mr. PETERSON. Thank you, Mr. Chairman. I think I understand now, so I know where you're at on the prohibition. I just want to make sure, so generally, everybody in California is in favor of keeping that prohibition in place. Is that a fair statement?

Ms. ANTLE. Yes.

Mr. PETERSON. There isn't any pressure here from any groups trying to change that?

Ms. ANTLE. I represent the United Fresh Fruit and Vegetable Committee today here and everyone is very firm on that belief, yes.

Mr. PETERSON. What about, you don't have packers or canners or anybody like that that's trying to get rid of it because in my part of the world, they are. They think they can get lower prices if they can get rid of this. There's not anything like that going on in California that anybody is aware of?

Is that because you guys control the processing and all the way through the system?

Ms. ANTLE. In our particular company, we are from seed all the way through sale, but there are many on our United Fresh Fruit and Vegetable and probably Western Growers that are in the same situation. It just would not be a fair playing field.

Mr. PETERSON. Right. That was—

Mr. PEREZ. I could concur with that.

Mr. PETERSON. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. I'm going to recognize the two gentlemen from California, Mr. Pombo and Mr. Cardoza and then I'll ask the other members of the panel, if they want to ask questions of this panel.

So the gentleman from California, Mr. Pombo, is recognized.

Mr. POMBO. Well, thank you, Mr. Chairman. I know that in the interest of time I'll make this quick and just to clarify to my colleagues, I did not write Mr. Hafenfeld's testimony. [Laughter.]

But I do find it interesting to go through and I would point out to my colleagues to take the opportunity to read his written testimony because it does get into a lot of the issues that we addressed in trying to move a bill updating the Endangered Species Act and that is something that the House has already acted on, but we're dealing, Mr. Cardoza and I are dealing with our Senate colleagues at this time to try to move forward with that.

Mr. Hamm, I would like to ask you and I realize that you have limitations today because of your voice, but specifically on EQIP and how the best way to change that particular program to better work with dairymen in California?

Mr. HAMM. The best way is to maintain local control. I really feel that in this county we have a committee that the conservationists work with so that we can, when new practices come up that do improve the environment, we're able to adopt them. We need to main-

tain local and State control over the funds and also if some States don't fully utilize their EQIP funds, we'd like to be able to give them States that have more than enough use for them.

Mr. POMBO. Mr. Chairman, any additional questions I have, I will submit in writing. Thank you.

The CHAIRMAN. I thank the gentleman. The gentleman from California, Mr. Cardoza.

Mr. CARDOZA. Thank you, Mr. Chairman. I want to thank you again for coming here and doing a great job at this hearing. I also would like to just take a second and recognize Senator Feinstein's representative in the audience, Shelly Abajian. Thank you. The Senator does a great job for California. I appreciate you being here.

Mr. Perez, I want to ask you a question. As a west side producer, could you briefly explain to the committee some of the regulatory issues that you face with respect to water supply, water quality, agricultural runoff, drainage, and how we might be able to address them in the farm bill? Mr. Pombo and I are working diligently on a number of these issues in his committee, but there's some opportunities, I believe, in the farm bill as well, and I'd like you to address that if you could.

Mr. PEREZ. Well, I think the primary benefit from the farm bill at this point is towards, comes from the EQIP. That enables us to comply with the regulations on the drainage issues which contribute quite a bit to the ecology of the rivers and tributaries. So I think we're comfortable with that. As far as air emissions, I would think that some benefit could come from the farm bill, but I think there are a lot of things we can do on our own on the farm to keep our roads clean and try and water them more and try and maybe oil some of the roads and also cut down on the speeds and also put some apparatuses on the harvesting equipment which would lessen the dust emission. I think we can do a lot of those things and without very much cost.

But I think the biggest benefit comes from the EQIP. I think it would help us tremendously. It helped us put in some drip systems which economizes in the use of water, utilizes our water better and also sprinkler systems which really makes our operation more precise, more modern and more effective.

Mr. CARDOZA. Mr. Perez, just for the committee's edification, there are air quality regulations that literally control dust in California. That's to the level and you can also speak to that, if you will, if you desire, but I don't think that's something that's experienced in other parts of the country where a particulate matter, smaller than 10 microns or smaller than 2.5 microns has literally been controlled in our State and it's a real challenge to the agriculture industry. That's what Mr. Perez is talking about.

Mr. PEREZ. Yes, as far as the particulate influence on the air. Years ago we were financed, or subsidized to go from energy, from electricity to the diesel. Now we're being criticized because we're using diesel on our pumps and anything that's in on the field because of the particulate. Now they want to subsidize us to go back to electricity. I think there has to be some long-term thinking in these projects to really avoid spending money where it shouldn't be spent.

Mr. CARDOZA. Changing is difficult for the industry to deal with.

Mr. Hamm, with regard to air quality issues, if you could just address some of those challenges that you're facing one more time for the committee before we sign off today?

Mr. HAMM. Well, the challenges we have is our local air board who is enforcing Federal laws and they've taken it to another level, have come out and in our opinion have put down rules based on emissions that there are no studies to support. And we feel that we need good science. We're willing to live by the science and then make the adjustments. But we're going to need some help along the way. We're going to need incentives to get there, I believe. And let's not just jump off and say that covering your lagoon is going to do it when studies are showing that that's maybe not where it's coming from.

So we're going to need to some help, I think from Congress, to come back to some of these States maybe and a little clarification that hey, get the science done and then apply technologies that really make improvement, not just something that sounds good. Thank you.

Mr. CARDOZA. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. The gentleman from Kansas, Mr. Moran, is recognized.

Mr. MORAN. Mr. Chairman, thank you very much.

Mr. Shipley, as a poultry producer, I wanted to ask you just a couple of questions. You mentioned CRP and its effect upon the supply of feed for livestock, including poultry. In California, do you generally believe that the acres that are—I don't know the extent of the use of CRP in California, are the appropriate acres enrolled, the right standards in place? Are the acres that are in the CRP program belong there?

Mr. SHIPLEY. I don't think it's an issue with California as much as other parts of the country. The fact is, we feel vulnerable to it because we're so dependent upon the land. We fear coming changes with ethanol and other types of demands on some of our product that we just were looking for flexibility.

Mr. MORAN. The feed for California poultry generally comes from where?

Mr. SHIPLEY. A tremendous amount of it from the Midwest. We do raise some, tremendous amounts.

Mr. MORAN. In regard to a topic unrelated to the farm bill, but avian flu, your impression of our country's reaction, the world-wide efforts, are we out far enough ahead that good things are happening or are we way behind?

Mr. SHIPLEY. I think right now I think we're at the point in which—we need to go through it. We need to recognize what it is, that (a) it's not here; (b) the virus doesn't want to be in humans. It's a duck virus. We have an epidemic world-wide. We do not have a pandemic world-wide. It would take some very serious DNA changes to make it into a pandemic.

I think we need to help the world dramatically to get a handle on that problem before it expands any further. The problem is a primary problem because of the way of life, the way of living with the birds that we don't do here. We don't believe that we're actually going to have a real problem from the California perspective in our true enclosed, commercial facilities.

What we believe our problem is going to be is going to be with birds that are outdoors, that are vulnerable to migratory birds. California is particularly vulnerable to that because we are in the flyway that actually does intersect in Alaska with some of the flyways of Asia and we're very concerned and we're putting up as much guard as we can. I think we need to help the world dramatically to stop it where it is before it comes here because it's inevitable.

Mr. MORAN. Mr. Hamm, I appreciate your testimony in raising an issue about the dairy checkoff. I don't know that I have any question. It was a topic I had heard of, importers of dairy products not being assessed the charges, the fee and I'd be happy to learn more about that issue.

And finally, Ms. Antle, fruits and vegetables violations, program acres, I suppose it's a contentious issue kind of, regardless, as we enter into discussions about what role program crops and specialty crops are going to play in the next farm bill. But what's the specialty crop reaction to what the Brazilian cotton case tells us about this issue? Is there a way around, from your sector of agriculture, is there a way around what I think we're being told by WTO?

Ms. ANTLE. I'm going to give you the short answer. The United Fresh Fruit and Vegetable Committee is doing an economic analysis for the United States Department of Agriculture on that flex program and so I think there's going to be a lot of good information that we can share with you that's much more detailed than I could speak to that today, but I just think that the bottom line is we, specialty crops for many, many years, have been excluded from those type of funds. We've chosen to do so, we're a free-market economy system and we just—once again, not to reiterate, but we just want to be on an even playing field and if you have people that already have an advantage ahead of us, then it seems like we're already behind the game.

And the other thing to consider is the volatility, the tipping point of one extra acre or one—it's amazing what happens. I don't know, those of us that are in the day-to-day grind in the commodity business, one extra box can take us from being very profitable to a consignment on the terminal markets in New York. These days, it doesn't even pay for freight.

So just something to consider as we look at the sensitivity of the balance that we have to deal with.

Mr. MORAN. I'm sympathetic to the concerns of the specialty crop producers, recognizing that just a few more acres of producing that specialty crop has a dramatic impact upon the price. We could add 10,000 new acres to wheat being produced in this country and the effect upon producers in the Midwest would be negligible. So I understand why this is important to you. What I worry about on your behalf is what we may be forced to do in order to comply with our WTO agreement. So I look forward to the report and I thank the chairman for allowing me to ask these questions.

Ms. ANTLE. Thank you.

The CHAIRMAN. I thank the gentleman and it's my pleasure to recognize the gentleman from Tennessee, Mr. Davis.

Mr. DAVIS. I'll try to be very brief, Mr. Chairman, which is difficult for most of us to do. Two comments were made today that

I think agriculture can have a part in maybe helping resolve. When you talk about nutrition, Ms. Antle, I have a wife that teaches, a daughter and a son-in-law. And one of the things they say that when you look at the snack vendors and the soft drink vendors in every hallway in virtually every school, that children decide that is what they will consume for lunch and for their breaks more than the Lunch Program that is being provided, some of those dollars coming from the Department of Agriculture. So I do believe that those of us on this committee can have an impact at least at maybe starting the process of better nutrition for our children, by putting something in this farm bill that would impose some rules and I know regulations some rough, but at least some rules or regulations on what good nutrition is and at least that is starting the implementation of a better nutritional program for our children.

It's important. As the commissioner of agriculture said, 97 percent of the health dollar goes into treatment and only 3 percent goes into prevention. This can start the process, so I'm glad at least here I think there have been some solutions offered, maybe not to the problem that all of us in agriculture face, and as I said earlier, I do believe that national security issues are involved when we talk about farming.

The second issue I want to mention briefly, one of the commentators, the presenters, mentioned the H-2A Program. Do you realize that if someone gets a work visa to come to America that works in a hotel or motel or in a restaurant chain, there are no requirements of what you pay except the minimal wage in that State or on the national level. And I hope this opens up a hornet's nest especially here in California, but one of the reasons we have a lot of illegal immigrants being hired is that the choices are being made in agriculture to hire the illegal immigrant, rather than hire the H-2A and pay for the transportation and the housing for those workers that will be there for a brief period of time. We've got to somehow address that issue so that it doesn't encourage agriculture employers to hire the illegal immigrant. Those are just two comments.

Ms. ANTLE. If I could, I'd like to indulge you with just one other issue when it comes to nutrition. If the farm bill expanded the DOD Fresh Program which the 2002 farm bill funded at \$50 million, this program utilized the Department of Defense purchasing network to supply schools with fresh fruits and vegetables, delivering in small quantities that are easy for schools to utilize. USDA's Purchasing Program does not utilize fresh fruits and vegetables so this program is primarily the way to get fresh foods into schools. So we already have the mechanism. It's just a matter of funding it and making sure that we utilize that.

And then also to that point, we have had for over 11 years in the industry, it's called the Five a Day Campaign and it has been a private/public partnership that has worked really well together with the National Cancer Institute. Prior to, I believe, this last year, we had no funding from the Government whatsoever, it all funded by growers. And to compete with the snack companies like you're talking about, we need more funds. We cannot do it alone and farmers don't have those kind of deep pockets that are necessary to elimi-

nate that, those snack categories because they've got a lot of money and they spend against these schools.

We look for your help in those areas. Thank you.

Mr. DAVIS. I just say that as each of us take a brief moment in the back, there are fruits on the table.

Ms. ANTLE. Thank you.

Mr. DAVIS. And not snacks, candy and otherwise. So all of us should understand the importance of better nutrition. Thank you. I yield back the rest of my time.

The CHAIRMAN. The gentleman from Michigan, Mr. Schwarz is recognized.

Mr. SCHWARZ. In the real world, I'm a surgeon and I have been interested in trans-species, cross-species transmission of disease is one of the things that I have great interest in, although I'm an M.D. I'm not a D.V.M. You have a great Veterinary Medicine School in California, by the way, at Davis, it's just superb. One of the best in the world.

What are you being told and Mr. Secretary, perhaps you would want to address this, what the State veterinarian is telling you a well. What are you being told about where the HVM1 virus might come from, should it come to California and to the United States? And the reason I ask that is that there is at least among those to whom I speak, some question as to whether or not wild migratory birds are at all going to be carriers of the virus and has it not been identified only thus far in domesticated birds?

What are you being told and what practices is the State suggesting that the poultry industry use here?

Mr. SHIPLEY. Let me give you an interesting quick piece. In Laos, you can actually do a graph and the graph on a curve, two parallel lines, one is the rice harvest and the other one is outbreaks of avian influenza in the migratory duck population. And we think about it not getting into commercial flocks, but the commercial flocks in Laos are herded into the rice paddies after harvest to do what we—we're having difficulty here.

Mr. SCHWARZ. I need to tell you, just in case you haven't spoken to somebody who's lived in Laos before, I lived in Laos, some years ago and it's very interesting. It's not the end of the world, Mr. Shipley, but you can see it from there. [Laughter.]

Mr. SHIPLEY. There's a tremendous parallel there.

Mr. SCHWARZ. The point being is that the migratory fowl are joining forces with the domestic fowl there and then they are traveling to other areas and carrying it with them. That seems to be what we are seeing, based on patterns.

This is the one method by which the people that have spoken with our World Health Caucus in the Congress have indicated that the mixing of migratory fowl with domestic fowl would be the way. They don't feel that it's crossed the big pond on either side yet, and we hope that doesn't happen. But that is what you're being told which is quite logical, the way that migratory birds could bring the virus to the United States.

Does that comport, Mr. Secretary, with what you're being told by your State veterinarians and your epidemiologists?

Mr. KAWAMURA. Yes, it does. There's a predictable model in the migratory pattern and it's been following that.

Mr. SCHWARZ. That's interesting stuff and I appreciate that it's obvious that you folks are right on top if it.

Mr. SHIPLEY. What's interesting about that is there's an extensive amount of testing going on up in the Bering Straits up in Alaska to verify that it is necessarily making that cross over.

Mr. SCHWARZ. But they have found it up there?

Mr. SHIPLEY. They have not found it. The big fear is that the migratory birds are here now. They're heading up there next month. It's next winter when they come back that there might be concern, so that continual testing has to occur.

Of note, is in 2005 APHIS, in cooperation with RCDFA testing 117,000 separate tests at various live markets, farms, flea markets and places like that throughout California only, just California, nearly 120,000 individual tests to make sure that we continue that monitoring process. So we're getting a lot of support from the Government.

Mr. SCHWARZ. All negative?

Mr. SHIPLEY. All negative for high path.

Mr. SCHWARZ. OK.

Mr. SHIPLEY. And that's what we care about.

Mr. SCHWARZ. And the other question would be, our friends to the north, in Canada, especially in the Vancouver area with a tremendously large Asian population, as you know, and I wonder if there have been any positive tests in the province of British Columbia yet?

Mr. SHIPLEY. Not of the H5—

Mr. SCHWARZ. Not of the H5N1.

Mr. SHIPLEY. Not of the H5N1. There have been other, well, there's actually a low path form of it, actually, wasn't there, I believe, back in late November, early December in one duck flock which was quickly quelled, but it turned out to be a low path version.

Mr. SCHWARZ. The conclusion that I can reach here, Mr. Secretary and again, Mr. Shipley, is that you're all over it. [Laughter.]

Mr. SHIPLEY. We're all over it and scared.

Mr. SCHWARZ. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. The gentleman from Colorado, Mr. Salazar.

Mr. SALAZAR. Thank you, Mr. Chairman. I just wanted the panel to briefly speak a little bit about their experience with the H-2A program and what problems you encounter with it. I know it's very cumbersome and burdensome program, but would you please address that?

Mr. PEREZ. Ask that question again?

Mr. SALAZAR. I was referring to the H-2A Program and what problems you encounter. I know it's a burdensome program. Do you have the adequate work force that you need, provided for you through this program to get your crops in and harvest and all?

Mr. PEREZ. Well, we haven't experienced any shortage of help to this point, but I think in the future, I think we can expect that because the hiring of illegal aliens is predominant in our area, not only in agriculture, but in other businesses such as restaurants and hotels. But yes, I think it can be a help to us.

But to go further than that, I think we need to reform our immigration law and come in with a better package for us to work with. If you go back to the late 1940's and the early 1950's, you found the Bresaro Program which was a workable program at that time, but apparently that is not workable at this time and sometimes I wonder why. Thank you.

Ms. ANTLE. Our company personally is currently farming in the Yuma, Arizona area and so as we are farming this time of year, many of the migrant workers try to come to work each day and what that means currently, with the difficulty of paperwork and documentation and everything they go through, they start lining up at 2 o'clock in the morning. By the time they're able to get to work, it's 6 or 7 o'clock in the morning and to produce our crops, you know, sometimes they're finishing at 2 and 3 in the afternoon and then they have to make the trek back across the border. This is a very obviously time-consuming and very exhausting program for these people. They want to come. They want to work an honest day for an honest day's wage and frankly, the people that are living in that area are not interested in those types of jobs, with construction being very popular right now. A lot of the laborers that would otherwise have been in our fields in prior years are moving into the San Diego area and doing—or even in the Yuma area, greater Phoenix area, where there's a lot of growth.

In our particular situation, we employ over 900 employees in our processing facility this time of year. We're losing on a weekly basis, about 9 percent of these people that—they just have given up on the border crossings, they can't do it. If you consider all of our incentives, we're at about \$11 with hourly wage, plus benefits. So there's quite an incentive for them to get across the border.

We personally do not feel that that's a workable situation right now and according to the industry, we can lose somewhere between \$5 and \$9 billion in annual production by not having these migrant workers available to us. It's significant.

We talked to Senator Chambliss last week, the Western Growers Group got together and he was talking about some type of a blue card system and I know they're working across the aisle on trying to find an answer to this, but there needs to be something done. We do need some help.

Thank you.

Mr. TRACY. I'll come at it from a little different angle. We have an adequate labor force in the United States. It's just that we have a better welfare system and there's no incentive for the people who participate in that type of—those programs to come out and do the type of work that is available, whether it's in agriculture or in construction. And projecting even further back to the issue going back into the middle 1960's when this program or when this problem first started to incubate and I look at the evolution of it, I'm amazed as an American citizen on how we've turned our back to our neighbor to the south. And the thing I've come to the conclusion is there's no strategic military value to that country to the south, so we haven't poured all the funds into that country, our neighbor, as we have Middle Eastern countries, specifically one Middle Eastern country, that is of strategic military value to us. And it's really a shame that we have not participated more and

helped Mexico create a viable middle class, rather than people being forced to come up here to the United States, leave their homes. Nobody wants to leave their homes. Mr. Lucas' relatives didn't want to leave their homes when the Dust Bowl forced them to California, which incidentally, Will Rogers said it improved the IQ of both States when that happened.

So it's a long-term issue. It does not, Congressman, answer your question on the H-2A and in California there are some additional burdens that will be placed upon us, especially on housing issues that is required on that.

Mr. HAFENFELD. I probably can't fairly address it because nobody really wants to work for us anyway. So we really don't, my industry, is not a big user there.

Mr. SHIPLEY. Our industry is not terribly dependent on foreign labor. We're much more stable workforce.

Mr. HAMM. Our industry is dependent on foreign labor, but we have somewhat of a different issue than let's say the vegetable growers. We have full-time year-round work in one area and so when you go to model an immigration package, we need to take into consideration that dairy has different issues than let's say the vegetable growers or cotton growers or field crops. So I would appreciate you taking that into consideration.

Mr. SALAZAR. Thank you, Mr. Chairman, I yield back.

The CHAIRMAN. I thank the gentleman. The gentleman from Iowa, Mr. King is recognized.

Mr. KING. Thank you, Mr. Chairman, and I will direct my question to Ms. Antle. In your processing operation down there near the border with 900 employees and a 9 percent attrition rate per week is some pretty astonishing numbers, how many years have you been in operation there?

Ms. ANTLE. Our company has been in business 22 years.

Mr. KING. And what was the makeup of your labor force when you began your operations 22 years ago?

Ms. ANTLE. Processing was much smaller, obviously, then, but still we did depend not only in the processing, but also in our grower base with people crossing the border to come to work. Although some of them were also already here with proper paperwork as well.

Mr. KING. My point then, I think that you've answered is that you have set yourself up to be dependent upon illegal labor from the beginning to some degree and that degree has expanded over the years?

Ms. ANTLE. We're required to get proper documentation, so as far as we're concerned they are as legal as they're supposed to be with this paperwork. So we don't question if they are or are not considered quote/unquote illegal.

Mr. KING. And should be required to use a basic pilot program, then would you be able to utilize that program and what would happen to your workforce if you only hired legals?

Ms. ANTLE. Well, that's what I'm saying. It's up to us to have the proper documentation and that's what we're required to do. What we're saying is we're so close to the border, these people want to come and work, isn't there a way that we can all get along and work with our neighboring areas because frankly, as you said in

this welfare society, we have a lot of people that it's called unskilled labor. Frankly, if you've done it, it's very skilled labor and not everybody wants to do it. You're working in 36 degree temperature processing facility and it's not exactly the most comfortable and conducive and so there's a lot of spoiled people in the United States that aren't interested in doing our types of work, both in the field and the processing facility.

Thank goodness, these people are interested. All we're asking you is let's just make it more accessible and help, like you said, help our neighbors and help the American farmer.

Mr. KING. Thank you, Ms. Antle. I would point out that there are 7.5 million people—echoing Mr. Tracy's statement, there are 7.5 million people on the unemployment rolls in America at any given time. There are another 5.3 million people that have exhausted their unemployment benefits, but are looking for work. There's another 9.3 million people between the ages of 16 and 19 that are not in the workforce even on a part-time basis. There are another 4.5 million people between the ages of 65 and 69, some of whom would go to work if there weren't disincentives based upon their pension. And then in between all those ages, not in the workforce between the ages of 20 and 65, there are another 51 million people that are simply not in the workforce. So that makes 77 million people in America that aren't working that we could hire from and by the numbers I'm looking at there are 6.3 million people, illegals, in our workforce. So that's—I don't know, do the math, on about 12 to 1 out there that we could hire 1 out of 12 that are not working we could solve the problem. They would have to move a little bit.

And then another point I'd make is there's an incentive now to hire illegals because many of them, and I get stacks of W-2 or withholding check stubs sent to me in manila envelopes picked up off the parking lot in a packing plant in Iowa and these will be check stubs of people who are presumably young males and the names would indicate that, that have taken a maximum number of dependents, so there's no withholding for their Federal withholding, no withholding for their State withholding, only their share of the withholding for the Social Security, Medicare and Medicaid, whereas the legal worker will have the withholding for Federal income tax, State income tax, Medicare, Medicaid, have the contingent liabilities of unemployment and workers compensation and potentially retirement program, healthcare program and the risk of having an American citizen that might file a suit against an employer. When you add that all up, it's not a rational decision to hire a legal employee in America anymore and I just list that because I see what you're up against here, but I think we also have to get back to the rule of law and I don't think we can get there painlessly.

Thank you.

Ms. ANTLE. Well, we welcome those unemployed people to come and apply. I mean this is open registration, open hiring and they just don't show up. It's very open, what all of us do in our areas. So it's not that it's hidden. It's very open.

And the other thing that we do is anybody that goes on unemployment when we move to a different area and we come back, we're required to offer that job back to them first. So we do work

very well with the Government in that way, it's just a matter of them coming and showing up.

Mr. POMBO. Will the gentleman yield for a second? I think we need to clarify for the record here, when you talk about the percentage of folks that are working for different people in California in terms of whether or not they have a legal status or not, it is against the law to knowingly hire someone that is illegal. So when they talk about their percentage of people that are illegal in this State, they really don't know because they could not hire someone that they knowingly were hiring someone that was in this country illegally.

So I think there's a little bit of a misperception going on here about what the workforce is because if any of you are knowingly hiring people that are illegal, you're breaking the law.

You have to have documentation from that worker when they come in to you. I have to, you have to. And anybody that's doing something different is breaking the law. So it's not a matter of them knowingly hiring people illegally. They meet all of the State and Federal laws in terms of their workforce.

We all know there are a certain percentage of them have forged documents or fake documents and that is something that we're dealing with in the State of California as well as Texas and other places, but they are not knowingly hiring people that are in this country illegally. I'm reclaiming my time.

Mr. KING. That was the purpose for my question about utilization of the basic Pilot Program or the Employment Verification Program and I think reading between the lines it would be an entirely different story if that were, if that part that we passed out of the House of Representatives became law. I think we'd have a different answer to the question today.

The CHAIRMAN. The Chair asks unanimous consent for yielding himself an additional 5 minutes so he can yield it to the gentleman from California, Mr. Nunes. Without objection, the gentleman is recognized.

Mr. NUNES. Thank you, Mr. Chairman. I don't want anyone to leave here, particularly Members from across the country, to leave here and I think if you were to listen to the panel, the question would have been asked about Guest Worker Program to the previous panel, I think nearly everyone on that panel has said there is a major, major workforce shortage to go out and pick vegetables and fruits and nuts, particularly in the summertime. In my district, we left grapes on the vine this year for the first time ever. And so there is a serious labor shortage. Where we go with illegal immigration and how we fix it, that's another question, but I think everyone on this panel and the panel previously would support a Guest Worker Program of some kind, is that correct? Does anyone disagree that we need a Guest Worker Program on this panel?

Mr. PEREZ. No question, we do.

Mr. NUNES. So I didn't want anyone here to leave here thinking that there is not a shortage of workers.

Mr. CARDOZA. Mr. Nunes, would you yield for a moment?

Mr. NUNES. Sure, Mr. Cardoza.

Mr. CARDOZA. I just want to echo your statements and I want to make two clarifications because Mr. Tracy, your testimony with re-

gard to welfare opportunities, I think is a little bit dated. A few years ago, we passed a welfare reform bill where you can't be on welfare for more than 2 years. We have declined the welfare rolls in this State by a substantial number and virtually it is very difficult to still be on welfare for an extended period of time. And under your rules I think your answer was correct. I think in this day and age today, it's a little bit different.

The second thing is I want to echo Devin's statement about we received testimony last week from a different group of growers in Fresno where I think that one fig grower simply didn't pick their crop this year because they couldn't find folks to pick their crop. They didn't do that because they didn't try. They tried to find workers and couldn't. So I think that there is a substantial labor shortage and we have virtually every CEO of every major production operation, agriculture production operation in the State in Fresno last Thursday telling us that there was a major problem and that we were going to have an absolute crisis if some kind of mitigation didn't take place.

So thank you.

Mr. NUNES. Thank you, Mr. Cardoza. I have a brief question for Mr. Hamm. You didn't discuss it in your testimony, but this committee has been very supportive of a bill that myself, Mr. Pombo, Mr. Cardoza has been working on and that is to fix this loophole in Federal law that allows people to exploit the marketing system. I'm sure you're very familiar with it. And I just wanted to note that Mr. Peterson and Mr. Goodlatte have been very supportive of getting this bill out of committee and we've been trying to get it to the floor.

Mr. Hamm, if you could just briefly talk about the seriousness of this problem and what it could pose to other members who maybe aren't experiencing the problem now, but how this process of exploiting the Federal marketing orders could be exploited in other parts of the country.

Mr. HAMM. OK, at present there is a bottler in Yuma, Arizona and he's in between a Federal order and State order. And he's bottling fluid milk to go into a class 1 market which would be LA, San Diego market. And so in my opinion he's taking, he's not paying into the Federal order in the Arizona pool. He's not paying into the California pool. He's somewhere in between and he's just using loopholes and he can undercut our bottlers by not being part of the pool.

If you think it's only a California problem, just wait because you have areas back East and in the Midwest where you have—where the pools don't exactly meet. All you have to do is put the plant in that area and you'll have the same situation in Chicago and Columbus and all the other major milk destination areas.

Mr. NUNES. Thank you, Mr. Hamm. I just wanted to bring that up because hopefully this is something that we can get off the table before the next farm bill. I know the chairman wants to get this fixed and I want to thank both him and Mr. Peterson for their continued support. Thank you to all the panelists.

Mr. HAMM. And I want to thank you for bringing it up.

The CHAIRMAN. That's the first time I ever heard that subject.

I want to thank the gentleman from California, Mr. Nunes, for his dedication to resolving that issue and we certainly have worked long and hard with him to try to get it resolved and we'll continue to do so until we do get it done.

On the issue of guest worker programs and agricultural labor, let me say this is a very important issue. The Congress is attempting to address this as part of a comprehensive immigration reform right now, and unfortunately, the Agriculture Committee does not have primary jurisdiction over the issue, so it's not likely to be in our next farm bill, but we'll continue to work with the Judiciary Committee. I happen to serve on the Immigration Subcommittee of the Judiciary Committee and we have been struggling with this for a long time, as has the gentleman from California, Mr. Pombo.

I have legislation that has a real Guest Worker Program. No amnesty. Eliminates the adverse effect wage rate and would enable people to travel back and forth across the border to engage in the kind of labor that is needed here in California and then return to their native countries where they can, I think, enjoy a lower cost of living, be where their family is or extended family and not engage in some of the perilous practices that occur now with people coming across the border and risking life and limb and their families to do so. So we'll continue to address that problem as well.

Are there any other members of the committee who have questions?

The gentleman from Texas, Mr. Neugebauer.

MR. NEUGEBAUER. Thank you, Mr. Chairman. I'll be brief here. I'm sorry I didn't hear some of the opening testimony, but Mr. Hafenfeld, I did notice you brought up something in your written testimony and I don't know if you talked about it in your oral testimony about the Emergency Conservation Program, particularly where you've had some wild fires. In my district, we recently had very dry conditions and probably lost 40,000 to 50,000, maybe more, acres of grazing CRP, fences, outbuildings and one of the things that we are discovering is the fact that a lot of people thought they had insurance that they didn't have and particularly some of their home owner's policies they thought covered more of their outbuildings. But particularly on the fencing, we've lost a lot of fencing and I've been hearing some stories about how that program is being applied, particularly, depending on the age of the fencing and what the reimbursement rates are.

Could you kind of, for the committee, maybe elaborate a little bit on some of those issues? I certainly think this is something that we're going to want to work when we redraw this new farm bill.

MR. HAFENFELD. Yes, our experience here in California with the fires that we did have, trying to work under the Emergency Conservation Program, our growers here had a tremendous amount of difficulty working with that because it didn't cover handling facilities, reseeding of rangelands or the rebuilding of most types of fences, which obviously with a range on fire are generally the expenses that are incurred by producer, not including the loss of livestock. And so it became very difficult for those that were heavily impacted to qualify under that program for really any type of help. And I think where we are—for these reasons, we believe it would be particularly helpful for our producers to have a better program

that would be wider in scope in dealing with fires, just as you are in Texas and Oklahoma today. So we really struggled with that.

Mr. NEUGEBAUER. I also noted in your written testimony, I apologize again if I'm being redundant here, you didn't really talk much about market access, new markets, Japan, some of those issues in your oral testimony.

Mr. HAFENFELD. I did not. I mean I could probably write chapters on that, but certainly, we did support CAFTA because we thought CAFTA was one of the first free trade agreements that actually leveled the playing field for our industry. Certainly, that program was a win-win for our cattle industry. It wasn't a big win, but it was a win. And we would support those types of free trade agreements that certainly level the playing field.

Like all of us, we're very disappointed in the fact that the Japanese have closed the trading—the border with us again. In my personal opinion, I think we just need to go by them to the point and I think we can add value to our livestock today by concentrating our efforts on those countries that really are willing to work with us and by sending product that we don't use a lot of here. I call them tertiary product, short ribs, the flanks, the briskets and so on that other countries are certainly willing to accept.

And today, we're grinding a lot of that up and as we open up more Pacific Rim countries I think that we'll add value there. I certainly, as an industry, we're very, very frustrated with Japan. I think they're way off key in closing the border on us this time. Very, very minor infraction and they slam the door on us. How much long are we going to be patient.

Mr. NEUGEBAUER. Final question. Animal I.D. There's an effort going on right now to work more from a voluntary standpoint, pilot programs are in place. What are your thoughts on that?

Mr. HAFENFELD. Well, the position of the California Cattlemen's Association is that we do support animal I.D. if it's market-driven, meaning that if there's a branded program that would require individual animal identification from the point of origin to the point of retail and it creates opportunity for market incentive and it pays for the program, then we're all for it.

I think voluntarily it's a better program in that regard. My personal opinion, and this may not set well with a lot of folks, but we've had basically two cases of BSE in this country. One of them was an imported animal, one of them was in Texas that was actually a cross-bred cow. I thought we responded pretty good. I thought USDA did a pretty darn good job and within 72 hours we kind of knew where those cattle came from.

So how many millions of dollars are we going to spend on individual animal I.D. on a very, very difficult program to implement, especially when you go across the board and you're talking about all species? And following these animals all the way through the processing? I mean we are the largest producer in the world and other countries that claim that they have individual animal I.D. programs that are successful, that are much smaller producers indeed are not truly successful.

So I think we have to approach this very cautiously with tremendous amount of industry input or we're going to create a huge

nightmare for those of us that mainly keep our head down and our rear end up.

Mr. KING. And finally, in response to Mr. Peterson and that little dialog and I don't want to get too deep into that, but I am thankful for stricter environmental laws in California because I've been getting some of the dairy folks from California out in West Texas and now we've become one of the fastest growing dairy areas in the country. So I kind of—I approach that with mixed feelings as you can imagine, but thanks again for this panel.

Mr. Chairman, thank you.

The CHAIRMAN. I thank the gentleman. I want to thank all the witnesses who testified here today and I appreciate their very careful consideration in preparing for today's hearing.

I'd also like to thank Tara Bulzomi, the event manager here, at the Stockton Arena and our outstanding bipartisan House Agriculture Committee staff for all the hard work that has gone into making this hearing possible.

Let's give all of them a round of applause.

[Applause.]

The information that you provided here today will be very helpful to us as we begin this review process and we look forward to maintaining an open dialog with and your fellow producers across the country as we consider the next farm bill.

The record will remain open for 30 days. Anyone who would like to submit a written statement for our consideration is welcome to do so. Please see our clerk, Lindsey Correa. Lindsey, raise your hand. For more information on submitting a statement, if you wish to do so, that's anybody in the audience who didn't get an opportunity to testify, but wanted to have you comments considered by the committee, please see Lindsey after the meeting.

Without objection, the record of today's hearing will remain open for 30 days to receive additional material and supplementary written responses from witnesses to any questions posed by a member of the panel, this hearing of the Committee on Agriculture of the U.S. House of Representatives is adjourned.

[Whereupon, at 12:22 p.m., the hearing was adjourned.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF BEN GOODWIN

Thank you for the opportunity to submit the following thoughts on Federal farm policy. My name is Ben Goodwin and I am the executive manager of the California Beet Growers Association. The Association is headquartered in Stockton, California and respectfully submits this statement to be a part of the proceedings from the March 3, 2006 hearings in Stockton, California.

California is the home of the first successful sugar beet processing plant in the United States. This plant was in Alvarado, California and originally built in 1880. During the last 126 years, sugar beets continue to be the foundation for many farm operations in California; however, their importance to the State economy has declined over the past 20 years.

The decline is not because California growers are not productive. California beet producers have always had a yield of sugar-per-acre advantage over other U.S. producers because of the temperate climate in California. Today, the remaining growers in the State produce an average yield of 38 tons per acre compared to the national average of less than 23 TPA. California growers, like other American sugar beet and cane growers, are the best in the world at what they do—high yields, low cost production.

In the mid 1980's there were over 200,000 acres planted to sugar beets in California. Today there are less than 50,000 acres planted in the State. The last decline in sugar beet production in the State was because of urbanization and poor business decisions made by the processor.

Today the plant sites are in Mendota, in the San Joaquin Valley, and Brawley in the Imperial Valley. They are important contributors to the economies of the small valley towns where they are located and provide jobs in communities where unemployment is high.

The farm gate value of sugar beets in California is approximately 66.7 million dollars and when the sugar and by-products value are added, sugar beets in California contribute \$130.8 million dollars to the California economy.

Our concerns about the Farm Policy are that it appears our government is more concerned about foreign producers than they are about American farmers.

In the last few years, a number of trade agreements have been passed that guarantee access to foreign producers whether the U.S. needs the sugar or not. The U.S. producers are allowed to supply what is left of the market. Each trade agreement that passes with additional commitments to import subsidized sugar, be it NAFTA, CAFTA, Peru and Colombia FTAs, dooms more U.S. sugar workers and growers. Import more foreign sugar; export more American jobs. These trade agreements should not take away the American sugar farmer's ability to exist, to compete for the U.S. sugar market or to have a place alongside other commodity programs in the farm bill.

The U.S. sugar policy is working for American taxpayers and its design operates at no cost to the taxpayer. In fact since 1991, government outlays for other commodity programs have totaled \$215 billion. The U.S. sugar program has generated net revenues over the same period of \$110 million. Sugar growers receive all their income from the marketplace. They receive no income support from the government when prices fall.

It is no secret that sugar prices have increased over the past few months. These increases in the U.S. have been from weather-related problems, mainly in Florida and Louisiana, and world-wide concern about product availability has driven the world price of sugar to nearly three times the normal average. History has shown that these types of price increases are followed shortly by drastic price reductions that drop the price below production costs. It is necessary to continue a farm program to moderate price fluctuations especially in times where high energy prices are affecting the economy. Long term, the program must be assessed and adjusted to meet the international trade rules and changes in the world-wide sugar economy.

I appreciate the opportunity to express the views of the California Beet Growers Association. In California, over 99 percent of the sugar beet growers are members of the Association.

STATEMENT OF ROBERT FERGUSON

Thank you, Mr. Chairman, and other distinguished members of the House Agriculture Committee, for coming to California. On behalf of the California Asparagus Commission (CAC), I want to welcome you to California's San Joaquin County. I greatly appreciate the opportunity to testify on agricultural issues that will be addressed by Congress in the 2007 farm bill, and will focus specifically on the asparagus and hay industries.

California asparagus growers face an extremely difficult situation at this time and the future of our industry is highly uncertain. The statewide acreage of asparagus has declined from a high of over 37,000 in 2000 to an estimated 22,500 acres in 2006. It is extremely difficult for our growers to remain competitive in today's increasingly globalized market. We face rising input costs, including those for labor, workers compensation insurance, energy and crop protection tools, while we simultaneously see market prices for fresh asparagus remain stagnant or even decline. Today, we must compete directly against foreign growers who have substantially lower input costs, receive duty-free or preferential access to our market, and many of whom receive government subsidies or are not as heavily regulated as are U.S. growers.

Competing against subsidized and less-regulated foreign growers without being able to control input costs or raise prices is threatening the economic viability of California asparagus growers. It is also important to keep in mind that asparagus is a perennial crop, and thus growers are committed to producing the crop for about a dozen years. This makes it very difficult to make quick changes in production, which makes the current challenges facing us even more difficult to manage.

It is imperative that Federal agriculture policy be modified in the 2007 farm bill to address the challenges that asparagus growers now face. I know that Congress took a small step towards addressing specialty crop issues when it approved the Specialty Crop Competitiveness Act (H.R. 3242) in 2004, and I want to thank you, Mr. Chairman, and other committee members for your support of this legislation. However, much more remains to be done to address the issues of importance to California asparagus growers, and the 2007 farm bill legislation must address our concerns. Moreover, while there has been some talk of postponing Congress's consideration of the farm bill beyond 2007 due to the WTO trade talks, I want to make it clear that any delay would be unacceptable to the asparagus industry. Congress must approve a farm bill that addresses the needs of our growers in 2007.

INTERNATIONAL MARKET ACCESS

One of the major problems now confronting California asparagus growers is a lack of access to foreign markets due to trade barriers, while we face rapidly increasing imports in the U.S. domestic market. Imports of fresh asparagus into the U.S. have increased nearly 300 percent in terms of volume, and by nearly 400 percent in terms of dollar value, from 1994 through 2004. Meanwhile, U.S. exports of fresh asparagus have declined by roughly 50 percent in volume and value during the same period. This imbalance between imports and exports must be addressed by Congress in the 2007 farm bill.

Over the past decade, U.S. fresh asparagus exports have declined dramatically because we have had major problems exporting to the largest foreign markets, including the European Union, Japan, and Taiwan. These and other countries have employed phytosanitary trade barriers that are of highly questionable scientific validity to block U.S. fresh asparagus exports. For example, Japan requires fumigation procedures for many U.S. fruit and vegetable products, and asparagus received the highest losses from these fumigation techniques compared with other crops.

It is imperative that the 2007 farm bill address the problem of phytosanitary trade barriers for California asparagus growers. We believe that an expansion of the Technical Assistance for Specialty Crops (TASC) program, which was first established by the 2002 farm bill, would be very beneficial in this regard. The TASC program currently is funded at \$2 million per year in mandatory spending. However, estimated demand for the program is about \$7 million per year and growing. As you know, the Specialty Crop Competitiveness Act (H.R. 3242), as enacted by Congress in 2004, authorized an additional \$2 million in funding for the TASC program. However, Congress has not provided any additional funding to date through the annual appropriations process, despite the authorization included in the Specialty Crop Competitiveness Act. We appreciate the past support of this committee for this program, and we need your support for increased funding for TASC in the 2007 farm bill.

The Market Access Program (MAP) is another key initiative contained in the farm bill that is working for our growers. Our industry has been successful in utilizing MAP funding to help promote exports in foreign markets in which we do have some access. We greatly appreciate the support of members of this committee for an effective MAP, and we urge you to provide greater funding for MAP in the 2007 farm bill. We believe more funding for MAP is a prudent investment that will translate into greater levels of exports of asparagus that will help us maintain a competitive position in global markets. We recommend that the current level of \$200 million per year for MAP be increased to \$325 million.

AGRICULTURAL LABOR

Another major issue for California fresh asparagus growers is the high cost of labor, which is a major input—approximately 75 percent or more of our input costs. Asparagus growers would greatly benefit from the introduction of mechanized technology that would substantially reduce our cost of labor. This would greatly improve our competitive position within the global marketplace. One area in which Federal agriculture policy should be improved to help sustain California asparagus growers is to expand and accelerate research into mechanized technologies that could help us reduce labor costs. We would greatly appreciate the opportunity to work with members of this committee in this area in the 2007 farm bill.

CROP PROTECTION

Another major concern of the California asparagus industry is the loss of effective crop protection tools due to the enactment of the Food Quality Protection Act. This Federal law, while providing benefits to the America public as a whole, has resulted

in increased production costs for our growers. In order to help mitigate the adverse impact of FQPA on asparagus growers, USDA should focus more research on identifying and developing alternative crop protection tools that are both economical and environmentally sustainable. Increased or more targeted Federal research in this area is critical to the long-term competitive success of our industry. Again, our industry urges this committee to address this concern in the 2007 farm bill.

SPECIALTY CROP BLOCK GRANTS

Congress should enact a strong Specialty Crop Block Grant program as part of the 2007 farm bill. In 2001, Congress enacted legislation that provided approximately \$160 million for Specialty Crop Block Grants. These grants must be used to support agricultural research, commodity promotion, nutrition education, export promotion and other programs that enhance the competitiveness of specialty crop producers. Each State receives a minimum level of funding, and the grant allocations are made according to the proportion of the value of specialty crop production in the State. The funds may not be used to provide direct payments to producers.

The Specialty Crop Block Grants have proven to be successful in addressing issues of concern to specialty crop growers because they allow resources to be directed to areas of need with the assistance of the State departments of agriculture working closely with growers. Specialty Crop Block Grants are a flexible method of providing resources for initiatives to assist our growers in addressing many of the issues outlined above.

As you know, the Specialty Crop Competitiveness Act of 2004 authorized a Specialty Crop Block Grant program at \$44.5 million per year. For fiscal year 2006, Congress appropriated \$7 million for this program. It is imperative that dramatically increased funding be provided for the Specialty Crop Block Grants. The National Association of State Departments of Agriculture estimates that the unmet demand from the States for block grants in 2001 was over \$1.3 billion. Our growers urge this committee to provide more funding for the Specialty Crop Block Grants in the 2007 farm bill, and we would appreciate your working with us to establish the proper level of funding.

To conclude, we urge you to take a proactive approach to enacting policies and allocating Federal resources that will assist asparagus and other specialty crop growers across the Nation to maintain competitiveness in global markets. Our growers look forward to working with you in crafting a farm bill that achieves this objective.

Thank, Mr. Chairman, for this opportunity to testify before you today.

STATEMENT OF G. STEPHEN HOLADAY AND ALAN KENNETT

Good afternoon, Mr. Chairman and other distinguished Members of the House Committee on Agriculture, I am G. Stephen Holaday, Plantation General Manager, Hawaiian Commercial & Sugar Company (HC&S) accompanied by Mr. Alan Kennett, President and General Manager of Gay & Robinson.

HC&S grows sugarcane on the island of Maui where more than 200,000 tons of sugar is produced annually. HC&S is one of the largest employers on Maui with over 900 employees. HC&S is one of the two remaining sugarcane companies in Hawaii.

The Robinson family partnership grows sugarcane and raises cattle in Hawaii. Our sugarcane is grown on the island of Kauai and we employ over 300 people. We regard ourselves as sugarcane companies rather than sugar companies. This distinction is significant as we view ourselves as producing multiple products from our crop—not just sugar.

In the 2002 farm bill, the United States Congress, by resounding majorities in both chambers—71 percent of the votes cast in the Senate and 57 percent in the House—passed a successful sugar policy which is unique among U.S. commodity programs. Under all commodity programs, the government offers farmers operating loans which they can satisfy by repaying the loan with interest or by forfeiting to the government the crop they put up as collateral. While other programs also provide income support to farmers when market prices fall below the loan rate, sugar policy does not and is designed to run at no cost to the government by avoiding loan forfeitures.

Sugar policy is an inventory management program. The Secretary of Agriculture has two tools to manage the market: a WTO-legal tariff-rate quota (TRQ) to control imports and a marketing allotment program to control domestic supplies.

The retention of this sugar program in the 2007 farm bill is necessary for our long term viability in Hawaii. As we pursue expanding our revenue base and minimize our dependence on commodity sugar for income, the reality is, the process takes time. Much of the technology has not yet been developed that will result in a profitable business future. For example, we are currently undergoing the final stages of planning a molasses to ethanol venture. The process is well known. However, in Hawaii, a major issue is what to do with the vinasse or wastewater from the process. In ethanol plants in the Midwest, as well as plants in India, the evaporation to livestock feed is a common practice. The size of our plant (large for Hawaii but small to the rest of the world) makes this process energy intensive resulting in a possible negative business decision. Areas such as Brazil use land application. U.S. EPA and our local Department of Health rules will make that practice cost prohibitive. It should also be noted that it takes a minimum of 38 months between deciding to construct and then actually obtaining all of the permits to make the venture a reality.

It is critical that the no-cost sugar program be retained in the 2007 farm bill in order to provide support to our industry through the transition. Otherwise, just as has occurred at other locations within our State, our farm will not be able to sustain itself until the change occurs. It is unfortunate that as the Nation moves towards the production of renewable energy, we see Hawaii's renewable energy production fall. In the 1980's some rural areas in Hawaii had over 60 percent of their electrical production from renewable resources, specifically sugarcane bagasse. Today, those communities are totally dependent on fossil fuel as the sugar companies have gone out of existence. Our company originally supplied all of the community's electricity using biomass fuels but as needs expanded; we moved into providing seven percent of the islands' electricity in addition to our own internal requirements—all using residues from our sugar operations. We expect to expand this capacity.

The 2002 farm bill included provisions that required a study to determine impacts, especially in the area of transportation and irrigation, to Geographically Disadvantaged Farmers and Ranchers. The findings have been reported and implementation programs in response to the study are needed. Our remote location limits our transportation options to get our goods to market or to import our agricultural inputs yet we are paid the same (or less in the sugar policy), thereby making us less competitive in the marketplace. In the area of irrigation, support available to the arid Western States is denied us, despite Hawaii and Alaska's position in the Western United States. Parity in programs addressing United States Agriculture is needed.

The USDA-NRCS has programs that are important to help conserve soils and maintain water quality in our oceans and streams. We urge science based research to guide the development of water quality standards and increased collaboration between Federal and local authorities in establishment of standards and implementation of programs. The current adjusted gross income (AGI) limitation associated with Conservation programs makes us ineligible for assistance. Every acre of legitimate farmland should be eligible without regard to the total adjusted gross income. High adjusted gross income numbers do not necessarily translate to highly lucrative farm operations. Incentives should be available to all legitimate farmers—the question asked should not be how much money is the farm making but rather whether the land involved for assistance under this agricultural program is really being farmed.

Sugar policy in this country is working for the U.S. consumer and taxpayer, and gives American sugar farmers a chance to survive. Prior to Hurricane Katrina, Congress was gearing up for a budget reconciliation bill requiring major cuts in all Federal Government programs including agriculture programs. Due to this devastating storm, the Federal Government has responded by providing more than \$60 billion in disaster aid to date with hopefully more to come as the difficult process of reconstruction continues in Mississippi, Alabama and Louisiana. Such spending puts more stress on a budget that is already facing cuts in a budget reconciliation bill. Now, more than ever, it is essential that a no-cost U.S. sugar policy be retained as a part of the new farm bill. We appreciate this opportunity to provide input into this important process. Inclusion of sound sugar policy in this bill and associated programs that will facilitate biofuel development using sugar-based crops is essential to keep our farm in business. Without a farming business as our primary goal, we will have open space but not agriculture.

STATEMENT OF AL MONTNA

Good morning, Chairman Goodlatte, Ranking Member Peterson and Members of the committee.

I am Al Montna, a rice producer from Yuba City, California. I serve on the Board of the California Rice Commission, which represents the entirety of the state's rice growers, milling and marketing organizations. I am also speaking on behalf of the USA Rice Federation and the U.S. Rice Producers Association, which represent rice growers and handlers across the nation. I also serve as Chairman of the California State Board of Food and Agriculture.

Thank you for holding this hearing and for the opportunity to express our views on farm policy and the farm bill.

As Congress holds these hearings in preparation for the next farm bill, the U.S. rice industry supports maintaining an effective farm safety net that includes a marketing loan program, as well as income support payments and planting flexibility.

Overall, continuation of the Farm Security and Rural Investment Act of 2002 (2002 Farm Act), with its strong safety net and planting flexibility provisions, is the best policy for the rice industry.

At this time, rice producers and others in production agriculture face an uncertain farm policy and personal financial future due to repeated proposals to cut our farm programs and the ongoing Doha Round World Trade Organization (WTO) negotiations.

For these reasons, the U.S. rice industry supports an extension of the 2002 Farm Act in its current form until such time as the World Trade Organization provides a multilateral trade agreement that is approved by the U.S. Congress.

The 2002 Farm Act continues to provide rice producers with a safety net based on direct payments, counter-cyclical payments, and marketing loan benefits.

Without a doubt, the 2002 Farm Act continues to be a sound, effective investment in farmers and rural communities. More importantly, consumers benefit from the most stable, safe, abundant, and affordable food supply in the world.

The 2002 Farm Act's safety net needs to be continued in the next farm bill. National food security justifies it. Prolonged price spikes for key farm inputs of fuel and fertilizer, which are eroding farm income rapidly, also reinforce the need for reauthorization of the Act's safety net.

For this Nation and its citizens, food security is as compelling a national resource as are energy and military security.

GOVERNMENT SUPPORT TO U.S. RICE PRODUCERS

THE FARM SAFETY NET & NATIONAL FOOD SECURITY

For nearly a century, one of the primary goals of agricultural policy has been to provide farmers with a safety net that helps them during periods of low market prices, while benefiting the nation's consumers.

2002 FARM ACT EXTENSION

In February of this year, all six States of the U.S. rice industry met to discuss priorities and issues for the industry. Preservation of a strong safety net for production agriculture, as provided by the Farm Security and Rural Investment Act of 2002, is the number one issue for the industry. As such, the industry adopted the following resolution:

"Until such time as the World Trade Organization provides a multilateral trade agreement that is approved by the U.S. Congress, the U.S. rice industry seeks the extension of the 2002 farm bill in its current form."

There are a number of key factors that support extending the 2002 Farm Act until a final WTO agreement is in place.

1. Any reduction of the current programs and spending levels of the farm bill will result in the effect of "unilateral disarmament" by the U.S. and ultimately weaken our negotiating position with other countries. The current safety net should be maintained until a final WTO agreement is reached and approved by Congress.

2. Writing a new farm bill in advance of a final WTO agreement could result in a very short-term bill that must be rewritten once WTO negotiations are concluded and the new trade rules are known. Multiple farm bill authorizations in a short timeframe will weaken the predictability and stability that are key components of any effective farm safety net. This predictability is a key requirement for the lending community that provides financing for production agriculture and any changes that inject uncertainty into this safety net will lead to financing difficulties.

3. The current farm bill is working as it was designed in a counter-cyclical nature. It is a fiscally responsible approach to farm policy and provides a safety net when needed. As such, congressional estimates of commodity program (CCC) spending through 2005 range from \$13—19 billion below the levels estimated by the Congress-

sional Budget Office (CBO) when the bill was approved in 2002. Total commodity spending for 2002–07 is projected to be below the total level estimated in 2002.

As you know, there have been two measures introduced in the U.S. House of Representatives to extend the 2002 farm bill. H.R. 4332, introduced by the ranking member of this committee, Representative Collin Peterson, would extend the 2002 farm bill for 1 year, and possibly up to 2 years if legislation to implement a WTO agreement is not presented to Congress by January 15, 2008. This would ensure that Congress is not attempting to write a new farm bill while WTO trade negotiations are continuing and without knowing the final rules of a new WTO agreement.

In addition, H.R. 4775, introduced by Representative Mac Thornberry, would extend the 2002 farm bill through the crop year after Congress approves a WTO agreement. This would allow Congress the time necessary to write a new farm bill that would be compliant with an ultimate WTO agreement, whenever that agreement may be reached.

COMMODITY PROGRAM POLICIES

Commodity programs are vital to the U.S. rice industry's survival. The industry believes the following policies must be continued:

- Provide U.S. farmers an effective safety net
- Support the rice program levels authorized in the 2002 Farm Act and oppose reductions in program benefits
- Maintain planting flexibility.
- Continue marketing loan and loan deficiency payments structure and the certificate program.
- Continue to establish loan rates at no less than \$6.50 per cwt.
- Support an income safety net for producers through a program including countercyclical income support, direct payments and marketing loan program.
- Compensate producers for current and future conservation/environmental practices that enhance water, soil, and air quality and wildlife habitat.

For the typical family farm that produces rice, economic survival is dependent upon a number of factors:

- An effective farm program, such as the Farm Security and Rural Investment Act of 2002, that provides basic support through marketing loan eligibility for all production and income support through counter-cyclical and direct payments;
- for rice operations of all sizes to maintain eligibility for farm program benefits;
- development and expansion of global markets.

The price for U.S. rice is driven by world market conditions. International rice markets are highly volatile, thinly traded, and heavily influenced by interventionist policies in other nations as well as some aspects of U.S. foreign policy.

In recent years government payments to rice producers have increased, as low market prices increased producers' need for the income safety net provided by the 2002 Farm Act. This result is consistent with Congress' intended design of the Act.

The 2002 Farm Act's rice program includes:

- the loan rate, at \$6.50/cwt, which has remained unchanged and has been frozen at the current level since 1989, despite an increase in the cost of production, in particular the large price spikes that began in 2005 and continue into 2006;
- direct payment rates, which were increased marginally, from \$2.05/cwt at the end of the 1996 Farm Act to \$2.35/cwt under the 2002 Farm Act;
- the target price of \$10.50/cwt, on which the counter-cyclical payment program is based; the \$10.50 target price is actually lower than the target price of \$10.71 used under the 1990 Farm Act (the 1996 Farm Act contained no provisions for a target price), and substantially below the average target prices administered in either the 1981 or the 1985 Farm Acts.

The 2002 Farm Act was written during a period of extreme financial stress for rice growers. By 2001, average market prices had fallen each of the previous 4 years, to less than half (more than 56 percent below) 1996 levels, a time when rice prices had peaked. While prices have improved somewhat under the 2002 Farm Act, according to USDA, farm prices for rice in 2005 still remain more than 22 percent below the level received 10 years earlier (1995), and nearly 13 percent below the average farm price received over the 5-year period between 1995 and 1999. In the meantime, production costs continue to rise, as operating costs (including hired labor and all other variable expenses) have increased nearly 30 percent just since 2000. Rising costs of fuel, fertilizer, and other necessary inputs are expected to push production costs even higher in 2006.

The planting flexibility and elimination of government stock holding that is central to the 2002 Farm Act is specifically designed to allow farmers to respond to market signals so that the long-term costs of government intervention—including

costs associated with stock holding and related market inefficiencies—are minimized.

This planting flexibility policy needs to be continued in the next farm bill.

Though U.S. rice prices are influenced heavily by world market conditions, local supply and demand conditions still play an important role in determining farm prices.

In recent years, U.S. rice stocks have returned to reasonable levels despite a decline in market prices. And, since at least the mid-1990's, the stocks-to-use ratio has followed the expected relationship of rising in periods of low prices, and falling as prices improve. This outcome is the direct result of the current policy that puts marketing and production decisions squarely in the hands of farmers, and allows the market to clear by adjusting supplies to match market demand.

RICE PRODUCTION COSTS

Production of rice is quite costly. It requires precision irrigation for efficient production, and intensive use of other production inputs.

According to data compiled by USDA's Economic Research Service, variable costs of production in 2005 exceeded \$400 per acre, the highest of any major field crop. Variable costs of production in 2006 are forecast to exceed \$422 per acre. These costs are substantially higher in some areas, such as California, which has strict environmental standards and inflationary land prices.

Chart 1: Fertilizer, Fuel and Irrigation Costs 2002–06

These higher costs of production are having a direct impact already on 2005 crop returns and will impact producers' 2006 crop planting decisions and returns.

Even with the safety net in place, we have experienced much higher production costs. In particular fuel and fertilizer costs, have risen sharply and will continue to reduce rice profitability far below levels previously expected.

The current programs do not ensure individual rice farms can make a profit, and in the face of rising production costs many farmers—especially those who must rent much of their land—can experience significant losses despite the current farm programs or the recent improvement in market prices from their historically low levels.

While the farm price of rice strengthened in recent years, production costs have increased to their highest levels in history, eroding much of the benefit that farmers would normally expect from improved market prices. As a result, the average producer is barely able—and in some cases unable—to cover the costs of production.

In periods of low market prices, the marketing loan program provides important protection by helping to ensure that producers can cover their basic operating (i.e. variable) and ownership (i.e. taxes, insurance and depreciation) costs after the crop is harvested. Any reduction in the loan rate would leave producers vulnerable to being unable to cover production expenses when market prices fall, particularly as production expenses continue to rise as rapidly as they have in recent months.

The extent to which government programs—particularly the loan rate—assist rice farmers with market losses is in fact quite modest, particularly in light of rice's naturally higher production costs, which include extraordinary irrigation, land-leveling, and other management costs.

Marketing loan levels were raised for all major crops except soybeans and rice in the 2002 Farm Act. As stated previously, rice has maintained the same loan rate since 1989.

Farm policy, therefore, must recognize the fundamental differences in per acre costs of production in high input, high yielding crops such as rice.

GOVERNMENT PAYMENTS THROUGH RICE MARKETING COOPERATIVES

Approximately 45 percent of all rice commercially produced in the United States is marketed through farmer-owned cooperatives, with three accounting for the vast majority of sales.

Marketing cooperatives provide an important service to rice-grower members, allowing them to reap the benefits of large-scale, sophisticated marketing systems while maintaining their independence and sharing profits generated from the rice milling and sales:

- All government payments collected by rice cooperatives are passed directly back to the individual members that produce the rice sold by the cooperative; none of these payments are retained by the cooperative itself.
- Cooperatives only collect government payments associated with the marketing loan program. Direct payments, counter-cyclical payments, and disaster payments are the sole responsibility of individual farmers who must sign up for these programs.

- The cooperatives are legally responsible for ensuring that all of their farmer members eligible for marketing loan program benefits are in compliance with all program rules and regulations, including payment limitation provisions.

It has been reported that rice cooperatives are one of the largest beneficiaries of farm support programs. However, given that each of these entities are comprised of thousands of rice grower members, the reality is that the average government payment received by each member through rice cooperatives was under \$19,000 in 2003, and under \$2,500 in 2004. This is well below the current \$75,000 Federal payment limit for marketing loan program benefits.

A NOTE ON FARM PARTNERSHIPS

A similar clarification needs to be made about payments to rice farmers that occur when the farms receiving payments are in fact partnerships or corporations that could have several shareholders.

Although the partnership or corporate entity is the initial recipient of government payments, these proceeds are often distributed to several individual partners or shareholders that have a direct stake in the operations of that farm, and who must be “actively engaged” under current law and USDA regulations.

ECONOMIC CONTRIBUTIONS OF THE U.S. RICE INDUSTRY

Rice production contributes heavily to the economic activity of several states, particularly those where it is produced in significant quantities, but also—to a somewhat lesser extent—in other States and regions where inputs for rice production are manufactured and where rice is milled or processed for food or other uses.

RICE PRODUCTION

The regional concentration of rice production makes it an extremely important crop in key producing states.

Rice production ranks in the top 8 most valuable crops produced in each of the six major States. In 2004, the market value of the rice crop in Arkansas accounted for nearly 47 percent of all crop revenues, and in Louisiana rice accounted for 21 percent of all crop revenues, making it the most valuable crop produced in each of these states. Rice is the third most valuable field crop produced in California, the fourth in Mississippi, the seventh in Missouri and the eighth most valuable of all crops produced in Texas.

Given the high costs of producing rice compared to most other basic agricultural commodities, the contribution to general economic activity from land devoted to rice production tends to be much higher than for other crops.

High input expenditures for rice production imply significant economic activity for the sectors that supply those inputs in the regions where rice is produced.

Each dollar's worth of rice produced in the United States generates about 90 centsworth of revenue for the industries that supply variable production inputs.

Based on State estimates of production costs and rice acreage planted in 2005, U.S. rice farmers spent nearly \$1.7 billion to produce 3.38 million acres of rice, including both variable costs and basic ownership costs associated with rice production.

Given that costs of production vary across States as do the production characteristics of individual farms, changes to the system of government support available to rice farmers will also have varying effects on the acreage of rice planted in each State and therefore the contribution to general economic activity by State.

Even modest adjustments to the levels of current support could create significant reductions in rice acreage in these regions, in particular with the spike in fuel and fertilizer costs.

A reduction in rice acreage in favor of another crop would necessarily reduce the total economic activity in the region where the reduction occurred, precisely because rice contributes significantly to the revenues of various input sectors due to its higher production costs.

It is also important to note that in many regions producers face few viable alternatives to producing rice, so the adverse impact on the agricultural economy if rice production becomes unprofitable could be severe.

Economic Contribution to Key Industries

The U.S. rice industry and its allied industries are interdependent on one another. Producers' farming operations and the crops they produce create demand for certain allied industries and services, including seed, chemical, fuel, and implement dealers. These industries and others, in turn, provide the necessary jobs, services, equipment

and other inputs that are required to process rice and ship it to its ultimate destination for use by food and other industries and, ultimately, consumers.

Ports: An extensive transportation and processing infrastructure has evolved alongside the farm-level rice production industry. These allied industries are highly dependent on the continued supply of rice to support their economic contribution to the overall economy.

For example, rice exports account for an important share of the shipping volume handled by a number of the nation's key ocean ports, including Los Angeles, Oakland, Sacramento, Stockton, Houston, Freeport, New Orleans, Baton Rouge, and Lake Charles.

At major Gulf ports, for example, rice accounts for about 35 percent of all food products shipped. Studies have suggested that each ton of rice handled by major ocean ports generates \$50 to the local economy and \$75 to the State economy.

Although rice accounts for only a small share of outbound shipments at many of the nation's largest ocean ports, the total volumes remain large and support the employment of thousands of port employees.

Mills: In addition to the economic activity generated from rice farming, a large U.S. rice milling industry performs the vital function of processing rice into forms useful to the food and feed industries. The U.S. Census Bureau estimates that the rice milling industry employs more than 4,000 people, and supports an annual payroll in excess of \$135 million.

CONSERVATION POLICIES

U.S. rice producers practice sound conservation as part of their overall farm management program. The U.S. rice industry supports the following conservation policies:

- Compensation for conservation practices should be in addition to, not a substitute for, existing or future farm safety net programs including direct payments, marketing loan gain/loan deficiency payments, counter cyclical program payments, or any other farm income support payment program.
- Continuation of the Conservation Security Program (CSP) and any other new conservation funding should be targeted towards land that is in production or considered in production.
- There should be no payment limitations on conservation program payments and we oppose reductions on current conservation program limits.
- All conservation payment programs should be voluntary and incentive-driven.
- Conservation programs should be WTO consistent and should be designed and implemented to be Green Box measures.
- Idling land for conservation or wildlife habitat purposes should be considered planted acreage for base calculation purposes.

WETLANDS, WATERFOWL, AND WILDLIFE

Rice farming is one of the few commercial enterprises that actually promotes wildlife habitat and improves biological diversity.

Since the very nature of rice production requires that fields be flooded for many months of the year, evidence shows unequivocally that it plays a vital role in supporting common environmental goals such as protecting freshwater supplies and providing critical habitat for hundreds of migratory bird species and other wetland-dependant species.

Rice fields are typically flooded for an average of 8 months a year, during which time they become temporal wetlands with enormous significance to bird populations wintering and breeding in the rice producing States of California, Arkansas, Texas, Missouri, Mississippi and Louisiana. Both natural and agricultural wetlands are indispensable to them.

Flooded rice fields are also vital to migrant and wintering shorebirds. Rice fields provide feeding habitat for these migrant shorebirds. In fact, California rice acres now designated as "Shorebird Habitat of International Significance." They are officially listed in the Western Hemisphere Shorebird Reserve Network. It is what growers do in the process of producing their annual crop that benefits over 14 species of shorebirds in the region. This is a tremendous benefit that is essentially "free" to the public only because of a viable rice industry. It is a strong safety net program (i.e. Commodity title) that helps to secure these types of conservation benefits, year after year, on a consistent basis.

Without rice farming, wetland habitats in the United States would be vastly reduced. A loss of this magnitude would have a disastrous effect on waterfowl and a host of other wetland-dependent species.

With 95 percent of original wetlands now gone, the waterfowl, shorebirds, and other wildlife along the Pacific Flyway have come to depend on ricelands. At certain times of the year, rice acres now hold up to 60 percent of the millions of waterfowl in the Pacific Flyway. More than one million Northern Pintails have been counted in recent years during January waterfowl surveys in California's Central Valley. The Valley's rice country is now critical habitat for the recovery of this highly valued duck species. In addition, upwards of 300,000 shorebirds are known to use our fields annually.

The value of this habitat is stunning. If all rice acres in California were removed today and the public sector were to acquire and restore enough wetlands to support that same number of wintering waterfowl currently supported by rice, over 175,000 acres would have to be created. This would cost at least \$600 million and the cost continues to increase with increasing land values. Once created, approximately \$20 million would be spent each year to maintain these wetlands. Again, this substantial public resource benefit comes essentially "free" to the public because of a viable California rice industry.

And, changing cultural practices, such as no longer relying on the burning of rice fields in California to remove the straw that remains after harvest, has resulted in a dramatic reduction in air pollution. Growers now spend \$16-\$20 million each year, in the form of alternative methods of rice straw management, to keep these emissions in check. Without rice, other more polluting urban and other industrial emission sources would likely take its place on the landscape. This further illustrates the rice industry's commitment to promoting a safer and cleaner environment for all of society.

Overall, California rice lands are known to be used by 183 species of birds, 28 species of mammals, and 24 species of amphibians and reptiles. In total, over 235 species of wildlife use California ricelands. Among these are over 25 species of special concern such as Long-billed Curlews, Bald Eagles, and Giant Garter Snakes.

Rice production areas in Texas correspond with the bird migration corridor known as the Central Flyway, providing important habitat to hundreds of bird species that rely on these artificial wetlands during their migratory journey. According to the Texas Ornithological Society, Texas is home to nearly 650 different bird species, more than half of which can be found in the Texas Rice Belt. Similarly, Arkansas, Louisiana, Mississippi, and Missouri production areas are located in the lower portion of the Mississippi Flyway, which is the continent's most heavily used waterfowl migration route. This Flyway ranks first in abundance of mallards, wood ducks, blue winged teal, gadwalls, and many other migratory birds. The State of Mississippi is among the Flyway's most important waterfowl breeding areas, producing more than 15 percent of the continent's fall flight of ducks during years with good water conditions.

And, all major rice-growing areas also provide surrogate habitats for hundreds of species of reptiles, snakes, insects and amphibians that rely on wetland conditions for species survival. Many of these species are currently or would otherwise be endangered if not for the wetland environments provided by flooded rice fields.

The clear and positive benefits that commercial rice production has for migratory birds and other wildlife species contribute not only to a more interesting and diverse landscape, but also provide economic benefits that support local economies and create jobs.

Clearly, by providing a favorable habitat for migratory birds that in most cases would be much smaller without the existence of rice farms, commercial rice production is directly responsible for a very significant proportion of all wildlife-related revenues generated in these states.

By providing an environment favorable to wildlife advancement, rice production clearly generates positive environmental benefits to the economy and society.

WATER QUALITY

Modern rice production is critically dependent on a reliable supply of water to flood fields. The use of this water in responsible rice farming actually produces several environmental benefits. For instance,

- Water consumption for rice production is lower than for many other crops.
- Flooded rice fields preserve water quality.
- Much of rice irrigation water is returned to its original source.
- Modern rice cultural practices preserve water quality.
- Rice production counteracts other threats facing natural wetlands.

OTHER KEY POLICIES

In addition to its commodity program, payment limit, and conservation policies, the U.S.

The rice industry also supports the following other key policies:

CROP INSURANCE

- We support crop insurance as a supplement but not a substitute for the farm bill safety net, including efforts to improve the effectiveness and benefits of crop insurance programs for rice producers, particularly revenue and cost of production type policies.

LANDLORD-TENANT RELATIONSHIPS

- We would consider efforts to address the treatment of program benefits in the context of the landlord-tenant relationship.

Market Development Programs

- Reauthorize the Market Access Program and Foreign Market Development Program at not less than the levels established in the Farm Security and Rural Investment Act of 2002.

- Reauthorize the Emerging Markets Program.

Food Aid

- Reauthorize the P.L. 480 Program, including titles I and II, and other food aid programs within the policies and at the levels established in the Farm Security and Rural Investment Act of 2002.

- Food aid should not displace commercial sales, and should only be provided in commercial U.S. rice export markets in times of food security emergencies.

TRADE POLICY IMPACTS ON THE U.S. RICE INDUSTRY

The U.S. market for imported rice is remarkably open, with U.S. tariffs on rice imports almost non-existent. Unfortunately rice remains among the most protected agricultural commodities among our trading partners—especially in Pacific Rim countries such as Japan and South Korea. As a result, the U.S. rice industry supports the elimination of all duties in importing countries and equal tariff treatment for all types of rice.

Despite the general continuing trend towards market liberalization, rice outside the United States has remained among the most protected agricultural commodities. The level of government intervention in the international rice market—i.e., trade barriers, producer supports, and State control of trade—is substantially higher than for any other grains or oilseeds.

This is a major factor contributing to price volatility in the international rice market and a fundamental reason why the U.S. industry needs the stabilizing influence of current Federal rice programs.

Because the U.S. rice industry exports between 40 and 50 percent of annual rice production, access to foreign markets is fundamental to the health of our industry. We believe that multilateral WTO negotiations and the South Korean FTA negotiations are the best way to bring down trade barriers worldwide. However, the Doha Round negotiations are also about agricultural domestic supports. Any agreement that improves market access will also limit the ability of the U.S. to use certain types of farm programs. Many of the details of any eventual agreement are still very much under negotiation, and the overall effect of the final agreement on our industry will depend on the overall package that emerges. However, all agreements must result in meaningful, measurable market access gains that yield timely market access.

The U.S. rice industry's exports are often subjected to direct government intervention through State trading agencies. High tariff and non-tariff barriers, such as discriminating import tariffs on U.S. paddy and milled rice exports, also are used.

The United States share of world rice exports has averaged between about 10 percent and 13 percent over the last 10 years, down from a peak of about 30 percent as recently as 1975.

This decline in world export share reflects an increase in domestic consumption, as well as increased supplies from traditional exporters like Thailand and Vietnam. U.S. sales are also constrained by market access barriers in high-income Asian countries like Japan, Korea, and Taiwan, and the European Union and Latin American countries.

U.S. TRADE SANCTIONS UNFAIRLY IMPACT THE RICE INDUSTRY

U.S. trade sanctions also have played a key role in destabilizing the U.S. rice industry and constraining its long-term market potential, which has affected and continues to affect market prices to U.S. producers.

In addition to the severely distorted international markets faced by the U.S. rice industry, U.S. policies intended to punish foreign nations or encourage regime change disproportionately harm U.S. rice producers.

Trade sanctions have caused disproportionate harm to rice among U.S. commodity groups. At various times within the past four decades, our number one export markets were closed because of U.S. trade sanctions policy:

Cuba: Prior to 1962 Cuba was the largest market for U.S. value-added rice, but since then this important market has been largely closed to U.S. exporters. As a result, China, Vietnam and Thailand have emerged to become major suppliers of the roughly 500,000 metric tons of rice that Cuba imports annually. Recent efforts to ease restrictions on U.S. sales of food and medicine to Cuba under the Trade Sanctions Reform and Export Enhancement Act of 2000 have allowed the United States to regain a significant share of this market, with U.S. rice exports to Cuba reaching nearly 177,000 metric tons in 2004, valued at more than \$64 million. However, even these important gains are threatened by restrictive regulations imposed by the U.S. Treasury Department that have resulted in the volume of rice exports to Cuba declining by 25 percent in 2005. The United States has a considerable freight cost advantage over other exporters, which suggests that further easing of the restrictions that remain in place could provide substantial opportunities for much larger rice exports to Cuba.

Iran: Similarly, in the 1970's the U.S. rice industry exported on average 300,000 metric tons of value-added rice to Iran. This was the largest U.S. rice export market for value-added rice, and it also was eliminated through the unilateral imposition of U.S. trade sanctions on Iran. But, it continues to grow and in 2004 imported 973,000 metric tons of rice valued at nearly \$300 million, mainly supplied by Thailand and Vietnam.

Iraq: In the 1980's, U.S. rice exports to Iraq averaged about 400,000 tons, but UN sanctions eliminated the market for U.S. producers even while this market grew to nearly 1 million metric tons (200 million) supplied primarily by Thailand, Vietnam and China through the U.N. Oil for Food program. In 2005, U.S. rice sales to Iraq were resumed.

The total of these three markets represents more than 2.5 million metric tons of market potential per year that the United States had lost for decades, and that in many cases remains restricted today far below its full potential.

In light of significant market access barriers in many key rice-consuming countries, U.S. rice farmers are denied the opportunity to compete openly and fairly, which also interferes with the opportunity to discover a market price structure that could reduce the need for Government support.

Thank you, again, Mr. Chairman, for holding this hearing and for the opportunity to express our views.

U.S. farm policy must provide a stabilizing balance to markets and a reliable planning horizon for producers.

With rice producers being severely impacted by interventionist policies enacted by foreign governments, stability and reliability must be bedrock features of our nation's farm policy.

We urge you to carefully review how well the current Farm Act is working for U.S. agriculture and consider ways to maintain its structure as we go forward to begin debate on the next farm bill.

Rice farms require significant capital investments to operate. In light of this, we urge you to consider how reduced payment limitations would harm family farm operations in the rice growing regions and other parts of the country. More restrictive limits will make it difficult for future generations to return to the family farm. Such limitations arbitrarily restrict the economies of scale that farm operations are allowed to achieve.

RICE PRODUCERS ARE PROUD:

- to contribute a highly-nutritious food product for the nation;
- of our contributions to the nation's food security;
- of our contributions to the local, state, and national economies and the nation's balance of trade;
- of the contributions we make to conservation and the environment.

Rice producers call on Congress to continue sound, fair agricultural policies in the next farm bill, including those policies in the current farm act, that help to provide:

- producers with stability and reliability;
- and consumers with an abundant, affordable, stable, safe, and secure food supply.

Rice producers look forward to working with Congress and the Administration in the development, adoption, and enactment of a sound, equitable farm bill and rice program.

In the interim, however, in light of the need for a strong safety net as part of U.S. farm policy, the U.S. rice industry supports extending the 2002 farm bill in its current form until such time as a Doha Round trade agreement is negotiated and Congress approves it.

This concludes my testimony on behalf of the rice industry, Mr. Chairman.

STATEMENT OF VITO CHIESA

Speaking today as a specialty crops farmer and a member of several agricultural organizations, I want to emphasize that our top priority is a U.S. farm policy that builds a future for U.S. agriculture that can compete in the world marketplace, meet urban pressures and comply with mounting environmental regulations. We want a farm policy that creates more market demands for our products, gives us the tools to be the most efficient and leading edge producers, and build the infrastructure to protect our crops and livestock from the introduction of pests and diseases that threaten our livelihood. This is a tall order but it's achievable under the next farm bill with reasonable and thoughtful expenditures.

Creating More Market Demand & Opportunity for U.S. Producers. U.S. farm policy should create more demand and opportunities for our bounty both domestically and abroad through promotion and more foreign market access.

Domestic Demand. Nutritional education and expanding the school fruit and vegetable snack program to more schools in every State is necessary to give our youth the tools to develop healthy eating habits from the start.

Foreign Market Development. Both the U.S. trade agenda and funding should be focused on foreign market development. With over 95 percent of the population living outside the U.S., it is critical that we lower tariffs and focus on promoting our products in those markets where we have the greatest potential. In the past farm bill, few dollars have been spent in the area of foreign market development. This next farm bill must give more support for programs, such as the Technical Assistance for Specialty Crops and the Market Access Program.

Market Access. Unjustified trade barriers have replaced many of the traditional tariff barriers. Recently, Malaysia reported salmonella in our almond exports, halting California exports. India imposed methyl bromide fumigation requirements on almonds, threatening the US's largest agricultural export to India. The almond industry utilizes phosphine for the control of storage pests. The industry used Technical Assistance for Specialty Crops (TASC) funds to study the efficacy of fumigating almonds with phosphine and presented this data to Indian officials for approval of its continued use. Though the problem has been temporarily resolved, it is programs like TASC that need additional funding to assist many of our specialty commodities in addressing unjustified trade barriers.

Market Access Program (MAP). The Market Access Program has been very successful for both minor, as well as, major commodities in developing new markets. Utilization of this program has been an important contributor to the nut industry's success in world markets. With these funds, the nut industry has been able to focus on market research and development in Asia, Europe and the Middle East.

Conservation. Farmers and ranchers are some of the best stewards of the land, and we represent the greatest potential for environmental gains such as saving species, carbon sequestration or renewable fuels. Conservation programs must focus on maintaining working landscapes to assist farmers and ranchers in resource management. The next farm bill should expand on those programs that have been successful for California.

Expanding EQIP. Increased funding levels for the EQIP and expanding it to allow more flexibility for what projects qualify for funding is important for California growers. The 2002 farm bill allocated \$5.8 billion over 6 years for the EQIP, which is not adequate to meet the project applications that are responding to the increase in air and water quality standards on agricultural lands.

In the past, our ranch received some cost sharing funds for a low volume irrigation system. It helped alleviate some water runoff concerns due to our proximity to

local waterways. The advantages to our farm were less water use, and the use of less fertilizer—due to focusing on a more concentrated root zone.

Any changes to the EQIP program must stipulate that the majority of funds should be allocated directly to farmers and ranchers where they can provide the greatest benefit to the environment. In addition, the granting of funds should be kept under local control, such as the EQIP working groups, where they are able to respond to the needs of each county.

Conservation funding should put greater emphasis on programs that promote active land management rather than permanent land retirement programs, such as the Conservation Reserve Program. Active management of land can lead to long-term sustainable water and soil improvements, while retirement may not lead to environmental improvements but rather degradation.

Research. Research is where we find the solutions to managing resource, labor and pest and disease problems on our farms. More research dollars to develop the most advanced technology and management practice tools is critical to the long-term viability of our industry.

In California, for every dollar that is spent on wages, an additional 30 to 40 percent cost is incurred to pay for workers' compensation insurance, social security and other costs. In order to minimize the labor costs, growers are relying more and more on mechanization. Mechanization research saved the processed tomato industry. Such research has been sorely lacking since.

This research cannot go without the support of an infrastructure to gather and disseminate this information, which is achieved through our University of California extension programs. The UC extension programs provide the vehicle for information and tools to get to, and from, the field.

Pest & Disease Exclusion. California's Department of Food and Agriculture spends \$79 million annually in general fund spending for plant and animal pests and diseases. With constant pest and disease pressures and State budgetary constraints, we are concerned that funds will continue to be strained, while the threat of combating newly introduced pests and diseases will be a constant. The introduction of a pest or disease to the State of California not only becomes a costly burden to the state's budget but also to the impacted industry. Our agricultural producers are dealing with the impacts of Pierce's disease, Medfly, Newcastle Disease and Sudden Oak Death, all pests and diseases that have cost our industry millions to eradicate. We also face the pending threats of Citrus Canker, Avian Influenza and Foot and Mouth disease that can demolish our industries.

In an effort to protect our plants, animals and environment we need to re-evaluate the allocation of resources within the Department of Homeland Security for pest and disease detection. Is there the manpower and knowledge needed to test and detect pests and diseases that come through our points of entry?

We also need to ask, if the U.S. Department of Agriculture has the resources available to gather and review data on the threat of foreign pests and diseases entering on plants and plant products? Foreign producers of plants and plant products are eager to get access to the U.S. market and we need have the reassurance that those products entering pose no pest or disease risk to our environment.

Reliable Workforce. At the peak of our harvest season we employ over 450,000 workers in California agriculture. That level compares to roughly 250,000 year-round employees. The outcome of immigration reform by Congress is critical to our industry. It is essential, both for the industry and the safety of our workers that we arrive at a workable, legal and practical guest worker program. Satisfactory resolution of the immigration issue is the singly most critical to California agriculture and the state's economy.

Thank you for the opportunity to comment and I hope you will take all of these things into consideration when constructing the next farm bill.

STATEMENT OF BRUCE FRY

Thank you for inviting me to be here today and for holding your hearing in San Joaquin County. My name is Bruce Fry. I am a fifth generation California farmer from Lodi which is just a few miles north of Stockton. Our family owns 2000 acres in San Joaquin and Sacramento counties but grows cherries, winegrapes and field crops on only about 950 of the acres. We are very proud of the half dozen wine labels that carry the Mohr-Fry Ranch vineyard designation. I am very pleased to be here today on behalf of the California Association of Winegrape Growers (CAWG). Established in 1974, CAWG is an advocate for farmers, providing leadership on public policies, research and education programs, sustainable farming practices and

trade policy to enhance the California winegrape growing business and our communities.

If you have the opportunity to drive from here to Lodi this afternoon, you will see the rapid urban growth we are experiencing and the accompanying ag-urban interface issues it presents. My family is acutely aware of the impact of agriculture land conversion for urban development. Our family's farming operation started in 1855 in Alameda County. In 2005, we received the California Agricultural Heritage Award for being in operation for 150 years. The rapid growth of Hayward and the East Bay in the late 1950's forced us to re-locate to San Joaquin and Sacramento Counties. Two generations later, the same thing is now happening as Stockton growth is rapidly approaching one of our family ranches on the south and Sacramento growth approaches one of our ranches on the north. The Lodi district is a great area for growing winegrapes. I'm hoping that my two daughters will want to be a part of our family farm and that farming in Lodi will still be viable because it is valued not only for its economic contribution to our region and the State but also because of our careful management of natural resources and the environment.

My personal family experiences and my dreams for the future of my daughters in agriculture are the reason I am here today to talk about the 2007 farm bill. Believe me I would rather be working in my vineyards than speaking in public, but there is too much at stake for California farmers not to participate in these kinds of public forums and I want you to know how much we appreciate this opportunity!

First of all, I'd like to make a plea that we stop referring to this very important public policy issue as "the farm bill." The legislation represents our country's policy about Food, the Environment, Fuel and Rural Communities. It puts in place programs that touch the daily life of every American but it sounds like an exclusive policy for the relatively small number of people actually engaged in farming.

I will spend my few minutes of comments highlighting some of the USDA programs that have worked well for the winegrape community. Winegrapes, like many other high-value, permanent specialty crops, have tremendous potential for keeping land in agricultural production, making agriculture an attractive career choice for future generations and being the global market leader in quality, value and consumer choice. We've grown tremendously in recent years with grapes as California's second-largest agricultural crop, and wine as the state's number one value-added agricultural product. The economic impact of the wine community to the state's economy was last measured at \$45.4 billion and we intend to continue adding value for the future. Now is the time to invest in the fundamentals and partner with government to protect and enhance all of agriculture's ability to compete in the global market.

Protection from Invasive Pest and Diseases. In a world with free and easy movement of people, products and plant materials, we increase the chances of exotic pest and disease infestations that could potentially devastate our agriculture, the environment and public health. In a borderless global economy, there has been a measurable increase in new intrusive pests entering the U.S. and California.

The constant threat of the introduction of invasive pests demands that we be prepared to respond immediately to new infestations, and more importantly, be proactive with research and planning to detect and prevent new infestations. Exotic pests and disease have been an important concern for California because of its natural resources and multi-billion dollar agriculture industry, but the problem is more urgent and complex than ever before. The winegrape community knows this firsthand because of the Glassy-winged Sharpshooter and its ability to vector a grapevine killing disease. More recently, the Vine mealybug has created serious problems in vineyards across California and forced an increase in the use of some chemical controls that have a negative impact on our sustainable winegrowing practices. We are grateful that Congress and USDA have made funding available to control the Glassy-winged Sharpshooter. However, eradication and ongoing suppression programs are expensive and disruptive to the environment.

A wiser investment would be to fully fund APHIS. Through port inspections, quarantine treatments, detection surveys and eradication efforts we can prevent the introduction of new invasive species and the spread of existing ones. We need State and Federal Governments working closely together to eliminate conflicting actions and to assure a rapid response when new pests are introduced.

We also need to invest in research and technology to establish basic scientific knowledge about invasive pests and our ecosystems. With the requirement of the WTO system for all member countries to treat all trading partners equally and the same as domestic producers, it is critical that we develop state-of-the-art science to apply to pest risk assessments and analyses in order to comply with international standards and still protect agriculture and natural resources.

Recommendation: We recommend mandatory funding of \$100 million per year for APHIS to develop a program that determines and prioritizes off shore threats to domestic production of fruits, nuts and vegetables, including bio terrorism. The program should be modeled after the cooperative Agricultural Pest Survey approach. As a component of this task, APHIS should work with ARS in developing domestic mitigation and/or eradication efforts where appropriate.

Recommendation: An Office of Pest Management should be established and funded within the Secretary's office.

Research, Extension and Education. California winegrape growers are innovative, adaptive and willing to meet new challenges. Our most significant challenge is fierce international competition—about 27 percent of the wine consumed in the U.S. is imported. Wine production in the European Union is highly subsidized and the governments in other New World wine producing countries provide significant export support and research assistance. For example, the Australian government has a matching dollar program for grape and wine research that is part of a \$25 million annual investment program for the grape and wine sector—significantly higher than the United States.

Grapes are an expanding high value crop across America. The U.S. grape crop, now grown in about 45 states, has a farm gate value of more than \$3 billion. Winegrapes have increased far faster than the overall grape crop and now represent almost two-thirds of the total crop. Grapes are the highest value fruit crop in the Nation and the sixth largest crop overall. Grapes processed in agricultural areas for wine and juice adds tremendous farm-based value to the crop.

To continue to prosper in the face of increasingly daunting international competition, we must lead in the production of grapes and wine that are of superior quality and value and we must do so with sustainable practices that respect the environment, our employees and our communities. This requires increased investment in research and the extension of research results to stimulate innovation and accelerate the adoption of new best practices. Funding for research at the State and Federal levels should be increased and private/public partnerships should make the most efficient use of limited research dollars.

For the past 2 years the wine community has worked with the table, juice and raisin grape industries to develop the National Grape & Wine Initiative (NGWI), a national strategic plan which identifies four key research and education areas:

Understanding and Improving Quality; Consumer Insights, Nutrition and Community; Processing and Production Efficiency; and Sustainable Practices. The NGWI vision is: "By 2020, the American grape and wine industry will triple its economic impact to \$150 billion by strongly increasing market share, becoming the undisputed world leader in value and sustainability and contributing to the quality of life in our rural communities." An important component of our strategic plan is a requirement that all research effectively target and be executed against national priorities, producing commercially viable outcomes which are effectively communicated through extension and education resources to accelerate adoption by growers and processors.

The development of the strategic plan has helped us to clearly articulate the priority research needs of our industry. The Initiative is collaborating with land grant universities, State and Federal researchers and extension personnel to incorporate industry priorities into their programs. The opportunity to foster hundreds of billions of dollars in economic growth is within reach. If we miss this opportunity, competitors like Australia will use their own investment programs to seize market share at the expense of the United States.

Through the congressional appropriations process, in recent years, there has been an incremental increase in funding for ARS research focused on the priority needs of the grape industry. However, the USDA investment in grape and grape product research pales in relationship to the value of this sixth largest crop and in comparison to USDA research funding for the five largest crops. Research for all specialty crops needs to be significantly increased.

Recommendation: We are requesting \$5 million a year in ARS funding to support the ongoing National Grape and Wine Initiative cooperative effort in consultation with industry and working with land grant universities and other research entities to bolster the competitiveness of grape growers, wineries and processors throughout the Nation.

Recommendation: We seek mandatory funding of \$200 million a year to establish an integrated grants program within USDA to improve the efficiency and competitiveness of specialty crop producers. This would be a new program where grants will be evaluated and awarded on the basis of substantial specialty crop industry input and be used to fund research that addresses the short-term, intermediate, and long-term needs of the specialty crop industry in production technology, mechanization,

marketing, product development, food security and food safety to improve the competitiveness of the specialty crop industry. This program may also be used to fund development and implementation of industry-specific strategic plans to prioritize research and develop industry and research collaboration.

Recommendation: We advocate mandatory funding of \$5 million a year from the Commodity Credit Corporation to establish the National Clean Plant Network of Clean Plant Centers for diagnostic and pathogen elimination services to produce clean propagative plant material and to maintain blocks of pathogen-tested plant material in sites located throughout the country. Clean plant source material may be made available to States for their certified plant programs. Clean plant source material may also be made available to private nurseries and growers. In carrying out the program, the Secretary shall consult with State departments of agriculture and land grant universities. To the extent practicable and with input from the appropriate State officials and industry representatives, the Secretary shall utilize existing Federal or State facilities to serve as such centers.

Recommendation: We request that Congress mandate the development of a specialty crop priority area within the overall areas of emphasis of the National Research Initiative (NRI). As part of this priority area, funding should be dedicated to applied research and extension programs. The goal of this action would be to increase the priority level of specialty crop research.

Furthermore, report language should direct Federal research funding to reflect the value of specialty crop production which represents over 50 percent of the total plant agricultural production value in the U.S. with priority given to integrated projects combining research, extension and education. ARS and CSREES should be directed to cooperatively and actively engage with and support specialty producers in the development and implementation of applied research and extension.

Recommendation: We recommend mandatory funding of \$20 million a year to establish a Resource Stewardship Applied Research Initiative to create and disseminate integrated research to help farmers implement practices to address the important environmental challenges of improving air quality, water quality, water conservation, and preserving biodiversity. The Initiative should incorporate a demonstration model, such as Biologically Integrated Farming Systems, to transform research into practice.

Conservation and Environmental Stewardship Programs. Even though California is one of the most productive agricultural regions of the world and by far the most productive in the U.S., we farm in the country's most populated State. About 12.5 percent of the U.S. population resides in California. Our current population is 36 million and we are growing at about 550,000–600,000 people a year. By 2050 we will have 55 million Californians—and we will need an additional 7 million homes; 10 million jobs; and roads for 12 million more motor vehicles. The competition for natural resources is intense to say the least!

California farmers and processors face unique environmental challenges because of this competition for natural resources and the imposition of more stringent State and local environmental regulations. Viticultural practices and the cost of doing business are directly impacted by new air quality rules and emerging water quality regulations. Wineries are facing additional compliance costs for the treatment of winery process water and stringent rules to reduce ethanol emissions created in the fermentation of red wine.

California's rural areas are changing dramatically as a result of our population explosion and urban encroachment. The wine community has tried to respond proactively. Growers and vintners understand the need to demonstrate success in solving environmental problems and by doing so we hope to reduce current and future environmental liabilities. To maintain a positive business and public policy atmosphere we have made an industry-wide commitment to sustainable winegrowing practices that are environmentally sound, economically feasible, and socially responsible. That means being able to maintain market share in a fiercely competitive global market while keeping good neighbor and community relations.

I'm very proud of the role Lodi winegrape growers have played as leaders in the statewide effort. With grants from U.S. EPA and USDA, Lodi created the first district-wide IPM program, established one of the first Biologically Integrated Farming Systems, and created the Lodi Winegrower's Self-Assessment Workbook. Our 15 years of pioneering work has been the basis for the statewide Sustainable Winegrowing Program established by CAWG and Wine Institute.

The Lodi-Woodbridge Winegrape Commission has taken the next step with the introduction of Lodi Rules for Sustainable Winegrowing. This is the first set of appellation-wide sustainable viticulture standards certified with third-party audits (Protected Harvest). We see certification of our sustainable practices based on quantifiable environmental indicators as a way to differentiate our product and provide

quality assurances to the wineries who buy our grapes and ultimately to wine buyers in the global market.

Mohr-Fry Ranch was one of the first vineyards to achieve certification under Lodi Rules. That was important to me because being a good steward, a good neighbor and a good employer reflects our family values. My home growing up was in a vineyard and my daughters are growing up in a home in a vineyard. Our vineyards are beautiful to see and a healthy place to work and live.

The California Sustainable Winegrowing Program provides a self-assessment workbook for growers and vintners to benchmark their practices on viticulture; soil management; vineyard water management; pest management; wine quality; ecosystem management; energy efficiency; winery water conservation and quality; material handling; solid waste reduction and management; air quality; environmentally preferred purchasing; human resources; neighbors and communities. Over 1,300 enterprises have participated. The 2004 California Wine Community Sustainability Report is based on the submission of self-assessments to help us establish baselines and identify targets for improvement. We are now in the process of facilitating action plan workshops to help participants identify their goals for improving practices in their vineyards and wineries.

Despite all the work we've done on sustainable practices, our ranch has not participated in EQIP or other NRCS programs because of the bureaucratic paperwork and commitment of time that is hard to justify for the relatively small amount of cost-share funding the program offers. The Conservation Security Program (CSP) is a more viable program but is woefully under funded and despite California's rich natural resource base has only one of the 60 watersheds eligible for CSP in 2006!

CAWG enthusiastically endorses the CSP and urges you to greatly expand the program to reward growers who already act as model conservationists and recognizes the ecosystem services provided by farms and ranches with good stewardship practices. Based on our experience in Lodi and statewide, we also applaud the Conservation Innovation Grant Program and encourage more funding to be made available to foster group efforts to develop and demonstrate practical on-farm solutions for environmental issues.

Recommendation: We recommend expansion of the scope for the Conservation Security Program to significantly increase the number of watersheds contained in the program, particularly in States with farmlands in environmental sensitive areas. Air quality, water conservation and pest management objectives should be made equal priorities with soil and water quality objectives.

Recommendation: The Adjusted Gross Income (AGE) Limitation should not apply to conservation programs.

Recommendation: Increase funding for the Environmental Quality Incentives Program (EQIP) and include the conservation of ground and surface water for irrigation as a separate national priority. Create an air quality program under EQIP with dedicated funding. Furthermore, NRCS should be directed to work with land grant universities and other entities to develop model programs for using EQIP funds to enhance pesticide stewardship.

Recommendation: Current program criteria do not provide the flexibility to foster innovation and the implementation of new systems and technologies to address environmental challenges. NRCS, working with land grant universities, should establish a process whereby private, voluntary programs that meet important environmental management criteria are deemed "equivalent" to EQIP and CSP self-assessments and check-lists for purposes of qualifying for EQIP and CSP payments.

Marketing and Promotion: The number of wineries in California has grown to about 1,300. Product lines and labels are also expanding, with over 60,000 wine labels registered. In less than 10 years, Lodi has grown from 10 wineries to about 60 wineries. Many more growers are developing wine labels and creating small wineries as they vertically integrate to add value and provide prospects for the next generation of their family to stay in the business. The proliferation of wine brands requires increased sales and marketing expertise. Through the Lodi-Woodbridge Winegrape Commission, the growers of our district have benefited from the Rural Development Program's Value-Added Grants. It provided funding for an education program for growers on how to evaluate prospects for developing a winery, from the creation of a business plan to implementation of effective marketing initiatives. It also provided important funding for consumer research for the Lodi Rules program.

I'm aware of other winegrowing regions that have used the grants to successfully develop wine trails, AVA maps and media tours and events in major markets to draw attention to the grapes and wine of their area, thus adding value and stimulating tourism in addition to direct marketing opportunities. We encourage more funding for the Value-Added Grants Program.

The expansion of exports of California wine over the last decade has also been dramatic—going from \$196 million in 1994 to \$808 million in 2004. Wine Institute manages the California Wine Export Program, using resources from USDA's Market Access Program (MAP). Continued funding of at least \$200 million a year in matching funds for the MAP program is critically important for wine and other California specialty crops.

Crop Insurance: Federal crop insurance that provides adequate coverage for permanent, high-value vineyards is an important risk-management tool for winegrape growers. The program in California has worked well for winegrape growers, thanks to the leadership of the California office of the Risk Management Agency.

The program needs flexibility to respond more quickly to changes that do occur. We support the expansion of pilot programs to help specialty agriculture, putting a structure in place for premium payments and incentives to purchase more adequate coverage at higher levels and premium discounts for good performance.

Critical Labor: Our employees are a valuable part of my family's operation. We employ about 25 full-time, year-round employees and approximately 100 seasonal employees. Many of the cultural practices for our high-value specialty crops require an inordinate amount of hand labor. Thus, we are dependent on hired migrant labor. In the last few years we have done all that we can to keep employees busy throughout as much of the year as possible. However, there is only so much we can do to lengthen the time of employment or to increase the hourly wage. We are competing against highly subsidized competitors from other countries and producers who enjoy lower production costs and less regulatory requirements. We are price takers, not price makers and we cannot simply pass along the higher costs of wages paid any more than we can pass along the higher cost of energy or other inputs.

We need comprehensive immigration reform that not only considers enforcement measures but also includes a meaningful guest worker program. Agriculture and the consumers of all that we produce are dependent upon a legal guest worker program. Future policy should dedicate a portion of funding for Rural Development Programs to the housing, transportation and education needs of those who provide the critical labor for growing and harvesting high-value specialty crops.

Thank you for the opportunity to share my thoughts with you. As you undertake the development of policy to address the Food, Environmental, Fuel and Rural Development needs of America please know that your efforts are deeply appreciated by this California winegrape grower and our statewide association!

STATEMENT OF JACK HAMM

Good morning Chairman Goodlatte, Ranking Member Peterson, my Congressman Richard Pombo and other Members of the committee. Thank you very much for holding this field hearing here in Stockton to hear from farmers regarding the 2007 farm bill. My name is Jack Hamm and I am the general manager of Lima Ranch, our family's dairy farming operation in Lodi. The Lima Family has a long history in the dairy business in California starting in the 1920's. My wife's father and grandfather purchased our present location in 1939. They began with forty cows and farmed 120 acres. After graduating from Cal Poly San Luis Obispo I joined the operation. In 1990 my wife and I took over the daily operations and management of the dairy. Lima Ranch presently milks 1600 cows and farms 1,350 acres of alfalfa, corn, wheat and almonds.

Presently I serve on the board of directors for Western United Dairymen, San Joaquin County Farm Bureau and the San Joaquin County Rural Conservation District. My wife and I have two children, a son and a daughter, and one granddaughter.

I represent District 4 on the Board of Western United Dairymen. It is an area that is home to a fair amount of milk production, as you might imagine. In 2004, the San Joaquin County ranked seventh in the State for milk production.

The focus of these hearings, as I understand it, is to look to the next farm bill and give you our ideas for what it should look like. Again, thank you for the opportunity to do that.

First, I'll say that farmers everywhere, but especially in California, are watching the progress of the World Trade Organization (WTO) negotiations. While it's true the next farm bill won't be written in Geneva, you should know that my friends who are cotton growers think that "WTO" is a four-letter word. Given their experience with programs that were thought to be WTO-compliant when written, I think it may be a reasonable question to ask whether it is a wise use of government resources to write new domestic rules next year if there is a likelihood the international rules might change shortly thereafter.

The countercyclical approach of the current farm bill, and I include the Dairy Price Support Program here, has certainly worked well from the standpoint of the Federal treasury, having cost billions less than projected when it was passed in 2002. It appears also to have served farmers relatively well given the market conditions we have had although current milk price trends look like the countercyclical programs are going to be put to the test.

In the Commodity title of the farm bill, the Dairy Price Support Program is our safety net. It benefits all dairy farmers in the country equally and does not discriminate based on size of operation, location in the country or where you sell your milk. The Price Support Program is also the only farmer safety net program that is implemented at no cost to the Federal treasury. Still, it gets a huge 'score' both here at home and at the WTO. The CCC gets its money back plus a little when it sells the dairy products purchased for surplus removals back to the market when prices rise. As we look at this issue here today, the CCC hasn't purchased surplus dairy products for months and has virtually no stocks currently in storage. Still, the program gets no credit for the fact that the government has recovered the costs it incurred in 2002-03. Consumers benefit because price increases are mitigated by those sell-backs, producers of feed grains benefit because of stability for their dairy farmer customers and the Federal treasury recovers its cost of the purchases but farmers still get tagged with what is portrayed as a big expensive government support program. That is unfair and needs to be changed.

One last point I want to make about the Dairy Price Support Program is that, while dairy farmers have been supportive of the current U.S. proposals at the WTO, we are not convinced that the support program cannot fit should a new trade agreement be completed.

The dairy direct payment program got a lot of attention last year mostly because it has been more costly to the Federal treasury than projected and because it is so divisive within our industry. Future programs must be non-discriminatory and their potential for stimulating additional production in periods of low prices must be given serious consideration when they are written.

I mentioned the stability that our Price Support Program offers producers of our inputs earlier. I believe changes to the commodity safety net programs must be considered as a whole rather than singling out any one for change. The portfolio of programs is a big factor in stability for my individual business, as well as for the suppliers I buy inputs from and for the community I live in. Those connections, I hope, will be a factor in discussions for the next farm bill.

An issue from the 2002 farm bill is still waiting to be implemented and is being held up by the flimsiest of excuses. Our own government is saying that imported dairy products cannot be assessed the promotion and research checkoff of 15-cents per hundredweight because we exempt 0.014 percent of domestic milk. Doesn't the WTO have better things to do than worry about 0.014 percent? The marketers of those imported products benefit from our farmer-funded promotion and research programs so it's time that our government says they have to pay their fair share.

Also on a dairy-specific issue, the Dairy Export Incentive Program (DEIP) too often goes unused. Even when prices were at generation-lows in 2002 and 2003, DEIP money was left on the table. Even when milk prices in California were more than a dollar below the Support Price, DEIP bonuses that could have helped move product to export markets instead of into CCC stocks, went unused. And now, with the farmer-funded supply-balancing program Cooperatives Working Together that is coordinated by the National Milk Producers Federation, those DEIP bonuses could go even farther toward providing stability for all those touched by farm bill programs. I urge the committee to keep the pressure on USDA to fully utilize this fully WTO-compliant tool for leveling the playing field that the Congress has provided.

The Conservation title includes a very important component for western dairy-men. The Environmental Quality Incentives (EQIP) program has worked very well in San Joaquin County, where I live. According to Dave Simpson at my local NRCS office they have already approved 147 contracts for cost-share assistance projects for 2006 which means EQIP will be directly responsible for over \$4.4 million in environmental improvement projects here locally. These numbers will grow once water quality funds are received.

I can report very good working relationships with our local NRCS staff, State conservationist Lincoln E. Burton and Chief Bruce Knight in Washington, DC. We have been able to work out reallocation of funds from counties where EQIP is undersubscribed to counties where worthy projects would go wanting and ask the committee to urge the Department to consider making unused funds from one State available to States where there is not enough funding available.

On the other side of the coin, it seems the Conservation Security Program suffers from a lack of the local control that has made EQIP so successful. I understand that

the program is primarily aimed at row crop producers but I happen to be one of those too and there are thousands of other dairymen like me nationwide. But if you don't happen to be in a primary watershed, as designated by Washington, DC, you are not going to qualify for a program that seems to offer benefits to farmers for practices they are already doing.

On the same subject but perhaps taking a different approach, dairy farmers in California have been at the forefront of adopting technologies for waste management that produce energy. Just in the past few months it seems we've gone from the idea of energy production on farms getting a reaction somewhere along the lines of "isn't that nice" to "what is taking you so long?" Dairy farmers need options for managing nutrients. Agriculture can develop as a significant energy supplier but it will require incentives. We need good long-term thinking with government keeping an open mind on funding research. We also may need the occasional nudge from Congress to help convince energy distributors to buy energy produced on farms. I encourage the committee to consider including an aggressive Energy title in the next farm bill.

In animal health, the dairy industry has made good use of the assistance the government has provided to the National Johne's Disease Program that was authorized in the 2002 farm bill. We do, however, have to rely on the annual appropriations process for those funds and, as you can imagine, we've seen a dramatic decrease in funding over the past few years. I urge you to consider authorizing a reliably funded Johne's Program in the next farm bill.

Food and Nutrition Programs have been an important feature of past farm bills for producers and consumers alike. The WIC and Food Stamp Programs provide nutrition assistance and education for our most at-risk citizens. Farmers benefit from the food requirements those programs include. This is a part of the farm bill that does not run the risk of violating WTO rules—and adding additional foods to these programs will improve nutrition for recipients. But you can't get there by "robbing from Peter to pay Paul." Dairy is a major part of these programs now and every new research study suggests they should stay. More funds will be needed for recipients to have a chance to include the foods recommended by the government as part of a healthy diet.

I realize this is a hearing about the next farm bill but while we're all here and you're willing to listen, there has been a specific dairy issue the Agriculture Committee has kicked around for a few years that farmers are very strongly united in opposition to. Forward contracting between farmers and private handlers is not consistent with the goals of a system that includes regulated minimum prices. If you're in favor of pooling, this type of forward contracting cannot be allowed.

National Animal Identification should move forward with the USDA 5-year plan to a mandatory system and with the Department's recent announcement that it is willing to work with multiple information databases as long as certain requirements are met.

Farmers in all sectors of agriculture, including dairy, rely on a steadily and readily available workforce. Access by farmers to properly documented workers in the future is a must for everyone in this country, not just farmers. This really isn't a matter of wanting cheap labor; it is a matter of having any labor. A guest worker program properly implemented enhances national security and keeps the economy moving forward. An enforcement only approach may force employers, including farmers, to become law enforcement officers and subject them to fines that make it simply not worth the risk of continuing to farm.

I would also encourage the Agriculture Committee to use its influence to try to find a workable solution to third-party use of provisions of Superfund environmental laws to harass farmers. California farmers have to comply with the Federal Clean Air Act and Clean Water Act as well as the toughest State environmental laws anywhere in the country. We're willing, and indeed are, doing that. But I am reasonably sure the notion that a farm would ever be declared a toxic waste site was not on the mind of anyone in the Congress when Superfund laws were passed years ago. Farmers need and deserve clarity on this issue.

On that same subject, there is a need for accurate and current data on exactly what emissions are coming from farms. The Congress has granted dairy farmers a one-time opportunity to use their promotion and research checkoff funds to conduct air emissions research. As part of the next farm bill debate, I urge the committee to consider allowing farmers at the national or qualified State program level to consider future environmental and public health research using dairy checkoff funds.

Finally, I hope Congress will ensure that Farm Credit can continue to meet the needs of farmers and ranchers in California. Recently, Farm Credit completed an in-depth study of the changing nature of agriculture and rural America. Known as the HORIZONS Project, this study finds a number of areas where farmers and the business they rely on could benefit from Farm Credit financing but are precluded

from doing so by outdated laws and regulations. I would ask that the committee give this issue serious consideration during the upcoming farm bill debate.

Mr. Chairman, thank you again for holding this series of Field Hearings and for allowing me the opportunity to provide input on behalf of California dairy farmers for the next farm bill. I will be happy to try to answer any questions you or other Members of the committee may have.

STATEMENT OF ROBERT SHIPLEY

Good afternoon. Thank you Chairman Goodlatte and committee members for the opportunity to present the views and recommendations of the California Poultry Federation (CPF) regarding reauthorization of the farm bill. This is an extremely important and timely issue to California agriculture, and the state's diverse and dynamic poultry industry appreciates the opportunity to be here today. Your efforts to reach out and solicit views from poultry producers, processors and growers mean a lot to our industry and to me.

My name is Robert Shipley. I am president of Squab Producers of California, which is the largest Squab cooperative in the world, and our 80-grower-members and I produce almost 1 million squabs a year that are shipped to various ethnic markets and white table cloth restaurants throughout the United States and North America. We also produce chicken and other specialty poultry and game for consumption at major restaurant destinations in this country and Canada. We have been in operation serving the California agricultural community since 1943.

I am also vice chairman of the California Poultry Federation (CPF), representing the state's entire chicken, turkey, duck, game bird and squab industry. Our members are the largest producers of chicken and turkey in the Western United States. The CPF is also the home of the California Poultry Health Board, which administers the National Poultry Improvement Plan, which has now become more important than that ever in our quest to keep major diseases outside of America.

We would like to work with your committee particularly in the areas of:

- Rural Development
- International trade
- Research
- Conservation

California's position as a Pacific Rim and South American trading partner, combined with the State's large, diverse and mobile ethnic population, and the Pacific flyway compound the risk of highly pathogenic avian influenza (HPAI) or exotic Newcastle disease (END) being introduced into large populations of broilers, layers, turkeys and specialty poultry species in this State. Southern California experienced a deadly outbreak of END in 2002, and we are all hearing a lot about the present Bird Flu epidemic in Asia, and its spread into Europe and Africa. California poultry producers, private practice veterinarians and university faculty have joined efforts with Federal and State officials to reduce the risk of introduction of HPAI or END, and establish strategies for detection and response to these diseases should they evade disease barriers. The approach to protect California's poultry is multi-faceted. Disease surveillance plays a major role along with biosecurity, risk communication and education, and market protection.

The CPF has used its matching grants from the USDA to provide smaller producers opportunities to increase biosecurity and disease prevention on their farms. The United States Department of Agriculture's Rural Development program has helped the

California industry to reach out to its smaller producers providing education, training and development on disease prevention. This outreach program, including biosecurity summits, educational materials, signage, and large and small group specialized curriculum, has successfully served multiple ethnic groups as we have been able to provide training and materials in diverse languages and formats.

The CPF and its members have worked closely with the USDA and the California Department of Food and Agriculture in developing and implementing training and surveillance programs for live bird markets in both urban and rural communities, which includes extensive statewide farm and processing plant testing. Continuation of such outreach programs is critical.

AGRICULTURAL EXPORTS VITALLY IMPORTANT

U.S. agricultural exports are estimated to have been more than \$63.5 billion during 2005, a large and significant amount by any measure. These exports of \$63.5

billion compare with an estimated \$60 billion of agricultural imports, thus providing a positive trade balance of \$3.5 billion. Increasing agricultural exports can help move the United States toward better balancing the large, overall trade imbalance that our country has with the rest of the world.

Each farm export dollar stimulates an additional \$1.48 in economic activity, according to a recent Economic Research Service (ERS)/USDA study. Also, each one billion dollars of agricultural exports adds more than 13,400 full-time civilian jobs, of which 7,100 jobs are in the non-farm sector. It is also important to note that exporting value-added products, such as poultry, when compared with bulk agricultural commodities, generates even greater economic activity and employment. ERS found value-added exports contributed about 16 percent more economic activity than bulk, agricultural commodity exports. Similarly, employment expanded significantly (more than 22 percent), compared with non-value added farm exports.

While many of us recognize the vital importance of agricultural exports to our farm economy and overall U.S. economy, I believe this brief discussion helps remind us of the positive nature of exports and helps set the stage for my recommendations for provisions in the new farm bill.

A good farm bill that allows U.S. poultry producers/processors to stay competitive in the United States and abroad will help provide the support and business environment for our farms and processing facility, other poultry farms, and agribusiness companies to continue to grow and thrive. The current farm bill authorization expires in 2007, which is not far away. It is important that your committee continue its timely work so that action on the new farm bill is not delayed, because Federal budget pressures will not go down in future years. USDA will have to administer and manage a smaller budget for agriculture, and the new farm bill will need to recognize that and be compatible with the outcome of the World Trade Organization (WTO) negotiations.

THINK ABOUT FARMS RATHER THAN COMMODITIES

Since the challenges to meet budgetary and international trade obligations will probably be greater in the future, it may be time to think more broadly in terms of crafting a new farm bill. For example, many commodity price support programs are considered safety nets that provide some assurance that a farmer's income will be protected in the event the marketplace cannot provide the sufficient and necessary financial support. Perhaps it is time to think about providing a safety net for a farmer's income rather than providing a safety net for individual commodities. Such an approach would give greater flexibility to a farmer's production decisions and options. It would also appear to be more compatible with the likely outcome of the current WTO negotiations.

Such a shift in approach away from specific commodity support programs to programs which provide whole farm security tied to improving the environment, conserving resources, and saving and/or generating energy on-farm deserves a full hearing. If such beneficial programs are voluntary, incentive-based, and offer better risk management options, it seems very appropriate to consider a new farm bill that contains such provisions.

POULTRY GROWS IN COMPETITIVE ENVIRONMENT

Poultry is a major user to feed grains and oilseeds, perhaps the major user when chicken, eggs, turkeys, and other poultry are added together. It is vitally important that producers of corn, soybeans, and similar crops receive a fair and stable return for their efforts, resources, and risks. At the same time, it is also vitally important that the U.S. poultry companies and other U.S. animal agriculture producers be able to purchase corn, soybeans and other necessary feed ingredients at price levels that allow us to be cost-competitive at-home and abroad.

The best way to help ensure cost-competitiveness is encouraging sufficient cropland to meet feed grains/oilseeds users needs for domestic and export, both now and in the future. There is a need, driven by market demand, to bring additional farmland back into agricultural production. With continuing loss of land to urbanization around major cities and the large amount of farmland currently enrolled in the Conservative Reserve Program (CRP) that is not highly erodible, the ability of U.S. agriculture to expand crop acreage is severely limited. This limitation will only grow more serious as a result of increased demand for grains and oilseeds from legislative mandates for ethanol and biodiesel production in coming years, as well as the growing number of other products produced from corn and soybeans. With the always present risk of drought and crop diseases such as soybean rust, this limitation on expanding crop acreage within the United States raises questions about U.S. ability

to remain a dependable, stable, long-term supplier of grains and oilseeds for domestic and global customers.

In light of these factors it is important that new farm legislation provide for USDA to keep as much flexibility as possible in administering the CRP in order to respond to market needs. USDA should extend only those contracts on expiring acreage that have the highest Environmental Benefits Index (EBI), require all other expiring contracts to compete for re-enrollment to ensure only the most environmentally-sensitive acres are enrolled, and place greater emphasis on improving water quality, which, according to USDA's own assessment, currently represents only 8 percent of the non-market benefits of enrolled CRP acreage. In addition, many young farmers who want to expand their operations lack adequate opportunities to do so when the CRP overly curtails their ability to farm good productive land.

ANIMAL INDUSTRY VOLUNTARY STANDARDS ARE HIGH

Members of the poultry industry take pride in operating our farms in a manner that serves the American consumer well, with the most affordable and safe foods available anywhere in the world. The U.S. poultry industry including both meat and eggs segments have developed highly successful voluntary standards and monitoring plans for animal welfare. These voluntary national standards have been universally accepted as the foundation to assure U.S. poultry is grown in a humane and responsible manner. Our industry understands the expectations of the American consumer as they relate to treatment of farmed poultry; we understand that animals without stress perform best; we have initiated effective voluntary programs for animal welfare; and I am proud to be part of an industry that is acting voluntarily and responsibly. In addition, the farm bill, as omnibus legislation, should not be a vehicle for any narrowly scripted or highly restrictive special interest initiatives in these or any other areas.

CHALLENGES AND OPPORTUNITIES ABOUND

Western poultry producers/processors join our poultry colleagues across America in looking forward to working with the committee to help craft a new farm bill that does not just meet the current challenges and opportunities but also sets the foundation for generations of America farmers to enjoy the success of an expanding world demand for food and fiber.

Thank you for this opportunity to share some of our thoughts and recommendations from the California Poultry Federation, as well as the thousands of poultry growers, producers and processors throughout this country.

STATEMENT OF TONYA ANTLE

Good morning Mr. Chairman and Members of the committee. My name is Tonya Antle. I am Vice President of Organic Sales at Earthbound Farm. My love and enthusiasm for produce started early, growing up on my family's table grape and citrus farm in Delano, California. After earning a Bachelor's Degree in Communications from UC Irvine, I started my sales and marketing career in produce in the early 1980's with Frieda's of California, the nation's leading marketer of specialty produce. I later joined Pavich Family Farms, where I led the expansion of the company's organic products line, working both in sales and as a marketing manager. I have proudly served in my current position at Earthbound Farm since 1998.

Earthbound Farm's mission is to bring the benefits of organic food to as many people as possible and serve as a catalyst for positive change. And we realize that to bring the benefits of organic food to as many people as possible means that we must get our organic produce to everyone's favorite stores. As we strive to increase the availability of organics, we have focused on addressing the needs of today's retailers and produce managers by offering them a reliable year-round supply, a wide variety of products, and the guarantee that we uphold the highest quality and safety standards in our industry.

Although Earthbound Farm started 22 years ago in Carmel Valley with just 2 ½ acres and a roadside stand, today, Earthbound Farm's more than 100 varieties of certified organic salads, fruits and vegetables are grown on 26,000 acres, and are available in 74 percent of America's supermarkets, making Earthbound Farm the most recognized organic produce brand in North America. We have grown to become one of the most widely available and most recognized organic brands in the nation. And we're proud that throughout that growth, our commitment to organic farming has not only never wavered, but grown stronger with each challenge.

We believe strongly that growing organically should benefit the farmers who spend their days amongst Earthbound Farm crops. We believe that growers who invest the extra time, effort, and added risk of farming organically should be rewarded for their stewardship of the land with a decent living. Earthbound Farm's marketing efforts strive to achieve a fair price for quality products. So whether farmers work directly for Earthbound Farm, or contract to sell produce under the Earthbound Farm label, we promise a fair reward for their labor.

I am also pleased to offer this testimony on behalf of United Fresh Fruit & Vegetable Association, a national association representing the views of producers, wholesalers, distributors, brokers, and processors of fresh fruits and vegetables. United has provided a forum for the produce industry to advance common interests since 1904.

ORGANIC PRODUCE

Once considered a sacrifice in quality to support a certain set of beliefs, organic food is now thought of as premium quality, offering both personal and environmental benefits. During the past decade, U.S. organic sales have grown 20 percent or more annually. Organic food and beverage sales are estimated to have topped \$15 billion in 2004, up from \$3.5 billion in 1997. Sales are projected to more than double by 2009.

Organic farmers aren't the only ones who know this. Many "conventional" growers have been using organic materials in their farming operations for over 50 years. The result of such farming practices, evidencing proper stewardship of the land, is soil health and capacity that benefits landowners, farmer owners, and consumers of crops produced on such ground. Indeed, healthy soil, coupled with good organic farming practices, strengthen plant health, eliminating the need for pesticides in a number of situations. Organic yields can be lower than those of conventional crops, in our experience, but the benefits to farmland and the plant as a whole from organic farming methods are beyond doubt in our opinion. There can be little doubt that organic farming techniques are beneficial to the ongoing health and sustainability of agricultural land and of our world as a whole.

As members of this committee know, certified organic production is a rapidly growing component of U.S. agriculture and the specialty crops sector in particular. Supply is growing but demand is growing faster. Currently, the USDA estimates that the imbalance of organic imports to exports is 10:1, and increasing. One of the limiting factors for increased production is the very small amount of scientific research that has been done for organic systems, and the limited capacity of the Extension service to provide organic production information. Organic production is very information-intensive. It takes a lot of knowledge to make our organic systems successful. Our institutions and agencies are only beginning to catch up with the demand for this research.

FRUIT AND VEGETABLE INDUSTRY OVERVIEW

Members of the produce industry work hard to remain profitable, satisfy consumer demands, conform to and develop new technology, and compete in an increasingly global marketplace which is enjoying the fruits of consolidation at the retail end of the supply chain. The marketplace in which we operation is becoming less neutral and even handed. Myriad regulation, driven by food-safety concerns, responses to September 11, and other very legitimate consumer and customer needs, are placing more and more burdens on farmers and their partners who pack and ship perishable agricultural commodities. In our effort to respond to these needs, we are obliged to introduce costly measures and undertake expensive actions. These shift all the way back to the farmer and the responsibility of supplying high-quality foods that are safe and nutritious while not being too expensive for the consumer. We work hard at this, helping to continue to ensure that the American people have an abundant supply of fresh food at prices that are very low by world standards. Federal investments to ensure our continued competitiveness are needed in research on convenience, nutrition and taste; and efforts that allow us to compete in the marketplace with new consumer packaging making fruit and vegetable consumption more convenient and readily accessible, and providing innovate fresh cut technologies. We are all working hard to fulfill consumer needs for great-tasting, high-quality fresh fruits and vegetables, and affordable healthy food choices. But we need agricultural policy priorities to assist us in that effort and make fresh fruits and vegetables accessible and available to all Americans.

The fruit and vegetable industry also produces crops that are vital to the health of Americans and represent a significant segment of American agriculture. Fruit and Vegetable production across the United States accounts for over \$26 billion in

farm cash receipts, representing 28 percent of the U.S. total crop value. While our domestic production remains strong, we have seen increasing imports in our sector. In all horticultural products, the U.S. imported \$21.9 billion and exported \$12.3 billion worth of goods in 2003.

Today, growers are facing the most difficult economic conditions and regulatory challenges they've seen in decades. Meanwhile, the consumption of our commodities seems to be stagnating. While the perishable nature of our products presents unique challenges and creates highly volatile markets, our industry has not relied on traditional farm programs to sustain our business. We're proud of our commitment to free markets, and don't want that to change. Like producers of program crops, the fruit and vegetable industry faces significant challenges in the production and marketing of their commodities that must be addressed if they are to remain competitive. In developing the next farm bill, fruit and vegetable producers are looking for investments that support the market—driving consumption and export opportunities and aid in the development of new technology and improved production practices and protect against harmful pests and diseases.

The fruit and vegetable industry strongly supports maintaining or strengthening the current restrictions that prevent the planting of fruits and vegetables on acres receiving program payments. This includes not allowing any temporary loss in program benefits as a remedy for 1 year or other short term shifts to fruits and vegetables. Fruit and vegetable producers are concerned that any alternations in this provision would allow commodity producers to mitigate any start-up costs or mitigate risk inherent to fruit and vegetable production resulting in unfair competition.

The industry also supports continued expansion of the State Block Grant Program for Specialty Crops that was authorized in the 2004 Specialty Crops Competitiveness Act. This program allows States to invest in programs and projects that support production-related research, commodity promotion, food safety and other programs that enhance the competitiveness of specialty crop producers. Due to the variety of crop production among states, the "state grant" nature of the program is essential to the success of the program and benefit to local producers. A few of the programs funded in California by the 2001 Block Grant were research for sustainable agriculture which focused on cost effective organic and reduced input production; funding for school nutrition programs such as school garden and nutrition education and creation the Western Institute for Food Safety and Security (WIFSS). WIFSS has been active in outreach on food security to the fresh fruit and vegetable industry and works on the newly initiated Food and Drug Administration, Department of Health and Human Services (DHHS), FBI and USDA Strategic Partnership Program on Agroterrorism.

NUTRITION POLICY

The fruit and vegetable industry has the good fortune to offer consumers a healthy and nutritious product that is recognized as critical to preventing cancer and other chronic diseases, reducing obesity and diabetes, and maintaining overall good health. The Dietary Guidelines for Americans call for the consumption of 5 to 13 servings a day of fruits and vegetables as a cornerstone of good health. Yet, on any given day 45 percent of children eat no fruit at all, and 20 percent eat less than one serving of vegetables.

While nutrition policy is not solely a farm bill issue, we have a unique opportunity to ensure that policies are carefully considered so that the new Guidelines are fully implemented. To this end, future farm policy will not only support American agriculture; it will support and encourage the health and well-being of all Americans. Driving domestic consumption of our perishable commodities will benefit the entire fruit and vegetable industry, resulting in a stronger price for producers across the country.

The School Fruit and Vegetable Snack Program is an effective and popular nutrition intervention program proven to increase fresh fruit and vegetable consumption among children in participating schools. This program allows children to experience the great taste of fruits and vegetables and thereby has the potential to build lifelong healthy eating habits. Started in the 2002 farm bill and subsequently expanded during the reauthorization of Child Nutrition program in 2004, this program should be expanded in the 2007 farm bill.

To ensure that Americans are incorporating the government's dietary recommendations into their daily diets, the farm bill should establish a Fruit and Vegetable Nutrition Promotion Program. Meeting Federal health guidelines would require Americans on average to double their consumption of fruits and vegetables, an increase in demand that would create significant value to U.S. growers in market opportunity. The program would be a cost-effective way for the Federal Government

to invest in sustainability of U.S. fruit and vegetable growers while tackling the critical obesity and health crisis that is draining Federal funds for ever-escalating health care costs.

RESEARCH POLICY

Research serves as both a foundation and a catalyst for growth in the advancement of any industry. Federal investment in agricultural research dedicated to the economic vitality and long-term viability of United States specialty crops has been extremely limited. Specialty crops and their research needs are unique and important. These crops are typically characterized by high production input costs, unique market challenges, and are a significant source of essential nutrients required for good health.

Federal investments in research and development for specialty crop production including organic production, processing, marketing, and consumption which influence public access to these vital commodities must be re-emphasized in the next farm bill. Funding that emphasizes nutrition will provide significant return on investment through better health amongst the U.S. populace and at the same time enable specialty crop producers to secure a competitive position in the global marketplace.

The new USDA/DHHS dietary guidelines have recommended the daily dietary intake of Americans be at least 52 percent fruits, vegetables and foods derived from specialty crops. Federal investments in agriculture should be allocated to reflect the national importance of these products to the American diet. Research funding to the USDA Agriculture Research Service (ARS), Cooperative State Research, Education, and Extension Service (CSREES), Economic Research Service (ERS), National Research Initiative (NRI), National Agricultural Statistics Service (NASS) and other USDA programs, should be significantly increased and/or reallocated to appropriately and proportionally represent the important role that specialty crops play in the maintenance of human health.

As a member of the USDA National Agricultural Research, Extension, Economics and Education Advisory Board (NAREEEAB) I served on a special subcommittee concerned with our new research and extension programs for organic agriculture. With support from this committee and the appropriators, these good-faith efforts by the agencies have gotten off to a promising start. But they are not commensurate with either the needs of the organic sector, or the benefits to our economy, environment and citizens that increased organic farming can provide.

In directing the Department's organic research and extension activities, the committee should first take a broad approach, ensuring that organic food and farming is recognized and served by all of USDA's programs. In addition, I believe the committee should incorporate the following objectives to legislation authorizing USDA's REEE programs for fiscal year 2008 and beyond:

- Continue the CSREES Integrated Organic Program, funding competitive grants for integrated research, extension and education on organic production and marketing. Funding sources for this program should total at least \$15 Million annually.
- Establish a permanent National Program Leader for Organic Agriculture within CSREES.
- Establish a designated National Program for Organic Agriculture within the Agricultural Research Service, based on National Program Staff planning that is now reaching completion.
- Continue authorization for the Organic Production and Marketing Data Initiative.

CONSERVATION POLICY

Today consumers want an agricultural production system that not only produces abundant, affordable and safe food and fiber, but also conserves and enhances the natural resource base and protects the environment. The public benefits of working land conservation programs are a more stable and productive farm economy and an improved environment. Protecting the environment and productivity today will mean less cost for producing products in the future and will therefore assist in ensuring sustainability in the years ahead.

For the produce industry, there continues to be mounting pressures of decreased availability of crop protection tools that can be used to provide the abundant and safe food supply the consumer demands. In turn, environmental regulations continue to put pressure on the industry's ability to be competitive in a world economy. Because of these factors, the industry supports expanding cost share and incentive programs such as the Environmental Quality Incentives Program and the Conservation Security Program that encourages producers to invest in natural resource protection measures they might not have been able to afford without such assist-

ance. There is also a need for targeted technical assistance to help fruit and vegetable producers" access conservation programs—providing both education on available programs and technical assistance in preparing documentation and farm assessment that are necessary to apply for the conservation programs.

INTERNATIONAL TRADE POLICY

The economic well-being of the produce industry and other agricultural commodity sectors depends heavily on exports which account for one-third or more of domestic production, provides jobs for millions of Americans, and makes a positive contribution to our nation's overall trade balance. This year, the value of U.S. agriculture exports is projected to be a record of \$64.5 billion. Unfortunately, imports are forecasted in 2006 at record levels of \$61.5 billion. With the United States' 2006 trade balance forecasted to be at its lowest point in 20 years, serious attention must be made to our current trade policies which help expand market access. Without improved international trade policies that advance open and fair trade practices in the global market, the U.S. surplus in agricultural trade which has declined over 90 percent since 1996 will continue to fall.

U.S. fruit and vegetable growers face significant obstacles in the development of export markets for their commodities and unique challenges due to the perishable nature of our products. Without further commitment to export market development by the Federal Government and commitment to reducing tariff and non-tariff barriers to trade, the U.S. produce industry will continue to lose market share to global market competitors. Farm bill programs that have worked well increasing access to foreign markets for domestically produced fruits and vegetables are the Technical Assistance for Specialty Crops and the Market Access Program. This program should be continued and expanded in the next farm bill.

We look forward to working with the committee on the development of the next farm bill. Many of the pressures that fruit and vegetable producers face are similar to those of producers of other commodities—increased regulation, high energy costs, transportation costs and input costs, but the perishability of our crops result in different marketing strategies, market requirements and the need to move our products to market quickly. We hope these unique characteristics can be addressed through agricultural policies that drive domestic consumption, and expand foreign market access while investing in research, food safety, conservation and pest exclusion policies that benefit the members of the produce industry.

STATEMENT OF BILL TRACY

Mr. Chairman and members of the committee, it is my pleasure to also extend a welcome to California. Thank you for giving members of California agriculture this opportunity to offer views on the some of the challenges facing agriculture and the importance and necessity of an effective farm program.

My name is Bill Tracy. I do my best speaking extemporaneously but because of time will "stick-to-my-script". I am a member of a "hands-on" family farm currently into its 5th generation. We produce cotton, hay, grain, chipping potatoes, fresh market carrots, almonds, pistachios and operate cattle feedlots here and in Texas. Besides contributing to the daily operation of the ranch I have served as chairman of the California Cotton Growers Association, National Cotton Foundation and participated on various EPA advisory and dialog committees. From 1987 through 1991 I was a member of Governor Deukmejian's administration serving as Deputy Director of Agriculture.

Mr. Chairman, I would first like to offer comments on the size and diversity of California agriculture. Our agricultural abundance includes over 350 commercial commodities. We grow more than half of the nation's fruits, nuts and vegetables. California has approximately 82,000 farming operations; this number represents about 4 percent of the nation's farms, however that small percentage produces 13 percent of our nation's agricultural gross cash receipts. More than 60 percent of our agricultural sales come from a wide range of specialty crops, including fruits and nuts, vegetables and melons and nursery crops. California is also an important producer of livestock and field crops and is the No. 1 dairy State. This diversity gives us a perspective on farm programs that is likely different from much of the rest of the country.

An overview of California wouldn't be complete without mentioning water. Our diverse agricultural region coupled with dependable weather has made us an unmatched food and fiber producing machine. But to keep us from becoming another Garden-of-Eden God set all this in the middle of a desert. He even provided us with

plenty of water but set back to see what mankind would do since two-thirds of the water is produced in the north State yet almost all our agriculture and the greater part of the population is in the south State. Thus far, what we've efficiently done with water, since the gold rush of 1849 is fight over it. If we don't come together soon with an adequate distribution system, future farm bill's will be a moot issue for California.

As we think about the need for an effective farm program, it is important to remember the challenges and constraints facing California agriculture. California is one of the world's most productive agricultural areas, but also the most highly regulated. These include regulations related to air and water quality, energy usage, and pesticide applications, just to name a few. These regulations place additional costs in the system and increase the overall management burden on our farmers. By adhering to these regulations, California farmers are good stewards of the land and the environment. But we do so at a cost, and farm programs are needed to defray a portion of those costs.

Mr. Chairman, I would like to take a moment to address an issue of concern for not only California agriculture, but all of the U.S. that is the challenges facing young people that would like to enter farming. I commend USDA for raising this issue in the request for farm bill comments, issued in 2005. We farmers are getting older. According to the most recent Census of Agriculture, the average age of California farmers is 57, and with each survey, the average age is increasing, which suggests fewer and fewer young people are choosing farming as a profession.

Entering agriculture as a new farmer or rancher is a daunting challenge. The costs of establishing a commercially-viable operation are substantial as input costs, machinery prices and land costs have increased. In order to make the necessary investment, adequate financing is crucial. An effective farm program enhances the producer's ability to secure financing.

Some would argue that farm programs actually deter beginning farmers by increasing land costs. While it is widely recognized that income support from farm programs will be capitalized into land values, the extent to which that capitalization occurs is subject to debate. If farm program payments increase expected returns, then a portion of the expected return will be eventually captured through higher land values. However, it is not economically rational to assume that farm program support causes a rise in land values to the extent that it reduces our competitiveness in world markets. The impact of farm programs on land values must be kept in proper perspective. The current non-farm economy is the primary driver of land values. This is evident in virtually every land sale.

While some view current land values as a serious obstacle for beginning farmers, it is important to remember the financial consequences of sharp land devaluation. Land represents almost 80 percent of farm business assets. Stronger land values increase equity and serve as collateral against which farming operations are able to secure annual production loans.

Again, an effective farm program is a necessity for young farmers entering agriculture and not a deterrent. USDA's current program providing loans for beginning farmers and ranchers should also be used to the maximum extent possible to provide financing opportunities.

Let me also comment on the importance of export markets to California agriculture. We are not only the nation's number one agricultural producer but also the number one exporter. Access to international markets remains a key to our long-term viability. California is uniquely geographically positioned that we're not so much the Western border of the U.S. as we are the Eastern gateway to the Pacific Rim. Within the context of the farm bill, it is important to fully fund programs such as the Market Access Program and the Foreign Market Development Program. The combined investment of private and public funds, coupled with industry marketing expertise, result in innovative, forward-looking programs that leverage money into high impact campaigns and promotional efforts. Additionally, I would encourage you to consider extending the current farm bill until we have a better handle on the negotiations in the Doha round. Any uncertainty will be highly disruptive and costly. It's no different than when I was in the Army as an artillery forward observer and my captain would admonish me saying "Don't guess, if you can't see the target I can't hit it and we're just wasting expensive ammo".

Mr. Chairman and members of the committee, as a final thought, I would like to express my support for the current farm bill. The legislation remains vital to the structure and stability of both California agriculture and U.S. agriculture, as a whole. It includes benefit delivery provisions that provide needed support in times of low prices without distorting overall planting decisions. An effective marketing loan provision allows U.S. cotton and other commodities to be price-competitive in a global market. The current law contains sufficient planting flexibility provisions

that allow producers to react to market signals. It should continue to operate without modification through its scheduled expiration. Furthermore, I believe that it provides the foundation for the next farm program as well.

Mr. Chairman, I'd like to leave you with a quote Grandma Tracy taught me. "The decline of every great civilization commenced, when they turned their backs on agriculture."

Thank you again for the opportunity to present these remarks. I will be glad to answer any questions that you may have.

STATEMENT OF EARL PEREZ

Mr. Chairman, Ranking Member Peterson, and distinguished members of the committee, thank you for the opportunity to discuss Federal agriculture policy and the 2007 farm bill. It is critically important that Congress focus on the many challenges that now face our nation's growers of fruits, vegetables, and other crops. I commend you for coming to California to learn more about these issues.

Again, I am Earl Perez representing Perez Farms and affiliated companies. We are a family owned operation and grow and process a variety of crops. Our family migrated from Southern California to this valley in 1936 and has been farming since then. We are second generation farmers and sons of immigrant parents from the northern part of Spain. Our parents chose this valley because of its unique resources of land, water, and climate.

Growers currently are confronted by many pressing issues that must be addressed by Congress in the 2007 farm bill. As markets become globalized, as Federal and State regulation of our industry increases, and as trade barriers continue to block access to foreign markets, it is increasingly difficult for growers to compete against foreign producers who are often heavily subsidized and minimally regulated.

A competitive domestic agriculture industry is necessary for the production of an abundant, affordable supply of highly nutritious crops. In addition, with all the concerns about food safety and bioterrorism today, a secure domestic food supply is critical to our national security. Federal agriculture policy must be improved dramatically if we are to sustain an efficient and productive domestic crop industry.

It is important to note that specialty crop growers produced over \$55 billion in crops at the farm-gate value in 2004, or approximately 50 percent of the value of total crop production in the United States. However, only a very small portion of the resources of the USDA budget are allocated to policies and programs that address issues of concern to specialty crop growers. In the future, the allocation of Federal resources aimed at addressing issues of concern to crop growers must reflect the value of their production to our economy, as well as the dietary and health needs of American consumers. California alone adds \$30 billion including all crops at the farm-gate.

As noted above, growers in California and across the Nation make a large contribution to our economy. However, this economic activity is in jeopardy due to a number of disturbing trends now facing our industry. These trends include:

- Stagnant export growth due to a lack of access to foreign markets. As a result, a U.S. trade surplus in fruits and vegetables of over \$600 million in 1995 has become a trade deficit of nearly \$2.3 billion in 2005.
- Heavily subsidized foreign competition. For example, the European Union provides over \$12 billion annually in subsidies to fruit and vegetable growers.
- The loss of cost-effective crop protection tools due to Federal and State laws.
- Increasing import competition from growers in nations with minimal regulation.
- Increasing pest and disease problems due to the growth of international trade.
- Increasing Federal and State regulation, such as clean air and clean water restrictions.

These trends represent extremely difficult challenges because they are putting enormous downward pressure on the economic returns of farmers. The Federal Government has an important role to play in making sure growers have the tools needed to combat these forces and ultimately remain competitive in global markets.

As you know, the Specialty Crop Competitiveness Act was introduced in 2003 to begin addressing the trends mentioned above. The enactment of an amended version of this legislation in 2004 was a small, first step towards this objective. The support and leadership of the members of this committee on behalf of the Specialty Crop Competitiveness Act is greatly appreciated. We are highly against allowing specialty crops to be planted on acres set aside in other programs.

Much work remains to be done in the 2007 farm bill to address the competitive issues that confront farmers. As a member of Western Growers, I am aware that our industry has already started working on proposals for the farm bill. Western

Growers is co-chairing the farm bill Steering Committee, which is working to develop a broad array of proposals aimed at improving and expanding Federal programs to meet the needs of growers. The policy areas addressed by this proposal include: commodity programs; nutrition policy; expanded international market access; pest and disease exclusion; research and development; and other Federal agriculture programs. Many of the provisions endorsed by the farm bill Steering Committee build on what was started by the Specialty Crop Competitiveness Act of 2004. The FBSC proposals are expected to be introduced as legislation in Congress later this year. It is our hope that these proposals will be enacted as part of the 2007 farm bill.

To conclude, California growers would greatly appreciate the opportunity to work with the members of this committee in crafting a farm bill that fully recognizes the unique needs of our industry, and also allocates a level of resources sufficient to sustain us in global markets. It is also important to note that Congress must act on the farm bill in 2007 and should not delay consideration of the legislation for any reason.

Thank you, Mr. Chairman, for this opportunity to testify before your committee.

STATEMENT OF JOHN E. PUCHEU, JR.

Mr. Chairman, members of the Committee, welcome to California and thank you for holding this hearing.

I appreciate the opportunity to present remarks about future farm policy, with an emphasis on cotton.

My name is John Pucheu. I have been farming for 40 years and am a partner with my brother in a 3,500 acre farming operation, principally devoted to upland and pima cotton. We also grow processing tomatoes, sugar beets and onions for dehydration. Our operation is located in Tranquillity, which is 35 miles west of Fresno. I am currently the vice chairman of the National Cotton Council. I served as chairman of the American Cotton Producers from 2004–05. I also am a past president of California Cotton Growers Association and have served as chairman of the Cotton Board, Supima and Calcot Ltd.

Mr. Chairman, the San Joaquin Valley is an area with one of the most diverse agricultural economies in the world. It is critically important to farmers and ranchers that our farm policy remains balanced between commodities. Even slight acreage shifts from row crops to specialty crops can result in market disruption. Mr. Chairman, in addition to sound farm policy, we encourage you and the members of your committee to work for science-based regulations and an effective immigration policy.

A significant majority of California's upland and pima cotton producers strongly support the current farm law. It is imperative that it continue to operate without major modification through its scheduled expiration with the 2007 crop. Our producers have made substantial long-term investment, cropping and marketing decisions, which are based on current law. We are particularly concerned by annual proposals to further tighten limitations on benefits or limit eligibility to the loan. We appreciate your expressed opposition to these proposals. Current limitations already place most of our operations at a significant disadvantage because of our costs and economies of scale.

California cotton producers strongly support using current law as the basis for future farm law. The combination of a marketing loan, counter-cyclical payment when prices are low and a direct payment for stability are a sound foundation. Pima producers support continuation of a loan program with a competitiveness provision to ensure U.S. extra-long staple cotton, also known as Pima cotton, remains competitive in international markets. The balance between the upland and pima programs is important to ensure that acreage is planted in response to market signals and not program benefits.

If negotiations in the Doha round have not been completed to the point that the impact on future U.S. farm policy is clear, we would support continuation of the current farm bill for at least one additional crop year. Given our significant financial investment and alternative cropping opportunities, it is imperative for farmers in this area to know what the policy will be well in advance of planting the crop. Any uncertainty will be highly disruptive and costly.

Mr. Chairman, we are deeply concerned that the language in the recent Hong Kong Ministerial agreement will be used to single cotton out for special and differential treatment. We ask that you and your colleagues urge the U.S. negotiating team to insist the negotiations be conducted as a single undertaking with no early harvest for cotton. We also urge you to make clear to our negotiators that the agree-

ment must include meaningful increases in market access for all commodities before there can be agreement on reductions in domestic support.

We are also concerned that certain countries, which are highly competitive in world markets, not be allowed to utilize special and sensitive product designations and safeguards, designed to assist the poorest of the poor, as a way to avoid committing to significant increase market access. The U.S. cotton industry has supported the Doha round but we will not be able to recommend that Congress support an agreement that requires cotton to accept deeper and quicker reductions in domestic support; that does not provide significant, meaningful increases in market access and that allows countries like Brazil, China, Pakistan and India to declare themselves less developed for the purpose of evading compliance.

Mr. Chairman, as you and your colleagues develop new farm law, we urge you to maintain the marketing loan without limitations; maintain decoupled direct payments; maintain a counter-cyclical program for times when prices are low and preserve the cropping flexibility provision in current law. It is also important that payment limitations, which already unfairly penalize many of our growers, especially in the irrigated West, not be reduced further and that current eligibility requirements be maintained.

Conservation programs will continue to be an important component of farm policy. For example, the Environmental Quality Incentives Program (EQIP) is especially useful to San Joaquin cotton farmers as we work to improve air quality in the Valley. These programs should be operated on a voluntary, cost-share basis as a valuable complement to commodity programs. However, they should not be viewed as an effective substitute for the safety net provided by commodity programs.

Since California exports virtually 100 percent of our annual cotton production, we strongly support continuation of the successful public-private partnership fostered by the Market Access Program (MAP). And we urge continued funding for the Foreign Market Development program and a WTO-compliant export credit guarantee program.

Research and crop insurance are also important to the future of our industry. We are particularly frustrated that the Risk Management Agency has been unsuccessful in responding to our need for affordable, higher levels of crop insurance coverage. We need to insure levels of 90 or even 95 percent of our yields in order to have effective risk management. I hope RMA will be willing to re-evaluate the products available to us.

In conclusion, Mr. Chairman, I need to address the "elephant in the room." As long as I can remember, the fruit and vegetable industry has opposed direct subsidies of their crops. And they have insisted that no specialty crops be produced on "program acres" without severe penalty. Most, if not all, California "program crop" producers also produce specialty crops—we are them. Recently some groups have made it clear that they want to be a significant part of the next farm bill—through increased earmarked funding for conservation, nutrition, research and block grants. Our challenge is to identify the funds for these new or enhanced programs without having to substantially reduce current levels of support. I want to be clear. The cotton industry does not oppose programs that benefit specialty crops. In fact, given the diverse cropping alternatives in the San Joaquin Valley, we need a viable specialty crop market. However, we also need balance between programs and we need adequate resources. We look forward to working with the specialty crop interests and Congress in addressing their concerns.

Thank you for the opportunity to present these views. I look forward to working with the members of the Committee in developing effective farm policy.

On a personal note, but one I am guessing other growers my age can relate to, my son is currently working for a large farming company. He is considering a return at some point to our family operation, but is watching very closely what occurs in the next farm bill and the outcome of the WTO agricultural negotiations before making that decision.

I will be pleased to answer questions at the appropriate time.

STATEMENT OF PHILIP LOBUE

Good Morning Mr. Chairman, members of the committee. Thank you for the invitation and the opportunity to comment on a subject that will help establish the parameters in which an industry such as California Citrus will be producing and marketing for the next decade. The programs and guidelines developed during this year long discussion will determine how competitive our industry will be in the world marketplace.

My name is Philip LoBue and I am here wearing two hats. I am a partner in a family farming operation in which we produce oranges on approximately 1000 acres in Fresno and Tulare Counties. We also own and operate packing, shipping and marketing facilities in Lindsay & Exeter California which were started by my father and his two brothers in 1938. LoBue Brothers Inc., in addition, to packing our own fruit also coordinates packing and marketing needs for over 150 growers. We market citrus almost year round and in the aggregate pack and market over 4 million cartons of fruit. As an aside we are neither the largest nor the smallest in the industry but we are one of the best.

I'm also chairman for California Citrus Mutual, a citrus producer's trade association with a statewide membership of almost 2000 growers. The combined economic strength of our industry exceeds \$1.5 billion of oranges, lemons, mandarin varieties and other unique citrus products. I'm also appreciative of the five minute cap for statements inasmuch a specialty crop producer such as myself is less knowledgeable of farm bill components than others you will hear from over the next 12 months. Historically farm bills have been less than balanced and therefore fresh fruit and vegetable producers have had limited knowledge and therefore access to a variety of programs.

And that is my first comment committee members. This farm bill needs balance. This farm bill needs language that creates more opportunity to participate in the programs that heretofore have been tailored toward Midwest producers, animal ranchers and so-called major commodities. There are two ways in which this can be rectified.

One, the criteria for eligibility have been so tightly written that producers of specialty crops or citrus are not eligible. Two, the formulas for determining economic eligibility are construed to make us ineligible. We are often classified as high value for a reason. It's not that our profits are large, it is because our costs are so much greater than traditional farm bill commodities. In fact our costs are greater than revenues for the major commodities. Thus the Adjusted Gross Income language must be addressed so that citrus producers can avail themselves of programs such as those in the Natural Resource Conservation Service (NRCS) area.

We believe that Environmental Quality Incentives Program (EQIP) and other NRCS programs need to be better funded and expanded to include greater assistance for air quality, land use, water conservation and other environmental objectives as it relates to a permanent crop such as citrus. Presently 60 percent of that program goes to animals with the balance significantly over subscribed. That's just wrong. We would like to see a Division of Air Quality established to focus on production adjustments in areas of non-attainment or designated poor air quality areas.

As a commodity that relies on exports for our economic well being, well over 20 percent of our production is exported; we wish to see more dollars placed in the Technical Assistance for Specialty Crops (TASC) program and a support level for the Market Access Program (MAP) that is worthy of our collective industry. There is something wrong when our desire to export is great but figures indicating export growth are flat. To be sure part of this solution is World Trade Organization (WTO) related but trade and farm bill discussions, together as I stated earlier, will create the environment for which industries such as ours will survive, thrive or begin to demise in the coming years.

Our industry strongly believes that pest exclusion and eradication activities have suffered in the past few years. Our definition of utopia in this arena would be to allow USDA complete management of this program rather than the joint effort with the Department of Homeland Security. There are too many reports and studies that support our concern that although our borders are more secure, as farmers we are more vulnerable to invasive pest and disease today than ever before in our history. One Mediterranean fruit fly would restrict our ability to market around the country and the world. It will lead to the destruction of our Integrated Pest Management (IPM) programs and excessive use of chemicals and other crop protection tools. We cannot emphasize enough that the quality of this program and Animal Plant Health Inspection Service's (APHIS) ability to eradicate in a crisis situation must be strengthened.

Today USDA/APHIS is hamstrung in its ability to commence and complete an eradication program. We support language that eliminates Office of Management & Budget (OMB) efforts to curtail APHIS expenditures in this area. We also support an APHIS proposal that requires this division, Agricultural Research Service (ARS) and other USDA agencies to identify and prioritize threats from offshore invasive pests. This program would also require cooperative research efforts to develop environmentally sensitive mitigation and eradication steps.

Presently our industry operates in a world environment in which citrus producers worldwide receive a variety of assistance. For example, our competition in Europe

receives in excess of a billion dollars in either direct assistance or program cooperative grants. Contrast that with a big zero for our industry. Certainly the world environment must be addressed in the WTO dialogs but there is no certainty as to when and how they will be concluded. Thus, it is incumbent upon our next farm bill to create a more favorable and economically viable environment for our growers. Our definition of harmonizing is that if governments around the world do not reduce their direct assistance to competitive producers then congress and USDA must create incentive type programs that help level the playing field.

We are not suggesting direct payments but a farm bill that rewards and assists producers in their efforts to export and to farm in a more environmentally sensitive manner. This farm bill must develop programs that sustain specialty crops and align the farm bill with the national priority of good nutrition that features fresh fruits and vegetables.

In closing Citrus Mutual has been part of a nationwide effort with colleagues around the country to develop comprehensive language or concepts for farm bill inclusion. That document will be forwarded in the very near term and supported by the U.S. Specialty Crop Industry.

Thank you for this opportunity and you can be certain that our participation will be continuous and aggressive. We have no choice.

Chairman Goodlatte, Ranking Member Peterson, and members of the Committee, thank you for the opportunity to present the California cattle industry's perspective on the upcoming 2007 Farm Bill. My name is Bruce Hafenfeld, and I am a rancher from Weldon, California and the First Vice-President of the California Cattlemen's Association, a nonprofit, nonpartisan trade association representing our state's beef cattle producers in legislative and regulatory affairs. I also serve on the Board of Directors for the National Cattlemen's Beef Association, the trade association for U.S. beef cattle producers.

Beef cattle are one of California's most important agricultural products, bringing in \$1.63 billion in cash receipts in 2004. Additionally, cattle ranchers are the primary stewards of California's expansive open spaces – ranchers own and/or manage over 34 million acres in our state. These working landscapes support over 90% of the species listed as threatened or endangered under the Endangered Species Act in California and safeguard our state's watersheds – almost all of the surface water consumed in California's population centers flows through or is derived from properties used for grazing.

I'm here to communicate to you that these properties are facing pressures that only jeopardize the viability of ranching in the great state of California, but also threaten millions of acres needed by key wildlife species. The amount of rangeland available to beef cattle producers in California is decreasing due to development and other conversion pressures, and the acquisition of rangeland by conservation organizations and public agencies, who in many cases remove grazing from the property. While various estimates of rangeland reduction have been made, the trend is clear – the base amount of rangeland in California available to ranchers has been declining throughout the 1990s by tens of thousands of acres per year and is projected to continue to decline at a similar rate through 2040. This is a death sentence for the future of the cattle business in California, and has major implications for our state's ecological well-being. Moreover, while my comments address pressures faced by California cattle producers, these same pressures are unquestionably faced by ranchers in other states, and thus should be addressed by Congress sooner rather than later.

Despite the tremendous land base utilized by ranchers, and the fact that the beef cattle industry remains the number one sector of agriculture in the U.S. (in terms of market value), ranching activities receive relatively little attention from federal farm programs. If we are to succeed in the 21st century and pass our operations on to subsequent generations, we're going to need policies which, among other things, better reward these stewardship efforts without compromising the viability of our agricultural operations. We strongly believe that the 2007 Farm Bill should place higher priority on enhancing and fully funding conservation programs including the Grasslands Reserve Program, the Conservation Security Program, the Farm and Ranchland Protection Program, the Environmental Quality Incentives Program, and the Wetlands Reserve Program.

However, this is not just a request for more dollars. We need members of the House Agriculture Committee to compel USDA to work more closely with the agricultural community in making these programs more user-friendly. Far too often, good conservation programs have been seriously undermined by policies which preclude participation by interested producers, or limit the extent to which ranchers can participate. Additionally, we believe the effectiveness of these

programs can be dramatically improved by allowing them to take advantage of all potential funding sources.

There are a few specific challenges ranchers face with respect to implementation of USDA conservation programs, as follows:

First, with the tremendous amount of funding generated through mitigation for endangered species, the effectiveness of USDA conservation programs could be greatly enhanced by allowing the opportunity to cost-share these funds with USDA conservation program funding. In this manner, the limited amount of USDA conservation dollars available can be leveraged to meet the conservation goals of USDA, and the mitigation requirements of U.S. Fish & Wildlife Service biological opinions. Presently, USDA is restricted from utilizing mitigation funding for cost-sharing under the EQIP and WRP programs. In FY2004 alone, just one Department of Interior agency – the U.S. Fish & Wildlife Service – spent \$60 million just on habitat acquisition. Far more land can be maintained as wildlife habitat and kept in agricultural production by allowing these dollars to be pooled with USDA dollars to purchase easements on rangeland. By leaving these lands in agricultural production we not only meet conservation goals, but also preserve rural economies, and tax bases at no extra cost to the government. I have firsthand experience with this issue – on my own ranch we’re working with NRCS, U.S. Fish & Wildlife Service, Army Corps of Engineers, to pioneer this type of project.

Second, more flexibility is needed with respect to cost sharing and payment limitations. USDA needs more flexibility to alter cost-sharing requirements where appropriate, and adjust payment limitations. In many cases, ranchers simply aren’t able to contribute a required amount of cost-sharing (50% in EQIP, for example) if the project will generate little in the way of additional economic activity, but have substantial benefits for wildlife. Additionally, arbitrarily setting numerical caps that render some producers eligible and others ineligible also limits the success of these programs.

Third, certain USDA conservation programs, including the GRP and FRPP, utilize conservation easements. Many ranchers are skeptical of participating in these programs because they simply don’t trust the government. To solve this problem, the 2007 Farm Bill should give USDA more flexibility to allow private land trusts to not only hold these easements, but also negotiate the terms with state NRCS offices. A major benefit of this approach is that private land trusts can manage easements at no ongoing cost to the public. Ranchers in California have founded the California Rangeland Trust for exactly this purpose. This organization is led by ranchers, has the trust of the ranching community, and today holds easements on more than 175,000 acres. More significantly, the California Rangeland Trust has applications from ranchers totaling more than 400,000 acres, with very few means to meet this demand. The interest in conservation from the ranching community is tremendous – we just need more flexibility in current programs to make them workable.

Fourth, ranchers are skeptical about participation in USDA conservation programs because they create a federal nexus, and can entail participation in permitting processes administered by Department of Interior agencies. These processes can be lengthy, tiresome, and expensive to deal with. The 2007 Farm Bill should compel a greater degree of interaction between USDA and the

Department of Interior in implementing conservation measures on private property. We would propose a state coordinator position within NRCS to coordinate between federal agencies the implementation of conservation programs. At this time, we are working with U.S. Fish & Wildlife Services Region 1 to do just that. In addition, the committee may wish to consider additional means by which to protect the property rights, property value, and liability of ranchers utilizing USDA conservation programs, including safe harbor agreements and critical habitat exclusions. Again, without these kinds of safeguards from restrictive regulation, the reach of many USDA conservation programs is limited.

Lastly, we believe there are other ways in which federal farm policy can better promote the viability of working landscapes in a cost-effective manner. We have long been supportive of tax deductions for those landowners who choose to protect their property via conservation easements, and tax incentives for voluntary stewardship efforts. As long as such tax benefits are offered only in those instances where these properties stay in agricultural production, they are concepts which the committee should seriously consider when developing the 2007 Farm Bill.

Cattlemen practice conservation as a vital and necessary part of our business. It is not collateral or a consequence. Our way of life, and the continued viability of a tremendous number of native species, are wholly dependent on large, tracts of open space. As such, members of the committee should not be surprised to learn that the unique and significant land-use pressures faced by California cattle producers have compelled us to work on seeking common ground with the conservation community in a manner never before attempted. As a part of my written testimony, I am submitting to each of you today the California Rangeland Resolution, signed by roughly forty agricultural and conservation organizations, as well as federal and state agencies. This unprecedented agreement brings us together in not only recognizing the ecological benefits inherent to ranching, but also in shared efforts to improve the viability of ranching in California, conserve privately-owned working landscapes and facilitate voluntary conservation efforts. We look forward to working with members of the committee to promote these initiatives during the development of the 2007 Farm Bill.

Switching gears a little...I would also like to address another subject which hits close to home for me. In August 2002, much of my summer grazing property was consumed by the McNally Fire. I personally lost nearly 100 head. A year later, a number of ranchers in Southern California suffered similar damages as a result of the Simi, Cedar, and Paradise fires. As our industry organizations worked with members of Congress and USDA to provide disaster assistance in the wake of these tragedies, it became abundantly clear that there were serious problems associated with the Emergency Conservation Program, which was funded by Congress in the FY2004 appropriations process to assist in the rebuilding of these farms and ranches. Among other problems, the Emergency Conservation Program does not cover the cost of rebuilding livestock handling facilities, reseeding rangelands, or rebuilding most types of fencing. For these reasons and others this program was not particularly helpful for our producers in Southern California, which was very disappointing.

We could very much use a program specifically tailored to assist producers in rebuilding their livelihoods after these kinds of disasters, instead of trying to stuff a conservation program peg into a disaster assistance hole. This new program should provide producers greater flexibility to

take on projects which rebuild their operations and also provide for direct payments instead of reimbursements. On behalf of the cattle industry, we strongly encourage members of the committee to create an agricultural disaster assistance program within the 2007 Farm Bill.

In conclusion, it is imperative that the 2007 Farm Bill recognizes ranchers' contributions to both the economic strength and environmental health of our great nation. Through relatively modest changes to existing programs, there are clearly better ways to use the extremely limited pool of federal funds to more efficiently conserve our natural resources, protect the future viability of ranching, and provide for individual opportunity for success. On behalf of the California cattle industry, we thank you again for the opportunity to provide this testimony, and we look forward to working with each of you on the 2007 Farm Bill.

**Statement of A.G. Kawamura
Secretary, California Department of Food and Agriculture
House Committee on Agriculture
Field hearing to review federal farm policy
Stockton, CA**

March 3, 2006

Thank you, Chairman Goodlatte and members of the committee for calling this hearing to discuss the important issues farmers in California are presently facing and the impact the new Farm Bill needs to have on these concerns. I am A.G. Kawamura, Secretary of the California Department of Food and Agriculture. I am here today as Governor Arnold Schwarzenegger's representative. In California, we are working hard to share our understanding that access to nutritious California grown foods is an essential component of a healthy lifestyle and is key to maintaining economic prosperity of the state and nation.

With the reauthorization of the Farm Bill surfacing in 2007, we need to decide how much we are willing to invest on food security as a nation. Security in the sense that locally grown food will be available in our communities; that our agricultural resources will be protected from invasive pest and disease; and security that innovative research will continue to make our agricultural industry more competitive in the global economy. California is the nation's leading producer of food, fiber and, potentially, bio-fuel – producing over 50 percent of the domestically grown fruits, vegetables and nuts in the United States. We are the sole producer of 12 commodities and the national leader in 81 other commodities. This investment in agricultural security is vital to our state and nation.

One of my goals as the Secretary of the California Department of Food and Agriculture is to help coordinate a consensus for California's position on the Farm Bill so that it will have a maximum benefit to the state. In order to achieve this goal, we must build a mutual understanding of California's food, fiber and fuel policy. A policy that recognizes nutrition, bio-fuels, and conservation as priorities will shape the future of agriculture for years to come. A reassessment of the Farm Bill provides a wonderful opportunity to bring historic national movement in this direction.

For much of its history, the Farm Bill has evolved out of crises. From its first emergence as a result of the Great Depression, to resurfacing after World War II, and having a great impact again in the years following the Cold War. Today, globalization is causing a push for change in the way we farm in the United States. Globalization should not be seen as a threat, but as an opportunity. However it is making an impact on agriculture that is every bit as profound as the crises of the past. We must no longer view the Farm Bill as a document of individual titles, each with its own concept of the future, but rather a document that brings the titles together to share a common concept of the future. Globalization is providing the impetus to this change and we, farmers and producers, must be a part of the action.

We should look to a Farm Bill that will help maintain security in a time of crisis and promote prosperity. We can only grow and prosper as a nation by taking care of our

national health. Childhood obesity and the long term health complications that result is a growing epidemic. Agriculture is not a cure for this national problem, but it provides preventative alternatives that should be encouraged and supported through a national Farm Bill. Raising nutritional awareness through education and existing program implementation is a necessary step in shifting national resources from treatment of an obesity problem to prevention of the problem.

This Farm Bill can also provide support in the area of fuel independence. Advances in fuel technology can provide new opportunities for California and the nation in the realm of biofuels and renewable energy. With new research being conducted and discoveries made in biofuel technology, California can be the leading force in gaining U.S fuel independence. Just as Governor Schwarzenegger's Hydrogen Highway Network Action Plan is innovative on a state level, the Farm Bill can be innovative and dynamic on a national level. Promoting research and encouraging innovation is a necessary ingredient for agricultural growth in future. We call for a significant investment increase in this important field.

While highlighting the areas of nutrition and fuel technology, we cannot ignore the significant role of agricultural conservation. In recent years, the agricultural industry has embraced the concept of working landscapes as stewards of the land and environment. In California, development pressure is strongly felt in the agricultural community. Conservation of working lands – conservation of farms – is needed to help secure our agriculture future. Farming allows for the protection of our environment without

sacrificing economic prosperity. Investment and collaboration on conservation efforts has benefits to the environment, community, and to a vibrant farm economy.

In order for a Farm Bill to have the greatest positive impact on California and the nation we must visualize our agricultural future and take proactive measures to achieve it. The agricultural industry must come to a mutual understanding of what food, fiber and fuel policy means and how it can be beneficial to all. In the 21st century, there are many challenges facing the agricultural industry, but none greater than achieving a renewed commitment to agriculture and its crucial role in societies all over the world. What we do correctly here in the United States will set the global stage for others to follow. Thank you for inviting me to speak with you today and thank you for your support.



CALIFORNIA FARM BUREAU FEDERATION

EXECUTIVE OFFICES

2300 RIVER PLAZA DRIVE, SACRAMENTO, CA 95833-3293 • PHONE (916) 561-5520 • FAX (916) 561-5690

Via Email

March 24, 2006

The Honorable Robert Goodlatte
Chairman, House Committee on Agriculture
U.S. House of Representatives
Washington, D.C. 20510

Dear Chairman Goodlatte:

On behalf of the California Farm Bureau Federation (CFBF), I want to thank you for coming to Stockton, California for the Committee's farm bill hearing. With the diversity in Californian's agriculture we are looking to the next farm bill to address many of the different needs in the state. We support the comments submitted by Kenny Watkins and Vito Chiesa. I felt the committee raised a lot of important questions that deserve a response in order to better structure the next farm bill to benefit all of agriculture and consumers. In addition to this letter, we will be making additional comments on the farm bill and the needs of program crop and livestock producers.

We recognize that compounding budget pressures will impact the final outcome of the next farm bill. However, we feel that US consumers and Congress should make the growing, processing and marketing of US food and fiber a priority. Instead of deciding whom to take funding from, the objective should be to expand the farm bill to best and most effectively provide benefits for producers, consumers and the environment.

Many of the proposed program changes affecting specialty crop producers stand to benefit all of agriculture and consumers. Specialty crop producers are proposing more support to promote its products both domestically and internationally; funding to research new technology for harvesting crops and combating potential pests and diseases; and support for their management practices that benefit the environment. These issues are not unique to specialty crop producers, but to all producers in the US, and therefore deserve supporting in the 2007 farm bill.

Out of fairness, our specialty crop member growers feel it is important that the planting flexibility be maintained. Fruit and vegetable growers do not have a safety net, or payment, if their crop fails. Therefore, they feel that program crop growers should take on this same risk if they choose to plant fruits and vegetables by not receiving payment for their acres planted in fruits and vegetables. Maintaining the planting flexibility provides important protections for the specialty crop industry.

We seek conservation programs that will better accommodate the unique regulatory environment of California. Some question whether this is necessary, but we believe the needs are compelling and that the payoff will be substantial. Typically, California imposes more environmental standards on farmers and ranchers. One of agriculture's biggest economic challenges, are the many environmental regulations that farmers must comply with. As experience has shown with other regulations, it is likely that what begins in California will eventually move to other states. By defining conservation programs that match regulatory burdens, we believe conservation funding some of the concepts proposed can serve as a forerunner to address environmental concerns. Conservation funding should continue to be dedicated to working agricultural lands. Conservation funding helps farmers manage their costs while simultaneously benefiting the environment.

Congressman Peterson asked the panel to comment on his legislation "Permanent Emergency Agricultural Assistance Act." The underlying concept of this legislation is of interest to our producers. As the system currently stands, California's farmers and ranchers have struggled with the effectiveness of disaster assistance for many

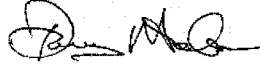
reasons. When disaster assistance is distributed, we find that the amounts paid fell short of the losses incurred by growers who produce high value crops, and are often too late to make a difference. Furthermore, in certain cases, disaster payments have been linked to existing USDA programs for which specialty crop growers do not, or cannot, apply. Disaster assistance needs to be made fully available to fruit and vegetable growers. Sometimes losses occur due to quality and value degradation, not just volume. Our first change would be to improve our current risk management products. For these reasons, our farmers have relied heavily on crop insurance to get us through the natural disasters.

California's farmers and ranchers are willing to pay into a program that delivers in a timely and effective manner. Because crop insurance is dispersed by the private sector, we experience quick turn-around of payments, and farmers can purchase the specific insurance that fits their needs without having to rely on a government timeline. Subsidized crop insurance is also WTO-compliant, which is essential when debating the merit of various commodity programs.

However, Farm Bureau acknowledges that there are areas in which the program can be improved. While we enjoy the subsidized premiums offered to us by the government, we recognize the system is not actuarially sound, and does not cover all crops in our diverse state. We appreciate that this legislation improves the timeline of disaster payments, but there are still underlying issues that need to be addressed for California agriculture. We appreciate the opportunity to comment and look forward to continuing the dialogue in the future. Some have proposed elimination of catastrophic insurance for some of our produce. Cat coverage is an essential safeguard needed to satisfy lending requirements.

We look forward to working with you in the future as you define the next farm bill. Please do not hesitate to contact my staff, or me, with any further questions or concerns.

Sincerely,



DOUG MOSEBAR
President

Cc: House Agriculture Committee Members

DM:rt

Claudia Reid, Policy Director
California Coalition for Food and Farming
1621 13th Street Suite B
Sacramento, CA 95814
916-447-1711 phone
916-444-8195 fax
Claudia@calfoodandfarming.org

March 27, 2006

Chairman Goodlatte, Members of the House Committee on Agriculture:

California Coalition for Food and Farming (Food and Farming) is pleased to submit testimony to be added to the public record for the House Committee on Agriculture hearing on the 2007 Farm Bill that was held in Stockton, California, on March 3, 2006.

BACKGROUND

Food and Farming is a coalition of organizations that works to create a food system that produces abundant, healthful food; provides just conditions and fair compensation for farmers and workers; strengthens local economies and communities; protects the natural resource base; and remains economically viable for farmers and workers. Our members range from the California Certified Organic Farmers and the Central Coast Vineyard Team, through the Pesticide Action Network North America and the Center for Food Safety to the Natural Resources Defense Council. We have two organic farmers on our board, in addition to many other dedicated members who use our organization to further their own efforts to create a food system that remains a healthy, vibrant sector in California's complex economy.

Food and Farming advocates for policy changes that improve the way knowledge about food systems is pursued, developed, delivered and disseminated. We focus specifically on the needs of organic, transitional and progressive farmers and organizations, and of California's communities and institutions that need better access to locally sourced, healthful foods. *Food and Farming* is taking a leadership role to support, influence, and advocate for policy and budgetary changes in several priority areas.

Under the current structures both within USDA programs and within the Land Grant system, researchers, outreach practitioners, technical service providers and program administrators refine their programs to adapt them to the needs of organic, transitional or progressive farmers, and to the needs of communities. Although their tools may be good ones, this means that the farmer or the consumer or the community must become experts at finding resources and at integrating those resources into a workable efficient plan that fits their own needs. *Food and Farming* will work on policies to create integrated research, development and delivery opportunities that place the farmer, the community, the consumer or the institution at the center of integration process, so that the tools and the programs serve the needs of the end user.

We believe that the notion that sustainable agriculture goes beyond just improving yield and profit for the farmer, but also improves the environment and the social fabric of communities. We will work on programs that provide farmers and communities the tools, techniques, research results, technical assistance, training and demonstration opportunities they need to make their farming practices more environmentally sound and so that consumers benefit from a healthy, vibrant agriculture industry that is located as close to their own community as possible.

HEARING TESTIMONY

We share many of the same concerns you heard expressed by the panel members who testified on March 3. Our testimony will focus on organic production, small and limited resource farmers and on research, development, and delivery needs.

Research

Organic agriculture production is one the fastest growing segments of the country's agriculture production, especially for the specialty crops sector. Supply is growing, but not fast enough to keep up with the demand. USDA estimates that the current imbalance of organic imports to exports is 10:1. One factor causing this imbalance is the disproportionate amount of scientific research that has been done on organic systems, coupled with the lack of capacity both within the Cooperative Extension systems and by NRCS technical service providers.

The USDA/DHHS dietary guidelines recommend that Americans increase their daily intake of fruits, vegetables and other foods derived from specialty crops, such as nuts, to 52% of total nutritional intake per day. The federal investment in agriculture should be allocated to reflect the national importance of specialty crops. Currently, this investment in agriculture is weighted disproportionately to the benefit of program crops, at the expense of specialty crops and of agronomic practices that steward the working lands that are so important to sustaining our agriculture industry, our environment and our communities.

Research funding to the USDA Agricultural Research Service (ARS), Cooperative State Research, Education and Extension Services (CSREES), Economic Research Service (ERS), National Research Initiative (NRI), National Agricultural Statistics Service (NASS) and other USDA programs should be significantly increased and/or reallocated to appropriately and proportionally represent the important role that healthful foods and specialty crops, especially those produced organically, play in the maintenance of human health.

Food and Farming supports the efforts of the National Agricultural Research, Extension, Economics and Education Advisory Board (NAREEEAB) subcommittee on research and extension programs for organic agriculture. This Committee and the appropriators have begun a process to boost funding to specified programs (below). However, these efforts are piecemeal, and need to be vetted through a broader approach, ensuring that organic food and farming is recognized and served by ALL of USDA's programs. *Food and Farming* supports efforts to:

- Continue the CSREES Integrated Organic Program, funding competitive grants for integrated research, extension and education on organic production and marketing;
- Establish a permanent National Program Leader for Organic Agriculture within CSREES;
- Establish a designated National Program for Organic Agriculture within the Agricultural Research Service;
- Continue authorization for the Organic Production and Marketing Data Initiative.

California Coalition for Food and Farming is an integral part of the Farm and Food Policy Project, a nation-wide effort to pull together a diverse collaboration that will recommend policy options that have consensus amongst the broad array of agriculture, environmental and food security interests across the nation. Based on that effort, our organization supports Farm Bill policy changes that:

- streamline existing programs;
- improve technical service provider programs;
- improve development and dissemination of technological and innovative tools for farmers, conservationists and communities.

Conservation

California Coalition for Food and Farming
Testimony for the House Committee on Agriculture
Hearing held on March 3, 2006

Congress needs to explore possibilities for using the Conservation Title of the next farm and food bill to create a stronger foundation for addressing agricultural, environmental and community issues in a more comprehensive way. Using the upcoming farm and food bill as an opportunity to make real change, we recommend that the legislation incorporate the policy options shown below. This list is by no means exhaustive, but speaks to the specific charge of this Team.

- Establish a process for creating national natural resource and environmental objectives and anticipated outcomes for conservation program investments; tailor the process to regional conservation needs; create timeline and process for stakeholder involvement.
- Enhance existing authority and add mandated funding for ongoing monitoring and evaluation of the outcomes of the conservation investment.
- Reinstitute an extension and education assistance component to each program to enhance outreach and promote more creative uses of financial assistance dollars.
- Establish agro-ecological sustainability as a central focus of the total federal agricultural conservation investment.
- Set whole farm conservation planning at the heart and gateway to all financial assistance programs.
- Provide a mechanism to begin handling new, emerging conservation priorities and resource concerns.
- Promote in a major way cooperative conservation targeted, partnership-based projects
- Reaffirm the last farm bill's efforts to fund technical assistance for farm bill conservation programs from mandatory funds.
- Enhance the mission, use and authority of the State Technical Committees and Local Workgroups.
- Encourage or incentivize USDA agencies, other agencies, land grants and other organizations to work together.
- Reward those projects that represent a collective action.
- Decrease cost share requirements that currently prevent farmers and nonprofits from participating in programs.

Streamline Existing Programs

Although *Food and Farming* would like to see the "alphabet soup" of conservation programs significantly trimmed to 4 or 5 programs, with a base program for working lands and a base program for targeted land retirement, plus a second set of programs in each category that targeted major resource problems (regionally focused), we feel that the success of this concept is highly unlikely. A more modest goal is to prevent further splintering of the Conservation Title programs and to design a streamlined delivery system. Programs can be seen as interdependent components of a mutually supportive portfolio, integrating the programs at the farm, ranch and community level.

- Create a unified sign-up, application and contract process.

- Create continuous sign-up procedures wherever appropriate.
- Create off-season enrollment periods when continuous sign-up is not an option.
- Provide for whole-farm conservation planning entry point into all programs
- Commit to cooperative conservation through a mandatory Partnerships and Cooperation Initiative.

Food and Farming opposes efforts to move the CSP program from the Conservation Title to the Commodity Title. We support the full funding and implementation of the CSP program as Congress originally intended.

Improve Technical Service Provider Programs

Current technical assistance programs that are so crucial for making sure farmers and communities can fully utilize conservation programs do not work optimally. The Technical Service Provider program is not up to necessary standards in many if not most states. NRCS is hampered by inadequate staffing, lack of funding, pressure from OMB and the administration. NRCS needs to design technical assistance programs that more adequately utilize private industry and nonprofit organizations to interface with end users. Policy options include:

- Design the technical assistance component of a program by asking the question, "What will it take to get the conservation that we want?"
- Increase funding available for outsourcing technical assistance, so that the jobs are competitive.
- Design programs modeled after successful programs such as the Minnesota Project, **Conservation Planning Training for Private and Cooperative Agronomic Staff.**
- Key components of program include diverse participation; up-front investment from private sector; training opportunities; market based conservation model; using existing structures; regionally adjust training materials; build in incentive for cooperative efforts; one stop plan that can be used for other NRCS/government programs.
- Design the technical assistance components so that they cut across all existing programs.
- Create a common conservation plan that is applicable to all programs. Use existing successful models as examples.
- Align technical assistance plans so that end users can achieve CSP goals.
- Tailor conservation goals to align with CSP.
- Change NRCS culture to one of working one-on-one to one of working with groups.
- Reward participants by giving extra points for conservation plan in EQIP or other program applications.
- Refer to it as a producer's plan, not a government plan.
- Create an inventory of assets. Model it after existing successful program such as the Landowner Environment Assessment Portfolio (LEAP)

- Expand Conservation Planning Sign-Up Pilot Program.
- Technical assistance component should emphasize whole-farm planning. Components should include marketing, risk management, agronomy, and conservation plans.

Technology Transfer

Disseminating information to the end users – farmers, ranchers, and communities – is not only crucial, it's mandated in much of the existing law. However, the practice falls short of expectations and needs. Some programs, such as the Conservation Innovation Grants (CIG), separate out technology transfer as one criterion for receiving grant funding. This model should be replicated throughout other programs:

- Require applications to contain a technology transfer component.
- Change program criteria from one of rigid practice standards for producers to one of rewarding entrepreneurial or innovative practices.
- Work with NRCS, land grants, ARS, and other organizations to determine how to reward technology transfer. Remove the institutional barriers that prevent practitioners from incorporating technology transfer into their practices.

CONCLUSION

We thank you again for coming to California for a field hearing. We welcome your questions and look forward to working together for a better farm bill.

Written Comments
Submitted to the House Committee on Agriculture
Re: Review of Federal Farm Policy
Stockton, CA
March 3, 2006
By Kenny Watkins
Linden, CA

My name is Kenny Watkins and I produce cattle, hay, tomatoes, and walnuts in Linden, CA. I also serve as the 2nd Vice President for the California Farm Bureau Federation. I have participated in a number of EQIP projects, and thus my comments will primarily address the opportunities and challenges associated with that program.

The Conservation Title of the Farm Bill includes programs that are highly beneficial to farmers and ranchers. The programs are also sound environmental investments, helping producers to be better stewards of the land. Conservation programs, such as the Environmental Quality Incentives Program (EQIP), are tools for producers to implement new technologies that benefit both the environment and the producer. It is important that funds for conservation projects be allocated directly to producers, so they can address local issues on working lands.

Some programs such as EQIP work well in California, while others such as the Conservation Reserve Program (CRP) do not. More funding should be devoted to conservation programs for working lands in California. While project costs are higher in California due to stringent environmental regulations, the benefits per dollar spent are much greater because of the dynamic interface in this state between natural resources and production agriculture. It makes sense to encourage incentive-based projects that benefit landowners and the environment. California producers are using this funding for improvement projects such as streambed and riparian restoration, retrofitting older diesel equipment, habitat restoration, and species enhancement, just to name a few. There is a growing interest in these programs, and it would behoove us to fund them in the most efficient manner possible.

EQIP is the most successful and suitable conservation program for California. It is an effective program because it assists producers of all sizes and commodities. EQIP is also the only program that can be effectively utilized by cattlemen and other livestock producers. Range EQIP programs are essential to the livestock industry so we can continue to evolve with our changing communities and regulatory pressures. Whether its conservation of resources, grazing patterns, utilization of forage, or production of range, EQIP can, and does, help producers implement new technologies and practices that would otherwise not be economically feasible.

There are some challenges with the current administration of EQIP and other conservation programs. The current system involves two agencies: the Farm Service Agency (FSA) and the Natural Resources Conservation Service (NRCS). This dual-agency system is confusing for producers, and an ineffective use of administrative resources. We understand that FSA is legally required to perform certain administrative functions, but it is the involvement of NRCS in administrative capacities that creates challenges. This is because NRCS is structured as a technical agency, not an administrative agency. This structural mishap has led to the development of a complicated and confusing application process. The result has been administrative inefficiencies, with too much money spent on delivering the program instead of funding projects.

The structure of the application process should account for the size and scope of projects on working lands. It is difficult for producers to implement projects if they don't receive funding until after the optimum season for completing those projects has passed. For example, irrigation systems need to be installed before the crop needs water and while it is dry enough to complete installation. In Marin County, there have been situations where producers had projects approved, but then had to wait to receive various other state and local permits to complete them. In some cases, years passed before they were approved. By then, the passing seasons and impacts on the land had changed the nature of what could be done with the improvement project.

The application process needs to be practical and efficient enough for producers to complete it. In the true spirit of incentive-based programs, the logistics of completing the application needs to be worth the time and money invested by producers.

The 2002 Farm Bill stressed the importance of conservation programs meeting local challenges on working lands. County working groups have been developed to evaluate and determine how funds should be spent to address local issues. It is crucial that these local working groups be made up of producers, as they can most effectively determine the local agricultural and environmental priorities. Also, without having FSA make the payments for EQIP there isn't a checks and balances system in place. If FSA makes the payments, the county committee has some level of review to ensure that funds are being awarded legally and appropriately.

Some counties in California have had good experiences with the EQIP application and project implementation process. We commend those counties where local agency staff is helpful and coordinates with other agencies to streamline permit processes and other logistics of completing the projects. We appreciate EQIP as it has provided funding opportunities to livestock producers and others who don't receive support through other Farm Bill programs. EQIP should be a tool to help producers deal with environmental issues by embracing new technologies which are not yet economically viable on their own, but which provide environmental benefits to producers and society.

The concept of conservation programs is excellent: providing producer incentives to enhance the environment and the economic viability of working landscapes. We believe some improvements can be made to the process, which will only help further advance the objectives of the Conservation Title.

Beyond the Conservation Title, the 2007 Farm Bill needs to continue to support developing food, farm, and health issues. One example is the current development of the National Animal Identification System (NAIS). NAIS has one major flaw: it needs passage of legislation that will exempt the producer information it collects from the Freedom of Information Act (FOIA) and liability concerns. This issue should be addressed independently from, and regardless of, the current debates over who should maintain the animal movement database and when the program will become mandatory. If done right, NAIS can be a future cost-saving measure in dealing with potential disease outbreaks, quarantines, and other extremely expensive potential incidents that involve tracking animal movements. We encourage those drafting the 2007 Farm Bill to address this and other developing agricultural and food safety issues.

REVIEW OF FEDERAL FARM POLICY

SATURDAY, MARCH 4, 2006

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Nebraska City, NE.

The committee met, pursuant to call, at 9:00 a.m., at the Lied Lodge and Conference Center, Nebraska City, NE, Hon. Bob Goodlatte (chairman of the committee) presiding.

Present: Representatives Lucas, Moran, Osborne, King, Neugebauer, Schwarz, Fortenberry, Peterson, Herseth, Salazar, and Davis.

Also present: Representative Terry.

Staff present: Kevin Kramp, Pamilyn Miller, Tyler Wegmeyer, Bryan Dierlam, Elizabeth Parker, Alise Kowalski, Lindsey Correa, Mike Dunlap, Tobin Ellison, John Riley, and Chandler Goule.

OPENING STATEMENT OF HON. BOB GOODLATTE, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF VIRGINIA

The CHAIRMAN. Good morning. This hearing of the Committee on Agriculture of the U.S. House of Representatives to review Federal farm policy will come to order. I want to welcome you all today, and I want to start by taking credit for the rain. Last time I was here with Congressman Fortenberry, I believe it rained that day as well.

I would like to thank the National Arbor Day Foundation for hosting us here today for this farm bill hearing. I have a long relationship with them. I have been a member of the National Arbor Day Foundation for 20 years, and a few years ago I joined with Senator Ben Nelson to introduce legislation to name the oak our national tree. And that effort began right here in Nebraska City, Nebraska with the National Arbor Day Foundation. And they took a poll on the Internet of hundreds of thousands of people, and the oak beat out the redwood thankfully. And so we introduced legislation, and the oak is now our national tree thanks to the National Arbor Day Foundation.

Next I would like to particularly thank our representatives from the State of Nebraska who are also hosting us here today, particularly Congressman Jeff Fortenberry in whose district we are holding this hearing.

In addition, we are very proud of the work that he does with Congressman Tom Osborne, who we hate to lose in the United States Congress, but whom we wish very well in his other endeavors.

And we are also pleased to have a noncommittee member, the third Nebraska representative, Congressman Lee Terry from Omaha, also joining us here today.

We have a great many Members of the House of Representatives Agriculture Committee here, and as we proceed, I will have the opportunity to introduce each of them.

But, first, I have a few opening remarks, which I will keep brief, and then we will recognize the ranking democrat on the committee, Congressman Peterson of Minnesota.

I would like to thank you for joining us here today for the committee's fourth field hearing to review the 2002 farm bill. I will allow plenty of time for our witnesses to share their thoughts with our Members. As you may know, the Lied Lodge and Conference Center are part of the Arbor Day Farm, the former estate of Arbor Day founder, J. Sterling Morton. This is a beautiful facility, and I realize we are short on time, but I encourage the Members to check out the rest of the estate. If you don't have a chance today, you have an excuse to plan a trip back to Nebraska.

The purpose of this hearing is to gather feedback from producers on the 2002 farm bill, which is set to expire in September 2007. To ensure that American agriculture remains competitive and that our producers can continue to provide fellow Americans with a safe, affordable and wholesome food supply, we must make sure that our producers are equipped with an adequate safety net. As we travel throughout the Nation, the feedback we receive from our producers will give us a good sense of how these policies work in practice and what improvements can be made within the budgetary constraints we face in Washington.

Today producers face higher input costs due to the rise in energy costs, more environmental regulations, as well as trade issues. These challenges are further compounded by misperception of farm programs in many areas of the country. While my colleagues on the committee and I realize the vital role farm policy plays in sustaining American agriculture for our national economy, as well as our national security, many of our urban and suburban colleagues do not. While you can be sure that we do our best to educate our colleagues, we need your help.

I encourage you to voice your concerns to Members of Congress outside of the Agriculture Committee, media, and local committees and spread the message about the importance of U.S. agriculture beyond rural America.

I would like to thank the Nebraska delegation and committee for hosting this hearing. I would especially like to thank the witnesses who will be testifying today. These witnesses are themselves producers with livestock, crops, fields, and forests to tend to, and I appreciate the time they have taken out of their busy schedules to be here to speak to us today. I look forward to the testimony of our witnesses.

Due to our tight schedule today, I respectfully request Members submit their opening statements for the record so that we may proceed with our first panel of witnesses.

I have one exception to that, and that is our distinguished ranking member, the gentleman from Minnesota, who works with me

in a very bipartisan fashion, as do all members of the Agriculture Committee. The gentleman from Minnesota Mr. Peterson.

OPENING STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. PETERSON. Thank you, Mr. Chairman, and thank you for coming out to our part of the world. And I thank the Nebraska Members who do a great job for you and who are good friends of mine and ours. And we're pleased to be here today out on the road with the Agriculture Committee to hear from the real folks of America.

As the chairman said, we have a good working relationship among all members of this committee, and I can tell you that your Members of Congress from Nebraska are working hard to look out for Nebraska farmers. We are all working together, Democrats and Republicans, from all parts of the country to do the best that we can for agriculture. We have to do that because there just aren't enough of us left in farm country to do anything else. We can't afford to be fighting with each other, and we have to figure out a way to come together. That's one of the major challenges facing us as we write the next farm bill. We have to figure out how to come up with a bill that's good, I guess I would say come up with a bill that we can all live with.

We would all obviously like something better.

I am here today to hear what you think about the 2002 farm bill, how it's worked, where we need to improve it, where you think we need to go with Federal farm policy. And there are also pressing issues for agriculture that we need to resolve now because we have some immediate needs.

Some of us have been working to pass a disaster bill, not only for the people who are affected in the gulf region by the hurricanes, but in other areas of the country. I have people in my district who were unable to plant last year. Some counties, 80 percent of the crop was not planted because of too much water, other places where we had major drought problems. And we need a disaster program, in my opinion. And we should have done it before we left for Christmas, but we have not given up. And we're going to continue to try to get it done this year. At least I am and some of my colleagues.

In addition, I have been working on an idea that I think we need to look at, and that is one thing that I think we miss in the 2002 farm bill. I think we put together a pretty good bill, but I think that we ought to have a permanent disaster program as part of the farm bill, I hate to say this big word, but something like FEMA.

Hopefully, it would work better. But something where the Secretary would have a pot of money and have the authority like the FEMA people do so when we have a disaster, they declare a county a disaster county, they would have the money and the mechanism to make those payments without having to come to Congress.

The other thing I would like to hear from our witnesses today is to get a sense of what you're doing in terms of using agriculture products for renewable energy. I assume some of you will speak to that. Minnesota has been a leader in this area. We have a mandate

on ethanol. We have a mandate on biodiesel. I know that Iowa, Nebraska, and South Dakota are also doing great work in this area.

I have been exploring ways to try to modify farm policy that we can encourage even more investment in ethanol, biodiesel, other alternative energy sources. We have seen energy farm input prices double and triple in some cases.

And, you know, we're having a lot of problems. I don't know with the drought, but trying to deal with all of these extra input costs. And I think one of the big positive things in agriculture is the area of making fuel. And I would like to see what I can do to try to push that along.

So we have a lot of big challenges ahead of us, creating a farm policy that allows our Nation diverse agriculture to thrive and grow, as I said, is not easy, but we are committed to try to do the right thing, and I appreciate all of you being here today and look forward to your testimony.

The CHAIRMAN. Thank you. I believe the gentleman from Nebraska wants to welcome everyone.

Mr. Fortenberry.

Mr. FORTENBERRY. Thank you, Mr. Chairman. I would be remiss if I did not sincerely thank you for deciding to hold a hearing of the House Agriculture Committee here in Nebraska City. We're obviously very proud of the community here, and I want to thank my colleagues for traveling so far to be with us. Nebraska City is a very special place. It is complete with traditional farmsteads and rolling prairies. You have seen wooded areas, vineyards, apple orchards, and we're obviously very pleased and proud of Nebraska and the National Arbor Day Foundation and the Lied Center. We have the mayor of Nebraska City here today. JoDee Adelung is with us. Thank you, JoDee, so much for joining us.

Thank you to all of the producers and guests and visitors who have decided to come to the hearing as well. Again, it's a very special moment for us, and I appreciate all of your good work, Mr. Chairman, in making this happen.

The CHAIRMAN. Thank you, gentlemen.

Other statements for the record will be accepted at this time.

[The prepared statement of Mr. Fortenberry follows:]

**Congressman Jeff Fortenberry
House Agriculture Committee Farm Bill Field Hearing
Nebraska City, March 4, 2006
Opening Statement**

Thank you, Mr. Chairman. I'm Jeff Fortenberry, Representative of Nebraska's First Congressional District. I am very happy to have the opportunity today for our committee and Nebraska and Heartland ag producers to engage in a full and rigorous discussion about United States agriculture policy.

Chairman Goodlatte, welcome once again to Nebraska. It doesn't seem long ago that you joined Congressman Osborne and me in Lincoln for a discussion of farm policy with producers at the Lancaster County Fair. I enjoyed our time together last summer, and I appreciate your decision to come back with the Committee for this very important purpose. Thank you for your service and thank you for the hard work of your House Agriculture Committee staff.

Fellow Members of the Committee, welcome to eastern Nebraska and thank you for your dedicated service and for your extraordinary efforts to be here today.

Witnesses and ag producers: Welcome and special thanks to you. Your everyday work is what this is all about. That you took the time to join us here speaks to your commitment to good work and to the seriousness of this discussion.

We also have many visitors and guests, and many of you have traveled long distances. Thank you all for your interest, your time, and your concern for the well-being of agriculture and rural America.

Allow me to say a few words about our wonderful host location. Nebraska City is a very special place. It is the former home of J. Sterling Morton, founder of Arbor Day, and the National Arbor Day Foundation. It is also home to Arbor Day Farm and this wonderful facility, the beautiful Lied Lodge and Conference Center. Surrounding us are apple orchards, vineyards, and traditional farmsteads set in rolling hills of Nebraska prairie. What better place to hold this discussion of new farm policy, where we Nebraskans embrace both the best of our rich farm traditions and the spirit and vision of exciting new opportunities.

Let's begin with a simple question: What is the purpose of federal farm policy?

Fundamentally, I believe it is to help ensure a safe and secure food supply for the American people, in turn preserving and re-energizing a way of life that is good for rural America, its people and its resources.

In Nebraska, our entire state, urban and rural, benefits from a strong bond with agricultural life. We Nebraskans are rooted in the land. The values of hard work, family life, neighbor helping neighbor, and personal responsibility are found most profoundly on the family farm. Strong families and strong communities are built upon these formational values. Working to create profitable opportunities for producers will strengthen rural communities.

Admittedly, we face many challenges. Over the last year, we have seen the real effects of certain external factors on farm policies. Difficult decisions made to reign in the federal budget and the outcomes of international trade maneuverings have created a level of uncertainty about the direction farm policy is to take in coming years. But we should address these challenges now and not delay its discussion. We now have the opportunity to think creatively as to how to shape policy that is just, fair, and good for all American agriculture.

While uncertainty brings challenges, I believe it also creates hope for new long-term opportunities. Policies that may now unintentionally undermine rural vitality might be redirected to ideas that create more equitable opportunities for farmers and rural Americans.

And I believe there are three emerging opportunities that will shape agriculture and future farm policy. These are agricultural entrepreneurship, ag-based energy production, and creative conservation.

Agricultural entrepreneurship is nothing new. With dogged determination and instinctive know-how, our early farmers and livestock producers were pioneers in entrepreneurship. We inherit this ingenuity and cultivate it. Today it means practices that capitalize on diversified production and value-added opportunities, new products for developing markets, niche and direct markets, and creative rural ventures such as agro-tourism and farm-based hunting, among others.

Here in Nebraska, our strong tradition of commodity production positions us well to leverage our strengths while exploring these emerging opportunities. Producers here are currently finding success by diversifying traditional farm operations with new crops and products, efficient livestock production methods that are receptive to new market demands, and new products that cater to emerging food markets.

Livestock production is an original value-added activity and example of farm diversification. This is clearly evident in the beef country of northeast Nebraska, where in areas like Cuming County - one of the nation's top beef counties -- producers convert quality, affordable Nebraska grains into world class Nebraska beef.

Our rural landscapes are ripe with entrepreneurial opportunity. It will shape successful agriculture for years to come. Farm policy should recognize this dynamism and its potential to strengthen farm families, rural communities, and the preservation of resources. It should encourage entrepreneurial growth for the sake of good rural economic development and viability.

The second emerging opportunity is ag-based energy production. I was proud to have helped pass an energy bill last year that at long last gives ethanol, biodiesel and other forms of bioenergy a seat at the national energy policy table. An expanded Renewable Fuels Standard will double ethanol production in this country by 2012. This is tremendously meaningful to Nebraska. We are currently the nation's third largest ethanol producer. Eleven plants are now in operation, and nearly 20 are in various stages of planning or construction. Nearly one-third of Nebraska corn now goes for ethanol production.

As it has now in federal energy policy, I believe renewable energy should become a hallmark of good federal farm legislation. Rural America benefits greatly from the jobs and economic stimulation that clean, environmentally responsible renewable energy production sites bring to rural areas. And increased domestic energy production helps farmers control input costs in an age of ever increasing energy prices.

Eastern Nebraska is quickly becoming a national leader in innovative bioenergy production. We are home to a facility that produces corn-based bioplastics as well as ethanol. I recently visited two unique renewable energy projects. When construction is completed later this year, a new plant will be the world's first "closed loop" ethanol energy facility. It is powered by methane captured from its cattle feeding operation, which feeds cattle the corn byproducts of ethanol production. In another first for Nebraska - and you may hear more about this later this morning -- a producer captures methane from his hog farm, converts it to energy, and sells the energy to our Nebraska Public Power District. New development and signs of interest in renewable energy production are booming. Local investors are enthusiastically supporting new projects in both ethanol and biodiesel production. In addition, developments in biomass and wind energy are very encouraging.

Rural America can benefit exponentially from these trends. Production of renewable fuels and renewable energy meets multiple policy objectives. It decreases America's reliance on foreign sources of energy, creates new farm income, and fosters good stewardship of resources.

The third emerging opportunity is conservation. Amidst trade negotiations and budget constraints, voluntary based conservation incentives receive more and more attention.

Appropriate recognition of good stewardship of natural resources continues to grow. Farmers have a natural instinct to properly care for their land. This intuitive sense should continue to be encouraged by creative policies that recognize farmers who show particularly sound stewardship in maintaining the land and its resources.

These opportunities - entrepreneurship, ag-based energy production, and good conservation of resources - will help us shape new farm policy and American agriculture for years to come.

To move more aggressively in this direction, we must address existing challenges. Agriculture continues to experience growing levels of concentration. One of the primary challenges is the increasing concentration of agricultural payments for larger farms. The current system which provides 10% of the recipients with about 70% of the payments undermines rural vitality.

Last year I introduced H.R. 4149, the Payment Limitation Integrity Act, along with Representative Herseth. The act strengthens enforcement of existing farm payment limitation regulations and closes loopholes that allow abuse. Intentional evasion of payment limits has contributed to the increasing concentration of payments, and increased consolidation and concentration in agriculture adversely impacts rural areas and farm families.

Agriculture also faces a generational crisis. The average Nebraska farmer, like the average American farmer, is approximately 55 years old. Over the coming years, we will see a massive transfer of wealth and property to the next generation. It will be critical that young people understand and access the opportunities of rural life, and that they transition smoothly to taking on the responsibility of good stewardship of land and resources.

As we work through these challenges and explore opportunities, I think it is important that we frame all discussions in light of what is right and good about American agriculture. Because of the dedication and hard work of our nation's farm families, Americans enjoy a safe, affordable, and abundant food supply, helping to feed the world.

Thank you once again for all of your efforts to be here today. This marks the beginning of a critically important period of reflection and preparation for the building of federal farm policy that is good and just for all of American agriculture. I am so happy you could join us and I look forward to valuable discussions today and throughout the weeks and months to come. Thank you.

The CHAIRMAN. We will welcome our first panel of witnesses: Mr. Ed Wiederstein, corn, soybean, and purebred Angus producer from Audubon, Iowa; Mr. James Vorderstrasse, sorghum, wheat, and soybean producer of Hebron, Nebraska; Mr. Justin Knopf, wheat, sorghum, soybean, corn and alfalfa producer from Gypsum, Kansas; Mr. Dennis Richters, corn, soybean, and seed producer of Utica, Nebraska; and Mr. Blake Hurst, grain producer and ornamental grower of Tarkio, Missouri.

Mr. Wiederstein, we welcome you. I remind all members of the panel that their full written statement will be made a part of the record and ask you to strictly limit your testimony to 5 minutes. Welcome.

STATEMENT OF ED WIEDERSTEIN, CORN AND SOYBEAN PRODUCER, PUREBRED ANGUS PRODUCER, AUDUBON, IA

Mr. WIEDERSTEIN. Thank you, Mr. Chairman. Thank you for giving me the opportunity to express my opinion on the present farm bill and new farm bill now being debated.

I am a livestock and grain farmer in that order. I feed hogs and have a herd of purebred Angus cattle. I have approximately 800 acres of crops divided between corn, soybeans and 80 acres of pasture and hay ground.

The current farm bill has provided me extra income above what my hogs and cattle and what little grain I do sell. I feed basically everything I raise. The money I receive from the farm program payments is a small percentage of my gross income.

My opinion of the farm bills is they stifle ingenuity, take too much of the risk out of crop farming, create a false land market is one of the reasons we have mega size crop farms and gives money to people that have a net worth 90 percent of the people in this country do not have. And one of the choices I seldom hear when talking about the new farm bill is no farm bill. Realistically, I know the chances of this happening are probably less than the Berlin wall coming down, but then it did come down.

This spring I will be planting my 33rd crop since I started farming in 1973. I believe every one of those years I signed up for the farm bill has given me experience with the farm bill. I look back, and I can think of some positive aspects of the farm bills. Mainly when I started I got a beginning farm operating loan from Farmers Home Administration. In the middle 1980's when the Fed changed the stance on monetary policy and caught many farmers with high interest rates, Farmers Home was there to help farmers. I don't know if I would have survived either one of those periods in my farming career without that help, but I feel that was a positive aspect of the farm bill.

I have seen the changes from very diverse farms to strictly corn and soybean farms. And forget livestock because maybe that's too much work. I doubt those changes would have been as drastic if not for the generous crop price supports. The generous farm supports really should be called land support because the supports accrue to the landowner, not the operator. I am not against the landowner being prosperous because I own some land, but unintended consequences have created a false land economy. And most operators would agree with this.

I mentioned the farm program stifled ingenuity. I mean creating ways to be profitable other than using farm program payments. I will say some have been very ingenuitive when it comes to collecting as much as possible and yet abiding by the law. Whether you're a large operator or small, when I hear the words I couldn't make it without farm program payments, I believe we have really become dependent on the Government. Farmers can be very entrepreneurial, but this dependence sure has suppressed it.

This dependence issue leads me to another issue that at some point we better face. It is the issue do I deserve money from the Government to supposedly support me any more than the Ace Hardware man in downtown Audubon or the feed store or the local newspaper or the local flower shop or the funeral home. Is what they do really any less important than what I do? They are subject to a lot of the same variables as I am. There are a lot of farmers with million dollar net worth receiving thousands of dollars of support. Somehow that picture just doesn't look right. And I have nothing against high net worth. In fact, I am all for it, and I want to be one.

I do wish that when times get tough, as they always do, regardless of the farm programs, farmers would quit whining about the Government should help more. Instead, they need to use their ingenuity to look for opportunities that are plentiful. Farmers don't like risk, but it is what creates opportunities that lead to profit. Most agriculture commodities do not have Government support, and somehow they seem to survive and thrive.

What I would like to see the farm program include is some help for the beginning farmer in the form of loan guaranties, continue to offer commodity loans that are well below the cost of production to avoid growing for the Government. And if society wants to pay for conservation practices, that's OK, but on the other hand, there aren't enough people to police all of those practices.

I would like to also see trade barriers lowered so we can have access to foreign markets, environmental regulations that aren't going to put me out of business, increased funding for basic research, applied research, and new uses research.

Finally, less means more in the long run. Without farm supports, I know there would be adjustments, probably a little painful, but in the end we would be an economic powerhouse in our local communities and globally. Thank you.

The CHAIRMAN. Well, thank you, Mr. Wiederstein, for some very straightforward testimony. Mr. Vorderstrasse.

**STATEMENT OF JAMES VORDERSTRASSE, SORGHUM, WHEAT
AND SOYBEAN PRODUCER, HEBRON, NE**

Mr. VORDERSTRASSE. Thank you, Chairman Goodlatte, Members of the House of Representatives Committee on Agriculture, and staff.

My name is James Vorderstrasse. I am from Hebron, Nebraska. I am a small 1,200-acre dry land farmer from southern south-central Nebraska where I grow grain sorghum, wheat, soybeans, and alfalfa. I also have a cow/calf herd.

I am past president of the National Sorghum Producers but am speaking to you here today as a farmer from southern Nebraska.

I would like to thank the chairman and the committee for the opportunity to express my views on the 2002 farm bill and my thoughts on what needs to be changed to deal with the present farm bill. To start, I think the 2002 farm bill is an excellent farm bill and works very well in my operation.

It sets the sorghum loan rate to a level almost equal to corn where it should be considering the average price of sorghum for the last 6 years in southern Nebraska has been equal to or higher than corn.

The 2002 farm bill also has a safety net incorporated that protects farmers in times of low commodity prices, as we have had the last 2 years. That safety net is very important to farmers in light of the increasing fuel, fertilizer, and other input costs. Without it, I can safely say there would have been many farmers being forced out of production agriculture.

I am very pleased with the renewable fuel standard which was passed in the energy bill. This will increase the demand for sorghum, corn, and soybeans to produce these alternative fuels which will translate into higher commodity prices and lower the amount and likelihood of LDPS, marketing loan gains, and counter cyclical payments.

The administration has proposed a cut of 60 percent in farm subsidies in return for more market access. The first cut in subsidies by 60 percent would erode away the safety net in times when it is needed the most and lower commodity prices and skyrocketing input costs.

Second, I cannot see where there would be great gains made in market access. If farmers are to stay in business and produce an abundant and safe food supply, we need that safety net in place. The EU countries are very committed to subsidizing their farmers so they can remain profitable.

They can remember going through two world wars where people went hungry because there was little food available and vowed to never have a shortage again.

In the United States there has never been a time in history where there was little food, and people take the food on the grocery shelves for granted. With less than one percent of the national budget being spent on farm subsidies, I feel it is a very small price to pay for an abundant, safe supply of food.

Some say we can import our food cheaper, but take a look at how vulnerable we are in the energy situation with importing a major portion of our oil. Importing food would be even worse. We can survive on less oil if we have to, but we cannot survive very long if our food supply is cut off.

For national security we need to be able to keep our farmers on the land producing food. I realize there are a few problems with the existing farm bill being compliant with WTO. I think with a few small changes, it can be made to fit within the WTO framework.

In my written testimony, I have elaborated on a few changes that I think can work. I have also thought a lot about how to bring new, young people into production agriculture. My son would like to come back to the farm, but he sees the writing on the wall. Compared to other job opportunities, there is no money in production

agriculture, and he would not be able to assemble enough acres to farm.

First, we need to make production agriculture profitable. Then we need to help the new, young farmers acquire equipment and land. To do this we need more programs like Nebraska's NAP Program where a retiring farmer can receive State tax breaks if he leases or sells his equipment and/or land to a young beginning farmer.

Also Nebraska Congressman Terry last year introduced H.R. 2034, which is a beginning farmer bill that would give Federal tax breaks to someone helping a young farmer get started by selling or leasing them land.

Again, I would like to thank the committee for this opportunity to give this testimony and would be happy to answer any questions you have or would be willing to discuss some of the issues with you at a later date.

I will be in Washington this week, March 7 to the 11, and would be glad to meet with any of you at that time to discuss my testimony. Or feel free to contact me by phone or e-mail if I can be of assistance. Thank you.

The CHAIRMAN. Thank you. Mr. Knopf, welcome.

**STATEMENT OF JUSTIN KNOPF, WHEAT, SORGHUM, SOYBEAN,
CORN AND ALFALFA PRODUCER, GYPSUM, KS**

Mr. KNOPF. Thank you. Let me begin by stating by no means am I an expert on the farm bill or agricultural policy, nor do I have many years of full-time farming experience. However, I am both humble and honored to have the opportunity to share with you some of my thoughts as you prepare to draft the next farm bill. My intention is to communicate openly and honestly today from the perspective of an independent and relatively young crop producer in rural Kansas.

For my opening statement, I would like to simply share some things I think about from day to day as a young farmer. First, I guess I should say that I do think a lot about my wife, Lindsay, who is sitting behind me. However, I will limit the other thoughts that I share to ones that pertain more to our discussion today.

When somebody asks me the question what is the biggest obstacle you perceive for your business as a young farmer, my answer may seem somewhat obvious. Profitability, long-term profitability. I know many other young producers that have the same answer. This obstacle is certainly nothing new to our business. For years now the costs associated with producing commodity products have continued to increase while the prices we receive for those products continue to stay the same.

Granted, we have been able to increase production per acre over the years, but not enough to increase or even maintain profit per acre. The collective profitability and therefore buyability of American farms is important not only to those of us farming but to our Nation as well, which is a big reason we have the farm bill.

This is a large piece of legislation containing many programs that represent diverse interests. Some of the programs that affect my business most directly include Commodity Assistance or Payment Programs, Research, Funding, and Support For New Mar-

kets, Conservation Programs, and Rural Development Initiatives. I will quickly touch on each of these.

Payment Programs. For example, direct payments, counter cyclical and LDPs. I have yet to meet a young farmer or really any farmer who says, boy, I am sure excited about collecting those Government payments. I am not too excited about it either. However, these payments have been part of the farm economy for generations now. The recent high energy costs have driven input costs to record highs. It seems now—and perhaps now would be the best time to make drastic cuts to these programs. Yet I do believe there is a desire among young producers to not rely on the farm bill as much for these types of programs but for support in new more innovative ways. But how do we move from point A to point B without losing everyone along the way? I wish I had the answer to this.

I do believe that other program areas can offer some assistance. Research funding and support for new markets. I am hopeful the Midwest agriculture is about to take some big steps into two markets that hold a lot of potential, renewable fuel and energy and carbon management.

Domestically there seems to be an increased desire, an increased political pressure to utilize renewable energy and fuel produced in our heartland rather than depending on fossil fuels and oil from other countries. Worldwide there is pressure to become more responsible for the amount of carbon we are emitting into the atmosphere. I believe agriculture needs to be fully prepared to address the needs of these two emerging markets as they further develop.

It is important to continue funding new research in these areas so we understand how to most effectively produce renewable energy and fuel and how to most effectively offset carbon emission by storing it in our soils. I believe these areas have a lot of potential profits to add to Midwest farms.

Conservation. I think particularly the Conservation Security Program is a good program. I hope it is funded and continues to be funded. It benefits everyone, farmers, landowners, hunters, environmentalists. It is an innovative program that rewards producers for making the right decisions in caring for the land that they are managing.

Rural development. I believe programs in this area can increase the number of young people returning to small communities. Limited access to land is one of the most difficult obstacles for beginning farmers. A program that effectively links new producers to those retiring and provides incentives to rent or sell land to those young producers I believe would help bring more young people back to the farm and young people back to our small communities.

These are just a few of the thoughts I have as a young producer. You can find more detail in my written testimony. The farm bill certainly impacts farm profitability, and finding the most effective and positive way to do it is certainly a challenge.

I thank you each specifically for your commitment to agriculture and to the young farmers, and I want you to know that I believe the next generation of farmers is very open-minded and very excited and up to the challenge of staying long term in this business.

I also thank you for taking time to travel and listen to our diverse group of people involved in agriculture across the country.

We are blessed to have the opportunity not only to live in such a country, but to be involved in an industry with so much heritage, importance, and opportunity for the future.

The CHAIRMAN. Thank you, Mr. Knopf. Mr. Richters.

**STATEMENT OF DENNIS RICHTERS, CORN, SOYBEAN, AND
SEED PRODUCER, UTICA, NE**

Mr. RICHTERS. I would like to thank everybody involved for having us here, the Congressmen, Chairman Goodlatte, the staff, specifically the Nebraska Congressmen. We appreciate it. I don't know how you do that with the rain, but you have done it twice in a row, so keep coming back.

I have a son that is 36 years old. He and I farm together in Seward County. That's west of Lincoln about 30 miles. We irrigate quite a bit, soybeans and corn, seed corn. I am a fifth generation farmer. He would be the sixth. And by now you would think we would find a way to get off the farm, but we haven't figured it out yet.

I hear people saying that the farm bill is an abject failure. I would kind of like to deal with that. To me it says we like where we have gotten for the most part, but we don't like the convoluted road to get there. That would be the 600 pages of the farm bill. And it is confusing.

But I guess I submit that our surplus and everything should be described as a blessing rather than a curse. When you add the taxes and that, the food to the American people is abundant and it's good and it's cheap. And so I guess I don't think it's necessarily a failure. That doesn't mean it doesn't need improvements. It does.

And I agree that all of the income goes into land. But all profits on farming has always done that and always will. I don't know what you do to change that. But when farmers figure out what they have extra, that goes into land, either cash rent or owning it.

The payment limitation thing has hurt the image of the farm program. I think that has to be addressed, but I don't think the farm bill should promote small farms or large farms. And if you put a payment limitation on it, in a way you are saying that large farms aren't efficient. And I really disagree with things when—with people—or not people, but the statement that the farm bill has made farmers get bigger. No-till has had a big effect, technology. This was going to happen if there is no farm bill.

If the changes in the farm bill are to be evolutionary, I guess I would just ask that people go slow so farmers have time to adjust. If it is sudden and a land price devalues, you have got financial institutions, you have got small towns, schools depending on the taxes. You need to have time to adjust, and I would appreciate more time than I had in the 1980's when the interest went up so dramatically because I wasn't quite ready for that.

If we're looking at a revolutionary change, I would like to consider the possibility of CRP and nothing else. And it would take care of Congressman Peterson's question about the Permanent Disaster Program. I would like to see what the cost is, if the Government would just indemnify the insurance companies and subsidize some of the premium.

But I would like to see what the cost is in the budget and whether it be World Trade Organization acceptable.

And with that goes—and in my testimony there is a mistake. It says there is one caveat though. It's misspelled. But the caveat is that we farmers need to take a responsibility. If we choose not to buy the insurance, we need to sign something and then not run back to the Government and say bail us out. We have got certain responsibilities, and we need to live up to it.

A couple areas that are under the auspices of this committee, I'm sure, one is the energy thing, and I am pleased with this administration's direction on trying to get less dependent on energy from other countries.

And then—we call it the country. I don't know. It's the 1031 Exchange Program. In the county I live, it adjoins Lancaster County, and we have got people coming out from 100 miles away from Omaha. I would say that the land is easily valued at 30 to 35 percent more than you can economically justify.

I don't see that the young farmer can get land now. It has changed hands through the next generation. That is impossible right now. It also increases taxes because if land would sell for 3,000 in our area, which it might be able to justify economically, now it's at 4,200, 4,300. So the burden to the agriculture producer on his share of taxes is higher.

I just had a couple other things, Conservation Security Program, very good. It needs a couple things to help the farmers. It's been very helpful to farmers. I am looking forward to questions. Thank you.

The CHAIRMAN. Thank you, Mr. Richters. Mr. Hurst, welcome.

STATEMENT OF BLAKE HURST, GRAIN PRODUCER AND ORNAMENTAL GROWER, TARKIO, MO

Mr. HURST. Thank you. My name is Blake Hurst, and I farm about 45 minutes southeast of here where I raise corn and soybeans and flowers with my family.

Sometimes when the sun is shining on the combine windshield and things are running like they're supposed to and a 200-bushel corn crop is coming out of the fields one acre at a time, sometimes farming can be the best life I can imagine. And sometimes when it doesn't rain or it rains too much, the combine breaks down, or when prices are too low and diesel is \$3 a gallon, sometimes farming is a hard and challenging life.

Almost always we farmers forget to thank the taxpayers and the representatives who spend their hard earned dollars supporting agriculture through farm programs. We have come to depend on these programs and we're grateful for the concern and interest shown by our fellow citizens. Without that support the hard and challenging life would be impossible for many of us.

Perhaps I can best describe farming by using the words of two poets, one who is a wheat and hog farmer just north of here and one lives west of here. First, Timothy Murphy:

I fear for my Spring wheat. Will it grow red and tall or head out small? Will it succumb to heat, drought and dust or rot and rust? Will it be flooded out or flattened by hail? I am beset with doubt and debt. Surely the wheat will fail.

Ted Kooster, a boy from Seward, sums up farm economics in one paragraph. That's farming: "Huge surpluses of grain one year, with low prices because of abundance; then the following year, a poor crop resulting in higher prices per bushel. And so it goes, year in and year out, supply and demand, demand and supply. Nearly every person who farms in our area has a day job . . . and farms in the evenings and on the weekends." But it's still a good life. Of course, as he says, "not even a chicken digs for nothing."

To the weather and disease that Tim Murphy worries about and the low prices that Ted Kooster describes, we've experienced a series of other problems, many of our own making. I started by thanking the taxpayer for the help he has sent my way, and he's truly been generous. I just closed the books on the past year, and I can tell you that these generous farm payments don't cover even the increase in energy costs on my farm.

During harvest we suffered from an increase in energy costs of nearly \$500 a day. While applying anhydrous fertilizer later in the fall, we were hammered by fertilizer costs nearly three times higher than they were a couple years ago. Just the increases in prices for nitrogen fertilizer will cost my family nearly \$50,000 in increased costs this year.

We need to quit using natural gas for things that coal and nuclear power can do. We need to find and use natural gas where it exists in our country. We've made great strides in producing energy from the sun, by producing ethanol, and we'll soon be doing the same with biodiesel. But these alternatives, as important as they are, won't replace fossil fuels anytime soon, so we must produce energy from traditional sources.

To put it as bluntly as I can, an energy policy that results in lower costs to my farm will do more to ensure my success than any farm policy changes I can imagine.

Adding to our energy woes is the challenge we face from decisions made in Washington. We're only about a mile from the Missouri River. Along that river lies some of the best farm ground in the world, and the homes and businesses of thousands of Midwesterners. People whose homes, farms, and very lives are at risk because of changes in river management made to help, or at least that's the theory, two birds and fish.

The science for that decision is shaky, and the folks along the river unwilling guinea pigs in a grand experiment. To add insult to injury, our crop insurance may not cover the results of what will be a manmade disaster. It's never too late to replace the foolishness with common sense. Someone once said that "wisdom is easy to carry but hard to load." I sincerely hope that the wisdom to change this decision is found before we suffer a manmade disaster on the scale of Hurricane Katrina.

The past years have been good to agriculture. Despite the concerns I've listed here, farm income has been strong and the 2002 farm bill a success. We are now engaged in the end game of a decade long negotiations on a World Trade Agreement. We should extend the 2002 farm bill until a trade agreement helpful to agriculture is in place. We are faced with trading partners that don't play fair and who are, so far, unwilling to secure an agreement, re-

place their subsidies with a more free worldwide market in agriculture products.

We and hundreds of millions of people will benefit. But we can't do that without the leverage that our present farm programs provide. And along with protecting our negotiating position, the new farm bill needs to continue to provide protection against the vicissitudes of the market and the weather. Because Timothy Murphy had it right. Eventually, farmers always face drought and dust and rot and rust. Thank you.

[The statement of Mr. Hurst appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Hurst. This is a very interesting panel, and I look forward to your answers to the questions of members of the committee. I will start with you, Mr. Wiederstein, since you struck a note that some might call contrary here in this part of the country. It's not contrary everywhere in the country, however. I am interested in hearing not only your views on the drawbacks of the current farm policy as you see them, but also if you might comment now on your suggestions for how you think we could transition from current farm programs to a different approach without causing some painful adjustments to land values and to the current safety net.

Mr. WIEDERSTEIN. Well, I am by no means the expert on the farm bill. I am just giving you my opinion of what I have seen in the past and what I think some of the unintended consequences have been.

If we want to transition to something that we don't depend upon, I think it's going to be very difficult to do it because if you look at the Freedom to Farm bill, in essence, it was supposed to be a transition farm bill. And I thought we were on the right track there and everything was going good for about the first 2 years. We had good prices, fairly good yields. We ran into a year where we had obviously some bad yields or bad prices. I can't remember which now, but it didn't last. We couldn't handle it. And farmers started—I don't want to use the word "whine," but that's what it was. And the whiners won. And consequently we have got the farm bill that we have right now, and there is very generous crop prices for us, and they're true. If we would stop those right now, there would be a transitioning. I don't think I would be too anxious to go through it, and I don't think anybody else would be either.

But at some point, based on some of the things I said in my testimony, I think we have to face, and the budget may make us face it or our conscience may make us face it. But at some point I think we need to start, and Australians, I think the farmers in New Zealand, I think they have had to face that, and now there was a rough transition period. But you talk to those people now, I think they're very happy about what's going on. I'm sure you can find some that probably aren't that happy, but for the most part they are very happy.

But they get a user ingenuity of how we're going to do it. And if you're going to ask them, OK, what's the ingenuity, if we had no farm bill, I bet you we all figure out a way to do it. Now, some of us may not survive, but we would figure out a way to do it.

And if we think we're not going to have abundant food supplies, we're going to have abundant food supplies. We are a bread basket. We're going to figure out how to do it.

The CHAIRMAN. Thank you. Mr. Wiederstein.

Many support the concept of the intended Conservation Reserve Program, as you mentioned. However, as you indicated in your testimony, some are concerned that too much workable farmland or grazing land is being taken out of. That could hurt rural communities or keep young and beginning farmers from entering the business. What suggestions do you have on how to approve or eliminate those problems from that program, and how do you create incentives for conservation without hurting opportunities for our next generation of users?

Mr. KNOFF. Thank you. That's a good question. I specifically have not had any problems of losing opportunities to farmland to the CRP at this point in time. Now, I do have several friends who have had problems with that. A friend of mine from college is now farming in western Kansas, and he had been custom farming for an older gentleman, a neighbor of his, and was hoping to have the opportunity as that gentleman retired to rent his land. However, there is a particular special prairie chicken or something that was important to that specific district or area, and there is an incentive within the CRP that would pay that owner, that older gentleman, a lot higher amount of rent per acre to enroll in the CRP because of this bird.

And I believe that, you know, that prairie chicken is very important, but that young farmer lost access to a lot of acres. And it's really made it difficult for his business in gaining access to land because that older gentleman enrolled in the CRP because he was able to make more money enrolling in the CRP than cash renting to a local young producer. I think it was by about \$10 to \$15 an acre more per acre than what local cash rents were bringing.

The CHAIRMAN. Thank you. Go ahead. Do you want to finish?

Mr. KNOFF. Oh, that's all right. I wasn't watching my time very closely. I think a way to help this problem is to closely monitor what CRP rates are doing in areas comparatively to cash rent. I don't know if the FSA office should do this, but somebody needs to monitor. If CRP payments per acre are higher than what local cash rents are per acre, I think that's a problem for young producers. And I think the CSP Program is an answer to incorporate a lot of these conservation practices and incorporate conservation that allows young producers to be innovative, be rewarded for conservation and be innovative, but yet not lose access to good farmable land.

The CHAIRMAN. Thank you. Yesterday in California we heard about ferry shrimp, so I wonder if the prairie chicken could eat the ferry shrimp. The gentleman from Minnesota is recognized.

Mr. PETERSON. Thank you, Mr. Chairman.

Mr. Wiederstein, I understand what you're saying. But if you were up in western Minnesota, you might be in trouble right now. But, you know, I have been wrestling with this as well. I mean, we have obviously set up a system to try to maximize certain crops. You have got the commodity groups coming in trying to the corn

growers want to grow more corn. The barley growers want to grow more barley. So I have been doing a lot of thinking about this.

It seems to me we have set this system up for one reason, and now the reason that we have in my opinion now is to keep ourselves from being put out of business in certain types of commodities because of the World Trade Organization situation. We are exporting 20 percent of the corn, 40 percent of the soybeans at a loss generally. And we're paying the farmers money so that they can stay on the land. Now, does that make any sense? We have set up a whole system to do this.

And maybe it's a good thing we did it because now we have enough extra commodities that we could make that into fuel, which I would like to see happen because I think that would be worth much more to us in the United States than selling it overseas at a loss, basically. So that's one of the things I am looking at is trying to figure out is if that's the way we could transition, take these payments and somehow or another use them so farmers can build additional fuel. So are you even against that idea?

Mr. WIEDERSTEIN. No, I am not against a lot of these ideas. Frankly, I think there are probably some good ideas. You know, when it comes to market access, I know we've always said that while we're competing against another country's Government, I am going to tell you, I have heard that for a long time, and I think we probably always will be. I am not going to say always will be, but we're going to probably be for a long time. And basically when I say that, it's the European Union we're dealing with. They're the ones that seem to be the most reluctant to make any kind of changes in their trading habits.

But I would say that, hey, let them go ahead and do it. Let them keep on building the wall around it. You can build a wall so high, and pretty soon it's going to fall over. If we continue what we're doing—and we can go ahead and do that. Like I say, I think we have some sense of false economy. But, hey, let them go ahead and build this high wall, and we'll compete with everybody else. We can do it.

Mr. PETERSON. Well, I don't necessarily disagree with you. The chairman just got back from Europe, and he can speak for himself. But I am not very optimistic there is going to be a change made soon. I don't know if you've been to Brazil, but if they ever figure out how to build roads and ports, we will not grow soybeans in the United States.

Mr. WIEDERSTEIN. That's a pretty bold statement when you say we will not.

Mr. PETERSON. Well, I mean, we won't be able to compete if they they have enough land. The problem is they can't get it out of the country. They could make soybeans for \$2.50, \$3 a bushel, and we can't do it because of labor and environment and everything else that we have got going on in this country. Well, does it make sense for us to get into a position where we don't grow certain food commodities because we have let this free trade thing go to the point where we're going to let whoever it is produce it cheaper? I don't think that makes sense.

I think this is a national security issue, and we do not want to get in the position with food that we have gotten in with oil. And

we could get there if we're not careful. What I am saying, in my opinion, the reason we have the farm program today more than anything else is to make sure that we maintain a food supply in this country, you know, because of all of these other things that are out there that might cause us not to have that food supply if we just let things go.

And, you know, so I think it's—my opinion, knowing what I know having been around the world quite a bit, that there is a danger if we just got out of this business of having Government supports and this WTO thing keeps going the way it's going. You know, this year now we're going to be for the first time very close to being an agricultural importer of agriculture products where we used to have a big huge surplus. And this trend has been continuing and probably will continue.

So all I am saying is that I think there is more than just looking internally with this thing. I think a lot of what we're doing in the farm bill is really trying to protect us to maintaining a domestic supply at sufficient levels so if we get in a world war with the Arab world or if we get in a world war with China, we're not in a position of not being able to feed our people.

Mr. WIEDERSTEIN. I can't disagree with you on being strategic on food, but I guess there is a lot of things that we can say that we're probably importing now that we could say the same thing about, too.

The CHAIRMAN. I thank you, gentlemen.

Congressman Frank Lucas of Oklahoma is one of our valued subcommittee chairmen. A number of the topics that you discussed in your testimony are covered by his subcommittee, including world development, conservation, credit research. Frank, welcome.

Mr. LUCAS. Thank you, Mr. Chairman. And this is absolutely a wonderful panel. All of the diversities of perspective and different points of view.

Let's just cut to the chase, guys, for a little bit. If you look back—and I, like the chairman and the ranking member, and several Members had the privilege of working on the 1996 farm bill and the 2002 farm bill. They have changed the world. If you look at cropping patterns, if you look at the number of acres of wheat in Oklahoma or a variety of other crops, the flexibility of the 1996 farm bill carried over into the 2002 farm bill has produced tremendous changes in crops that are being raised.

I know we're a little north of the peanut zone, but commodities like that, you can't recognize where they're being raised anymore. So it has provided tremendous flexibility, and rarely in these areas have I heard any criticism of that.

But there is an issue, I think, that's deeper than just the flexibility of the 1996 farm bill, and that's the marching change of technology. My grandfather walked behind two horses until the Second World War to farm in western Oklahoma, and now my implement dealers tell me at home if it doesn't have 350 horsepower, if you don't go up two ladders to get into the cab, they can't sell the tractor.

Now, why is that? Greater efficiency, less need for hired help, less exposure to legal liability issues, less work comp issues. Less of everything. I understand that. Those things are changing agri-

culture, and I don't know that there is really anything that we can do about that.

But several of you have discussed CRP and the effect of the farm payments directly and indirectly on landowners. And that's something I would like to touch on. Mr. Knopf, what percentage would you guess of the cropland in your home county in Kansas is in the CRP? Just a rough guess.

Mr. KNOPF. I would say 20 percent.

Mr. LUCAS. I have got a number of counties up and down the western one-third of my district in western Oklahoma, northwestern half of Oklahoma, where we have been maxed out since the second enrollment period back in the 1980's.

Literally 25 percent of possible cropland is under duress, and it has caused a dramatic shift in my rural communities. People will have a tendency to put it into program, be slightly older farmers, hold a public auction, sell the equipment, and move to wherever the kids were, which means not only do we not have an opportunity for young farmers to farm that property, but we have had a substantial outflow of people just as the old Soil Plan Program did in the 1950's.

Some of you might remember Mr. Wiederstein's comments about farmland, I have seen statistics that would indicate, depending on which State you're in, that the direct farm payments are cyclical, it affects the loan rate, the fixed payments might represent as much as 10 to 40 percent of the price of land. If those payments went away, in effect, land values might drop anywhere from 10 percent to 40 percent, maybe more in places like Oklahoma.

So I guess my question to the panel—and any of you can discuss this, if you care to—how do we as a committee balance the need to create the next generation of farmers by having land values that are attractive, that are viable? By that, I mean you can purchase and actually generate a return. How do we balance that with the needs to look after the interest of our—shall we say senior farmers who put everything they have in the world into the equity of that farm? How do we protect that balance between what's good for the old farmer and what's good for the new farmer?

I have been to enough land sales in my county back home down through the years to know that the greatest single short term challenge to a young farmer is a senior farmer because he or she needs to pull out the super now account checkbook and pay for the property, which no young farmer can do. Yes, that didn't strike as a sense of humor in the crowd there.

You noted that. But let's turn to the panel for your observation, please, if you dare touch such a question.

Mr. HURST. I think the question goes back to Congressman Peterson's comments. A large part of the reason why we can't compete with Brazil is cost of land. A large part of that—and 40 percent is land prices in our Federal reserve district started rising with the passage of the 2000 farm bill not even its implementation.

So a large part of our competitiveness problem is capitalized value of our farm program. I have no idea how to solve that problem except it's occurred to me maybe we ought to just tie the subsidies to the farmer instead of the land, and as us old guys leave, the subsidies go away too. I am not saying that totally in jest.

Mr. LUCAS. I understand.

Mr. VORDERSTRASSE. In my area I don't think the farm program has really been the cause of increasing land prices. The big increase in land values in my area is from what I call old money, people that inherited land, inherited money. They are reinvesting the extra money or the profits they gain from that land into new land. You get two of these—what I call old time money people together, they run each other up. This is what's driving our land prices up.

Then you also have to add in the mix of outside people investing in land. They have come to the realization that, hey, land is a lot better investment than Enron was. And it has a better return for them. So I really don't think the farm program is driving the land prices like a lot of people think.

Mr. WIEDERSTEIN. I would have to somewhat maybe disagree with that. Maybe in his particular area it might be that way, but I said it's one of the components in driving land prices. I mean, there are a lot of economic factors that have to do with why people want to buy land, and maybe the stock market going down in the early 2000's, that probably people have to have someplace to put money, and that's a good place for it. But it's just one of those components, and the big—and I think you hit it right. You have got an older generation. They're really in a sense dependent upon that land for a good portion of their retirement income, and I definitely don't want to see that disappear. But I don't know if I want to see the Government be a component in that. I guess if society thinks that we need to be a component in it, we need to be, or the Government needs to be.

But I think there is just an unintended consequence there that is taking a lot of opportunity away from especially young farmers, and it's still going to be difficult for young farmers to get in agriculture. In fact, it always has been. It was difficult when I started. So that part of it isn't going to go away. But there is a component that I think the Government can, if they would eliminate part of it, and I don't know how you do it, I don't have the answer, but somehow it's got to be eliminated, I think.

Mr. LUCAS. These are the challenges we face in the committee because we don't want to hurt any one part of agriculture in how we make this up. I appreciate your indulgence, Mr. Chairman.

The CHAIRMAN. Thank you, gentlemen.

Congresswoman Stephanie Herseth represents the neighboring State of South Dakota and is a valued bipartisan member of the committee.

Ms. HERSETH. Well, thank you, Mr. Chairman, for your leadership on the committee, and, Ranking Member Peterson. I want to thank each of our witnesses today. It's good to be here in Nebraska. Thank you all for your insightful testimony. And Justin and Lindsay, is it, thank you both in particular for choosing agriculture, family agriculture as your livelihood. It's people like you and your counterparts of younger generations of farmers and ranchers in South Dakota and throughout our region, one of the reasons I choose to seek public service and serve in Congress and on this committee in particular, to answer these questions for the future

of the Great Plains and rural communities. And so I appreciate your superb written and oral testimony today.

I do have a question for you as it relates to new markets and research funding and the potential of renewable fuels to be sort of where the new and younger generation of family farmers can find and find support in these new markets.

And you state on page 4 of your written testimony that the farm bill and other legislation will largely determine how these markets for renewable energy and fuel are met, and emphasis should be made on supporting farmer-owned cooperatives that will produce these products. I couldn't agree with you more. Could you elaborate on why you have that perspective as it relates to farmer-owned cooperatives?

Mr. KNOFF. Certainly. This is a question I have been thinking about a lot lately. What I would hate to see is—in farming we buy inputs and sell our outputs to some of the largest multi national companies in the world. It has to be one of the biggest steps from a small independent business to large corporations. And what I would hate to see—I know Exxon, BP, all of these big companies are out there. They're seeing this pressure. They're now advertising renewable fuels and feel-good messages about what they're doing on renewable fuel. And they know this pressure, and they know this movement and demand for renewable fuels is there.

And I just am afraid that if farmers don't move and begin to act on this potential, that here we're going to be producing renewable fuels, all the cars in America are going to be running on ethanol and trucks on biodiesel, but we're still going to be selling a commodity product. And instead of selling it to ADM, we will be selling it to Exxon. And it's still going to be sold as a commodity product, and agriculture will not be able to extract any of the value added to any of the potential value that could be added to our farm economy and farmers because of this opportunity.

And it's so hard for us to come together and form cooperatives even or hard for us to work together, and that's frustrating to me. I would say it's something I think will improve a lot in the next generation, and I think that it's important for us and for you all to keep tabs on what's happening in these energy markets and to think about how you can help us come together and find the financial means to come together to take advantage of the profit that's potentially there in this new market.

Ms. HERSETH. Thank you very much for sharing your perspective on the importance of farmer-owned cooperatives. We certainly don't want to be facing a situation 10 years down the road where farmers and certain policymakers who have been around awhile, like Mr. Peterson, who recognize the importance of ethanol a number of years ago and have been producers and others leading the way here being in a position where we lose control of any of the marketing and then find ourselves where BP or Exxon are making some statements like some of our bigger processors that farmers don't care what their price per bushel is because they're going to get their LDP payments. That's the worse thing I have ever heard, and it just confirms what I think the attitudes are of some of the bigger players in agriculture towards family agriculture.

My last question to the entire panel. Mr. Hurst, I believe you stated that you would support extending the current farm bill, although not perfect, seemingly working fairly well for producers, until the Doha round with the WTO concluded. Could you elaborate on that, and perhaps other members of the panel might want to share whether or not they would agree with extending the current farm bill until we complete that international trade negotiation round?

Mr. HURST. Well, I think that it's clear to all of us that you are under severe budget pressures as you write this farm bill. It seems to me the resource itself and a self-inflicted wound if we cut some of the money going into agriculture that gives us negotiating power as our negotiators work through the Doha round. In other words, if we make random cuts, that's one less thing we can trade for something cut in the past is the farm subsidies over in Japan or some other places.

Mr. RICHTERS. Yes, I would agree that that would be a pretty rational thing to do. I understand the frustrations with the farm program, and I need to remind some of the people—well, everybody is younger than I am here probably, but there have been improvements. And one of them is we used to get accused of waiting at the mailbox for our checks, and now we have direct deposit, I hear a lot of ideas. My son and I were going between farms once, and he was for Freedom to Farm and I was too because it's wonderful. But I reminded him that we farmers will produce ourselves into oblivion. And he said, Dad, I don't want to go through my life going into an office, the ASCS office, which it was at that time, like you have. And I said, nobody hates it worse than I do.

Three years later we're going down the same road, and it was silent. And he said, Dad, you were right. I don't like being right. But we do have surplus. Farming is so unique when we don't know what we're going to raise when we plant.

I have raised 8 bushels an acre, and I have raised close to 300. We don't have a clue.

How do you run a business like that? The result is we have an abundance, and that's good. We talked about CRP, 36 million acres, nearly half of the corn acres and half of the bean acres. So we would have another—instead of 2 billion, we would have 4 billion bushels of corn sitting out there. It's great for the American consumer, but I don't know how you run this.

An individual you might know, the Secretary of Agriculture, Mike Johanns, and I had coffee once before he became Governor. And he said then when you get to be fewer farmers, won't you set your price? I said, not as long as there is two of us. And I really mean that. We are competitive. The economics have driven out the inefficient.

I maybe didn't dwell on a point that I wanted to as well. I believe in free enterprise and economics. But the inefficient has pretty well been driven out. When I say you can replace this group, you can't replace this new group with anybody better. Nobody is going to produce better than these young guys. They're terrific. I am very proud of agriculture and farmers, and you're not going to get somebody to do it cheaper or better.

So I don't know what to do either, but I think some people are forgetting some of those things. They're there.

The CHAIRMAN. Thank you.

The gentleman from Kansas, Jerry Moran, represents a district very close to here, and he's also another key chairman of the General Farm Commodities Subcommittee. Jerry.

Mr. MORAN. Mr. Chairman, thank you very much. Thank you for coming almost to Kansas. We would be delighted to have you in the State at anytime. Although much of the testimony that we have heard today I think would be echoed by producers in my home State.

In Nebraska I would like to compliment your congressional delegation. We have a great relationship as members of the delegation from Kansas and Nebraska. We work closely together, and particularly here on the Agriculture Committee. But really all three of your Members of Congress work very hard on your behalf, and it's going to be a personal disappointment to see Mr. Osborne leave the Congress. He has been a great ally in so many of the issues that we have worked together on in regard to rural America.

I appreciate his friendship and all of his efforts on behalf of your constituents and mine.

Mr. Wiederstein, I love the outside thinker. It's a pleasing thing. I think it's important for us, I hope, as we develop farm policies in this country that we don't get in a rut and we look for other opportunities to do things better. And I think you have highlighted some of the difficulties in moving in the direction you suggest, land values being one.

How ironic that yesterday at our field hearing in California, specialty crop producers who receive little of the benefits under the commodity title of the farm bill, one of their major complaints is increasing land values. The disconnect there, it's that urban sprawl.

And we talked today about how land values is a component of the problem that a young farmer faces, but, again, it's not all related to what payments a farmer receives. The percentage of the crops that we produce in the world, the total production. Wheat is a commodity that our State is known for. Fourteen percent of the world market is U.S. wheat. How do we compete in the world if we change our farm policy and no one else does? We don't have the influence to change the price in the world markets.

I have a bar graph in my office. Eighty-two and a half percent of all export assistance in the world is offered by the European Union to help their farmers get their products into another country. In the United States, we slivered that. It is 2½ percent. Europe subsidizes eight times what we do.

And so part of what we talked about with the relationship with the WTO and world negotiations may very well be the path by which we get to kind of a more free market oriented farm policy in this country. We have got to figure out how we get the Europeans to change the policies that they hold on so strongly that Mr. Peterson talked about.

Mr. Hurst, I just would tell you that the subcommittee I chair held a hearing in Jefferson City, Missouri at the beginning of this week to talk about the pulses that are presumably going to be re-

leased by the Corps of Engineers and potentially cause flooding—on the Missouri River basin that we're trying to work on the crop insurance aspect of that issue. And so your testimony or your comments today are not falling on deaf ears. Mr. Hulshof and Mr. Skelton have been very active on this issue.

I am very proud to have Mr. Knopf here as a witness from Kansas. I compliment him on his intelligence. He only was married in December of last year, and he was already intelligent enough to recognize his wife. And I would also compliment him on his courage. For those of you that can't see, he is wearing a K State Wildcat on his belt. He's here in Nebraska. So I appreciate your courage and your intelligence.

You talk in your testimony about beginning farmers, new farmers. You have three categories of young people who either did or didn't return to the farm. I would like to give you an opportunity to express that and kind of set the stage. Does the farm bill play any role—as you sat down with, I assume, your mom and dad and figured out is there a possibility for me to become a farmer in this farming operation, what role does farm policy play? How you pencil this out, the decisions that we have made in the past, do those affect decisions that are made by you and your family as to whether this farming occupation, this profession, is something that's available to you and people like you.

Mr. KNOPF. I will answer this very honestly, Mr. Moran. When I was making that decision to come back to the farm, looking at it from a business perspective, actually how we do our crop budgets, we take our Government payment and kind of put them in a separate column. And when I was coming back to farm, I happened to have a very good perspective and understanding of how much in Government payments we have had over the past however many years, particularly since 1996 is what we were looking at and since the new farm bill began.

Those were a factor in my decision, but a very, very, very small factor because I don't feel it's wise for me to make a business decision and to begin investing my life into a long-term business as a long-term commitment with something that I sense is not particularly guaranteed to be there long term as far as the Government payments like we have been receiving over the past 5 to 10 years, however long.

So it was helpful to me. The payments and the Government programs were helpful to me to come back as a young producer. It helps me cover some of my living expenses. It adds to my net profit at the end of the year, but it's not something in the long term that I am relying on to make a living with. I think that would be the best way for me to put that.

Mr. MORAN. I thank you very much. Thank you, panel, for being with us. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Congressman John Salazar represents the western portion of the State of Colorado. I guess they are bordering States, but you're a long way from here, John. We very much value your membership on this committee as well.

Mr. SALAZAR. Thank you, Mr. Chairman. First of all, let me thank you for allowing us to be here today. It's a pleasure to be

among my own. We did a parade in Grand Junction, Colorado, a cattlemen's day parade. And it was when I walked past the announcer, he said, you know, it's really good to have someone from—in Washington that actually wears manure on the outside of his boots instead of on the inside.

We hear about farming policy, and its effects on how our future generations are going to continue to farm. My wife and I still farm 2,000 acres back in south central Colorado. And I appreciate Mr. Wiederstein's testimony. It takes great courage to actually state the words that you did. But I tend to share some of those same views.

I used to work at the farm service agency back when it was called the ASCS office in early 1980's. And, you know, all too often we would see that the price core programs—basically the floor became the ceiling, didn't allow to us really make much profit, but basically just barely hang on.

I have before me what's called a 2006 baseline briefing summary. And it's produced by the Agricultural and Food Policy Center of Texas A&M University. And it states that continued increases in input and interest rates steadily erode economic viability for the current baseline.

Basically, it states that the dairy industry—and I know we will be hearing from the dairy industry here in the next panel—is one that will possibly continue to be viable for the next couple, 2, 3 years. Other than that, when you look at feed grains, wheat, cotton, rice, many of the commodity crops, you see a steady decline in prices of what the farmer is going to be getting.

Sitting on the commodities subcommittee with Chairman Moran—could all of you address this? If we were to take all of the money that is available to put into commodity loan programs and Commodity Support Programs, if that would be put into the acreage that would develop alternative energy or crops that were produced for renewable or alternative energy, do you think that maybe that would actually address the price of the crops that are raised for feedstocks and food stocks? We can start with Mr. Wiederstein.

Mr. WIEDERSTEIN. It's been beat up a lot before, so that's fine.

I would have to think about that one. Definitely I think there is some real opportunity with like the ground that's in CRP now and what you're going to take care of, if we don't turn it into corn, soybeans, whatever, again, we would have a flood of crops, probably couldn't get rid of them at a price that we can make a profit on. Somehow you have to have some sort of transition. And if something like that would be a transition to get us so we wouldn't—so the prices wouldn't fall out of bid without creating too much of a subsidy. And I tell you, that's a nebulous term, "too much of a subsidy." I don't know what that would be.

But please be real careful on that. There are some different ways you can transition. I know Congressman King, I believe, has a grasslands proposal where we could—if a person wants to transition a CRP ground to use it for livestock, you could do it that way, maybe help in fencing. I know the fences have gone to pot in a lot of those areas.

Maybe it could be used for, like you say, renewable fuels. There is an industry using grass for making ethanol now. That's some-

thing—there are a lot of ideas that could be used, and the Government can play a part in maybe taking away some of that risk. In the early stages of that, it could be helpful.

Mr. SALAZAR. Anybody else?

Mr. HURST. My comment would be as a corn and soybean farmer, I would be hugely in favor of taking the money that goes to cotton and rice and giving it to alternative energy producers. But some of my friends in the southeast corner of Missouri might not be as much in favor, and I don't know how politically popular it would be.

But, you know, alternative energy is helping. It's making a difference. And when people complain about the subsidies that ethanol gets, I always like to point out how much money it saves in the farm bill, that ethanol has raised the price of my corn enough that I am getting smaller LDP than I would have got. So we always need to keep that in mind. Thank you.

Mr. KNOPF. I would say that in my opinion it will depend largely upon how farmers can position them themselves in their businesses to receive a portion of that value added market from that new market. If they continue to—if we just produce a commodity for an energy company that continues to receive the value-added portion of these new markets, I don't think it would work. If we can position ourselves to receive at least a portion back to our farms as a part of that value that's added to these projects, I think it has a lot of potential.

Mr. HURST. One short comment. I would say that talking about finishing my taxes, 20 percent of my income this year came from my share of the profits in a cooperatively owned ethanol plant. So it has worked for me.

The CHAIRMAN. Thank you, gentlemen.

Congressman Tom Osborne represents a great portion of the land area of Nebraska. In fact, very close to here, and he has been called Coach for a long time. He's earned that title not only on the football field now, and he is a leader and a steady hand at whatever he does and will be sorely missed in Congress. Tom.

Mr. OSBORNE. Thank you, Mr. Chairman. And I would like to thank the chairman and the committee for coming to Nebraska for this event. I thank all of you for being here.

I thank you gentlemen for your testimony today. I might just mention that the Agriculture Committee is—totally functions more as a bipartisan committee than any committee that I have seen in Congress, and probably works more as a committee truly should work than any committee that I have seen. And so I have a lot of good friends, good associates on this committee, and I will certainly miss them greatly, although I am not going to be gone for another 7 months. It's like people talk about me as if I am dead already. It hasn't quite reached that point.

I noticed that our testimony today was completely unanimous, no controversy, and that's the way agriculture is. I would like to go back to 4 or 5 years ago. We were writing the last farm bill, and I went to Brazil with Larry Combest. He was at that time the chairman of the committee. And we had a meeting with the secretary of agriculture of Brazil. And this gentleman proceeded to make comments on and no uncertain terms about our farm bill and

how bad it was and how we were going in exactly the wrong direction. And I remember Larry's comment was to the fact that his job was to do the best he could for the American farmer, and that that's why he was doing what he was doing. And his point was well taken because at that time land in Brazil was 250 to \$500 an acre. Labor was 50 cents an hour, and the average farm was 10, 15,000 acres, and the topsoil was 15 feet deep, two crops a year.

And so some of the comments that have been made, Collin Peterson and others, that there is a national security issue here, there is no question. And so we can see that very clearly.

You may remember in December we had the last round of WTO talks, and a proposal was put forth by our trade negotiators that the European Union was to reduce their amber box payments by 83 percent from \$80 billion down to \$15 billion. And, in exchange, we would reduce our amber box payments by 60 percent from \$19 billion down to \$7½ billion.

I think the chairman of the committee dashed off a quick letter saying not so fast folks, you're going to essentially rewrite the farm bill for us if this goes through because it was kind of a marker as to what's out there and what could happen.

And so I guess I have a couple questions here that I would like to ask. I noticed that Mr. Vorderstrasse talked a little bit about converting the payment, the payment to the blue box, and also taking a shot at the LDPs to direct payments. And so we are in a constant tension right now in this committee as to how much attention we pay to the WTO negotiations. This is going to be interwoven into whatever happens in this committee. It's a very difficult plain to walk. And so I am interested in that comment.

And also I think Mr. Richters talked a little bit about something that I have been interested in is crop insurance being the farm program and whether that could be WTO compliant. So if either of you two would like to take a shot at those thoughts, I would be interested because whatever we do is going to have to be considered in the light of WTO negotiations.

MR. VORDERSTRASSE. I have attended a few meetings on WTO boxes as to what fits in which box. And if some of the payments which right now are amber could be converted to a direct-type payment, which would fit into the green box—right now, though, there are a few stipulations that would have to be worked out for the green box because fruits and vegetables are prohibited from being planted on most of the acres if you're going to receive Government payments. This would have to be rescinded so that they would fit into the green box.

Then there is the blue box, which the United States has not been using, but I think the counter cyclical payments could fit into that blue box if a little tweaking is made to the definition of the blue box. This would have to be negotiated with the WTO, but I think, you know, something like that could possibly work.

And part of the LDP market loan market gain and counter cyclical payments could also be put in that blue box. This would lower our exposure in the amber box and could make us a little more compliant with the WTO framework.

MR. RICHTERS. One wouldn't want to be colorblind in dealing with the World Trade Organization. I get more and more confused.

The reason I threw the crop revenue coverage out there is you have got private business that is participating in this. They do the accounting and come up with the actuarial numbers. I think it could work for livestock. I am looking for simplicity. I think 6 years ago when I started on that State technical committee, we were paying \$29 million for county office staff in Nebraska. I think you could probably cut office staff by at least half. We're not efficient in certain ways.

I am just looking for something where I have a responsibility. And I think beings that farming is unique, we have this abundant food supply, we have a surplus, that isn't going to go away, what can we do? People talk about embargoes. We're always going to embargo. If I was President and we had ships going to China and they were rattling the sabers, I would turn the ships around even though I hate embargoes. You always do something that's the safest, easiest thing to do.

I don't expect the market access thing to change. They're going to protect their people too. I am just looking for a way where I have a position of responsibility. I need to keep records. There is a long-term effect. If the drought would stay, your yields keep going down, but that might be telling us we shouldn't be farming there, doing what we're doing.

I would just like to know what the numbers are, and if we would go down to \$7 billion or \$9 billion, how far that would go on indemnifying the insurance companies, helping us with—you know, my son and I use it. We have started going up on the market.

The CHAIRMAN. I thank you, gentlemen, for your testimony.

We are now pleased to recognize the gentleman from Tennessee. Congressman Davis represents parts of the east and middle Tennessee, and he has come a long way to be here. Thanks.

Mr. DAVIS. As they say back home, it's a fair piece getting out here. It's good to be here. I appreciate the chairman and ranking member for having the hearings, that we have had an opportunity to travel to and visit and listen to those who I think provide America with the security and safety net that we have in agriculture. I certainly think that's a part of keeping our country safe.

I met a fellow when I first came to Washington by the name of Tom Osborne, who in 7 months will not be in Congress. He and I both chair the judicial thing, the co-chairs of the congressional prayer breakfast every Thursday morning, and he's a pretty good sort of fellow.

I didn't care too much for him when I first came up because it seemed like the corn-fed boys from Nebraska play a whole lot better football than taking the corn and feeding it to the poor, the hogs that we would send out here and coming back to the Tennessee bowls eating that country ham.

So he was a pretty good coach, and the year that they played us in a certain particular bowl, I think we left most of our team back home. I tell that story for a reason. Agriculture is pretty diverse. When I was a kid growing up, we had a bunch of old sows. We didn't have the corn to feed the feeder pigs. Forty pounds would put them on the market. They came out here someplace, and then shortly after that they would be slaughtered here someplace and the hams would come back to Tennessee and we would cure them

and make country hams out of all of them. Not all of them, obviously, but some of those.

So agriculture has driven America's economy. When you go to the Nation's Capitol, you see tobacco leaves and cotton blooms. Those are two of the main floral items that you will see in our Nation's Capitol, in the Senate and the House, at our capital building. Why? Because that was the standard of our trade the first two or three centuries of this country. It may not be today. Some folks might feel that way, but I believe it still is.

I wasn't there in 2002, but there was a bill passed that established about a \$72 to \$75 billion appropriation over a period of time for 5 years. That would provide an opportunity for farmers to stay in the business and a continuum for the legacy that agriculture has meant to America. So far we're about \$15 billion less in spending than what was authorized. You won't find another budget in the Federal budget process that can claim that. And you won't find another budget in the Federal budget line items that has produced a surplus in trade for this country until recently.

So when we talk about agriculture, to me agriculture, as the ranking mMember said a moment ago, is truly a national security interest. We spend close to \$500 billion a year—under this farm bill about \$15 billion a year. We spend \$500 billion a year on guns and about \$15 billion on (inaudible).

If you take \$3 billion off each year on the average, it would be about \$12 billion. When you look at the CIA, the FBI, NSA, National Security Agency, and all of those that defend this country, they're important. And I am a strong supporter of those. But if we allow agriculture to go the same route that our energy production has gone, this country is in jeopardy.

And if we allow agriculture to reach the level of leaving this country as our industrial base has and yet its competition has driven manufacturing somewhere else, it's \$20 a month labor in many cases in some of the Asian countries rather than \$20 an hour that some folks get here. Most of the time it's \$8 or \$10 an hour. I had a brother who started right out of high school in 1962 making \$72 every 2 weeks. It was \$36 a week, 90 cents an hour working in a sugar factory where he worked for 20-some years until they decided to go offshore.

My comment to you today is that I don't know—I agree with all of you. Each of you have made some great statements. But all of us in agriculture and those of us who are making decisions on this committee had better get it right because if we don't, we're jeopardizing the one, in my opinion, security issue that can keep this country safe.

I thank you for being here, Coach Osborne, the rest of you from Nebraska. It's good to be in your wonderful State to spend some time, but I do look forward to getting back home tonight to my trophy wife of 42 years.

The CHAIRMAN. Thank you, Congressman Davis.

It's now my pleasure to recognize Congressman Steve King from the State of Iowa whose district is only a few miles from here. Congressman King, your participation is very welcome as well.

Mr. KING. Thank you, Mr. Chairman. And I appreciate you holding this hearing here today on the edge of the Corn Belt and on

the edge of Iowa. I haven't been on high enough ground to see Iowa yet here. It's the furthest I've ever come to go to Nebraska City through Stockton, California.

And I've been across the acres that you've held and around in North Carolina, Alabama, California, and now here into the Midwest. And it is a diverse agriculture that we have in America. And I hear in North Carolina and Alabama, leave the program the way it is, extend it, don't touch our payment limitations. I heard testimony down there that said I have nine entities, and if you reduce our payment limitations, if I did the math, it would take a million dollars out of the subsidy for that particular operation for cotton.

And I go to California, and I hear them say we have specialty crops out here, and we need to have all of this illegal labor to harvest these crops and expand that opportunity for us, if you will, try to make it legal if you can.

I come to the Midwest, and I hear the testimony you have heard here today. I am going to have to go through this testimony word by word when I finally get it in print to find out which of you might have disagreed with Mr. Wiederstein. I am not sure that any of you do, really, in the substance of what he said. We don't have the answers on how to get where Mr. Wiederstein has articulated.

And so I hear the talk, the discussion testimony about WTO negotiations, and it comes to me this, if we're successful on WTO, we're going to have to figure out a way to get through that transition to adapt to the policy that's been articulated by Mr. Wiederstein. So I would start with Mr. Hurst. Are you prepared to do that transition if we're successful at WTO?

Mr. HURST. I think there are more parts to the puzzle in making agriculture without the subsidies in WTO, but that's a huge step in that direction. The biggest problem is how you transition, how you protect the people that have contracted for mortgage payments for 20 years on the basis of those farm bill payments. I mean, how do you help them, because they have made a good faith decision based on the record of the last 64 years or whatever when you had farm programs. They made a good faith decision that those programs would be there. So the question that comes, how do you protect the financial system of the Midwest, how do you save the banks and the farm credit system and things like that today, and how do you make those folks whole who made a good faith decision, who made an economic decision based on that.

Mr. KING. If I might, Mr. Hurst, did I hear you correctly in that 20-year liability plan, you plan your debt retirement and accept those liabilities over 20 years with a farm program? So the good faith commitment, does it implicitly go beyond the life of the farm bill.

Mr. HURST. I think that people make decisions based on past record, and, you know, I would again point out that we have had farm bills since the 1930's. Yes, I think that you do have a commitment.

Mr. KING. Thank you. Mr. Richters.

Mr. RICHTERS. I really don't have an answer. Again, I assume it will be evolutionary, and it will be less money even without WTO. We need to make adjustments, and we need to go down. The farmers will bear their share of the burden. But if you go very fast, all

of those commitments, all of those agreements to lending institutions, the rural areas, the schools are going to have a huge problem. And I can tell you for certain if you go at a speed that's too fast, you will wipe out the majority of the new farmers. And they're terrific.

I don't know how you get as far if you go with what Congressman Osborne said to satisfy the WTO. That's a heck of a step. Then maybe you have to look at revolution.

Mr. KING. Not really that concern that the Europeans will come that far with us and yet the Australians are already there. They're urging us to move forward on this regardless because essentially the Europeans might have to develop that out to the world economy.

Mr. RICHTERS. Without a WTO, we need to make improvements and start in the direction of that. But with my age, I have seen some sudden things, and in the 1980's and the interest thing and that, and there is—it's not very comfortable. I told my kids to go out and—I raised quarterhorses in the 1980's, and I told them to go out to the barn and tell the horses goodbye. It was a low moment in my farming life. It wasn't because I was any better or any worse than I was the year before. It needs to be comfortable.

Mr. KING. Mr. Knopf.

Mr. KNOFF. I would say I would certainly give it a run. I think I would quickly try to make a decision of one of two directions. I think as profitability decreases per acre, we have to either add more profit per acre—and we can do that perhaps—I would probably think about trying to get into some of these value-added products. There is so much demand. I went to Washington to visit a friend this past spring. We went to the store, bought groceries to feed tacos to eight people and spent nearly \$130, \$140 because it was a store that sold organic food. And a lot of my peers have a desire to eat locally—if they have the money—to eat local food that's produced safe by a responsible family farm, be it organic or not. So I would look at transitioning my farm into serving more of a local market, increase my profit per acre and not worry about producing more effectively and efficiently than a person in another country.

Or I will have to choose the other direction of continuing to increase my farm size, spreading my costs across more acres, and focus on efficient production and low cost per bushel of production.

Mr. KING. I understand. Mr. Vorderstrasse.

The CHAIRMAN. We will allow a brief answer.

Mr. VORDERSTRASSE. As I stated in my written testimony, I think there are ways that we can make the farm bill compliant with WTO. I truly think there are ways we can go, if we have to, similar to what the CSP Program is with all of the money in conservation type of payments. I elaborated a little bit in my written testimony on that.

The CHAIRMAN. Thank you, gentlemen.

Congressman Randy Neugebauer represents the High Plains of west Texas, and I know he's glad to be here to hear from the Northern Plains States, but I must warn you all that I have been told that you can always tell a Texan, but you can't tell them much.

Mr. NEUGEBAUER. Thank you, Mr. Chairman. I want to say that I am from Lubbock, Texas, and the home of Texas Tech University. Sometimes you make good choices and then you make not so good choices. A number of years ago we were looking for a head coach at Texas Tech University. There was a couple of folks who were up for that job, and one of them was at that time, I think, an assistant coach, and one of them was a head coach at another. And we said, well, we're going to take the head coach and didn't take the assistant coach. That was Mr. Kennedy at that time. Unfortunately, I don't think that was a very good choice because that fellow that was the assistant coach was Tom Osborne. So I know he's served his State well in a lot of capacities and certainly currently he's your Congressman. I have a feeling, though, that the folks in Nebraska, Coach, aren't quite through with you yet.

So it's good to be here in Nebraska. Over the few years that I have been in Congress, I came from the private sector. I started looking at the farm policies and farm program. One of the things that was glaringly absent, I think, in the farm program today is an adequate risk management tool for producers. Because when you look at agriculture today, it's an extremely complicated business. It's a risky business, and the stakes are a lot higher today than they were, say, 20, 30 years ago because when you go out and you crank up that tractor in the morning today, you're cranking up a tractor that probably costs over \$100,000. And when you're harvesting your crop, you're probably harvesting in a device that costs over \$100,000. And with the cost of the inputs and fuel and energy, it is a high stakes risky business.

And the crop insurance, part of the program or policy is something of interest to me because when I was in the private sector, you know, part of that, my job was to manage that.

And there were products, and I had options to manage those various risks out there. I don't think our producers today have all of the tools that they need, and particularly when it comes to crop insurance.

One of the things that I have introduced is a bill that would increase the coverage for producers, and it combines two existing products that are available to you. You can take the GRP and the multi-peril, and actually, you're able to stack the GRP on top of the multi-peril. One of the reasons I like that is that when you score it and when they do an actuarial cost of that, it is inexpensive to add that additional coverage. You look to 100 percent coverage.

The other part of it I like is that I don't want ad hoc disaster programs because the problem is is you're waiting for Congress to decide whether it's a broad enough disaster or if the political stars line up in such a way that you can go in and get disaster relief. Generally, it comes a year or two after the occurrence of the disaster. Sometimes that is too late for a lot of our producers.

So what I like about the GRP on top of that, if there is a county-wide yield problem because of whatever, that money is going to come relatively quickly to producers.

So I would just like to get some feedback, Mr. Wiederstein, from you. And you and I share probably something. We probably have both spelled our names once or twice. So I will start off with you.

Mr. WIEDERSTEIN. Well, I have had crop insurance since 1977. It happened to be a good year to have it. I have had it ever since. I do have a concern that when we talk about subsidization, again, I don't want to be against it because I am not, but we don't want to subsidize it too highly because then we will skew what the Corn Belt is, what the Soybean Belt is, whatever we're trying to insure.

We're going to take significant risk away, and when I am talking about risk, doggone it, that's where our profit is. And what we have done, in essence, with some of the farm programs we have got, we have taken risks away and we have grown corn for the Government. And we have. We can't say we haven't.

We have to be careful how much we subsidize it. I like your idea of getting away from disaster programs, having either one or the other. Because if we're going to have a disaster, we're always going to depend upon it. I like it. It's my choice then. I can either take that crop insurance or I go on my own. I like that.

Mr. VORDERSTRASSE. I can remember when I started taking out crop insurance. It was when the Government started to subsidize it, and it was supposed to replace Disaster Payment Programs. And I faithfully took it out, had it several years, and there was a disaster in one part of the country. And Congress passed a disaster bill. I thought, you know, I am paying this money for premium crop insurance so that I can cover myself if there is a disaster.

And I like your idea of stacking the GRP on top of the multi-peril, and I think something like that could possibly work. We would have to make sure that—I might disagree a little bit with my colleague here, but we have to make sure the premiums aren't too high that a farmer cannot afford to take that insurance.

If you add a lot of the CRP and everything on top of your crop insurance right now, it gets to a point where it's pretty expensive.

The CHAIRMAN. I don't want to deny anybody the opportunity that feels compelled to answer Mr. Neugebauer's question. So if anybody wants to respond, that's good. If not, we will move on to Mr. Schwarz.

Mr. KNOPF. I would just comment quickly. I like what you said, and it's an important tool for me. I am getting down into having more troubles in an area where we don't get as adequate rainfall as consistently with production history. And if I am not at risk, I can offset my crop insurance as those needs decrease. That's a problem in western Kansas.

Mr. RICHTERS. I agree.

The CHAIRMAN. Thank you, Mr. Richters.

Mr. Hurst.

Mr. HURST. Two comments. My greatest worry as a farmer is not price risk, but it is production risk. Concentrate on insurance.

Second, as an alum of the University of Missouri, I am not interested in hearing your troubles of hiring coaches.

The CHAIRMAN. I am glad you waited for that comment. Thank you, Mr. Neugebauer.

The Chair would recognize the gentleman from Michigan, Mr. Schwarz.

Mr. SCHWARZ. Thank you, Mr. Chairman. He said Michigan, the Alamo Bowl. I feel like Walter Lynch with 10 microphones in front of me.

I would just say with the last name of Schwarz, I think Wiederstein, Vorderstrasse, Richters, and Knopf sounds like a law firm in Dusseldorf.

Very briefly, I will go bing, bing, bing down the line, and just tell me. I am very concerned about—and this might not have much to do with the farm bill, but something to do with it, but a pressing issue. If you were the Secretary of State or if you were Secretary of Agriculture Johanns, a great son of Nebraska—although Mr. King tells me he was born in Iowa.

Mr. KING. That's right.

Mr. SCHWARZ. What would you do with our friends, the Japanese, and their embargo of American beef? What would you advise us to do? Because it's become kind of a burr under the saddle. This committee did have the Japanese ambassador in, and I think the chairman and other Members did a pretty good job of sweating his excellency, the ambassador, on that issue, but now they have embargoed again. What would you advise us?

Mr. RICHTERS. We gave them the opportunity—it was disappointing that—I really don't think we held our word. And once they found some of the bone in there, that was the reason they needed. Dealing with Japan is quite unique, and I think you need to help convince the populous that our products are safe enough and good enough and the pressure has to come from their populous.

Mr. SCHWARZ. Anyone else on that one?

Mr. WIEDERSTEIN. Patience. It's tough.

Mr. SCHWARZ. In my hometown in Battle Creek, Michigan, we have seven or eight manufacturers. In fact, our largest employer actually with an equal number of employees is the Kellogg Company, about 3,000 employees, as Dens, which is a Japanese auto parts manufacturer.

Yes, you have to be patient, but I think you have to be patient with a little edge on it. But you have to be patient. Anyone else?

OK. Let's go across the Atlantic now. What would you do with our friends from the EU as far as their attitudes towards certain American agricultural exports, especially the genetically-modified grain, because you have a lot of Europeans that think they're going to glow in the dark if they eat genetically-modified grains or any food made therefrom. Any advice on how we could handle that?

Mr. HURST. Of course, as you know, we recently won the dispute over that very issue with the WTO. So I want to enforce whatever sanctions were allowed to the fullest extent. I mean, I think this is a huge concern, and I don't believe they're that concerned. I believe it's another trade barrier that when they talk about a 4 to 1 or 5 to 1 cost difference in what they spend subsidizing agriculture, that's not even including non-economic barriers.

Mr. SCHWARZ. Thank you for that answer. I want to add we didn't talk before the meeting, but that is precisely where I hoped someone will go, that this is a very convenient excuse to throw up yet another trade barrier.

Anyone else care to comment on that?

Mr. RICHTERS. I think we farmers should go over and find out how their farmers got so much political power.

Mr. SCHWARZ. Well put, sir.

Anyone else.

Mr. VORDERSTRASSE. Sell them sorghum. It's non-GMO.

Mr. WIEDERSTEIN. Again, this is a patience issue. We have beat them on a few formal issues, but they still don't accept it. This is one case where sooner or later they're going to realize that they're not (inaudible).

Mr. SCHWARZ. Your first name, Mr. Wiederstein, it must be Job. You are more patient than I with both our friends in Europe and those in Japan.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, gentlemen.

Now I am pleased to recognize the gentleman in whose district we are holding this hearing who is a very valued member of the committee, Congressman Jeff Fortenberry.

Mr. FORTENBERRY. Well, thank you again, Mr. Chairman. It's a delight to be here with you and to host you in the first district, and thank you to all of you for visiting with us today. We are critically interested in all of the vital questions we are discussing. The panel has done a great job. You have given us some extraordinary insights into your own operations with great precision of opinion, which is varied. And I think for those of you who notice that we have scheduled this hearing to be 5 hours long, you now understand why. Obviously, we're very interested. It's complex. And various Members have different perspectives as you do.

I do have a simple question that I would like to ask, and I am going to answer it before you all answer it. It follows up on Congresswoman Herseth's question about extending the current farm bill. There is some discussion in Washington that we should just simply extend the current law because of numerous complications, World Trade Organization challenges, as well as others. I say no to that, and here is why.

I think we ought to leverage the best of our commodity traditions to explore new emerging opportunities in agriculture. All of you have touched on them today. First, agriculture entrepreneurship. The emerging opportunity, particularly for younger farmers, of creating new production methodologies, direct market products, niche market, value-added opportunities, all types of creative agriculture ventures that are now coming back on line that are potentially inhibited by our current commodity production model, which we discussed.

Second, ag-based energy production. A new market, a new structure to our markets income that's going to achieve multiple public policy objectives increasing our independence on the farm oil. It's a renewable environmentally sensitive energy product that's good for the future of America. It creates again a new structural market for your farm products, creates income for you. That's good for world vitality.

And the third is the opportunity again for creative conservation. You are natural stewards of your land. You know how best to deal with that. To think about the ways in which the confluence of new emerging opportunities, agriculture based energy production, as well as creative conservation come together, I think there are tremendous opportunities on the table right now. We ought to leverage this time that we have and get to work in thinking through this thoroughly.

So that's my opinion. I don't mean to impose that before you, but I think it's only fair to answer the question before I ask you. Again, there are various opinions on this even here today, as well as in Washington. Simply do we extend the current farm legislation, which some of have you rightly pointed out has done very good things in terms of stabilizing our food supply, lower food prices, particularly compared to the rest of the world.

Mr. KNOPF. I agree completely with your comments and your answer. I think agriculture is changing and continues to change faster than it ever has because of new opportunities, and I think if we can't change the farm bill to adapt to some of these new opportunities, we will quickly fall behind, especially when we change it every 6 or 7 years, however many it is, which is good for some stability. But yet when we have that opportunity and it comes time to change, I think it's important that we do it and not be lazy and say what's good is good and leave it the same.

Mr. HURST. I think it important that we keep our pattern when negotiating with the WTO agreement. I would hope that if an extension is possible—and I would strongly support such an extension—that it would not be a long one, that we would be able to finish an agreement in a very short period of time, and then we would have a better idea of where we were. Our problem is forcing the European Union to cut their subsidies. Our only weapon is our own subsidies.

Mr. WIEDERSTEIN. I would say that if we're going to continue down the path that we have been for this last farm bill of what I would call generous crop price supports, then I think we need to maybe extend this farm bill. I agree with you, Mr. Fortenberry, there are all kinds of opportunity out there, and the present farm bill probably is stifling that. And if we're eventually going to be going away—for whatever reason, budget probably would be the primary concern, then I think we need to be moving to the new farm bill so we can get this creative ingenuity and all of these farmers working.

Mr. RICHTERS. It's kind of ironic that my Congressman and I would disagree here.

Mr. FORTENBERRY. That's why I invited you.

Mr. RICHTERS. I recognize myself, I think, like Mr. Knopf here when I was young. For 45 years I have been on cooperative boards, and that's a wonderful thing. I was chairman of half a dozen of them. Most of them don't exist anymore, and maybe I am the reason. I don't know. We talk about niche markets, and if you look up the word "niche," it's very small. And I think that's wonderful, but I worry that people say here is the answer to the farm problem. I can give you page after page after page, white corn, everything, Jerusalem artichokes. We all want to produce commodities.

I don't agree that the farm bill is stifling. A couple words bothered me from Mr. Wiederstein, "whiners" and "stifling." It's not that severe. There is still opportunity out there. We talk about organic. Organic is wonderful, but it also flies in the face of no-till.

And so, you know, I guess I am saying be careful of simplistic answers here. I wish there was some. At my age I have looked back and realized that I didn't know everything when I was younger,

and I know less all the time. But I am also forgetting that I know less, so——

Mr. FORTENBERRY. Thank you. I knew you would be honest with me.

Mr. VORDERSTRASSE. I might comment on the value added. I am involved in a sorghum flour mill where we mill food grade sorghum and also ship food grade sorghum to Japan. The problem with niche markets, value added like that, they're not large enough. You know, we sell a fair amount, but there is three of us involved in it, and it does not add all that much to our bottom line. If there is some way we could expand these niche markets to a larger section of the population or other countries, I think it would probably work.

The CHAIRMAN. Thank you, gentlemen.

We are also joined by Congressman Lee Terry from the Omaha area. Not a member of the committee, but the committee rules specify that he can join us, but he cannot ask questions unless yielded time by other members. So I would ask consent of the committee to give myself an additional 5 minutes, which I would yield to Mr. Terry. Without objection, I am very pleased to recognize him.

Mr. TERRY. Thank you for not objecting. I will try not to use my 5 minutes.

I am on the Energy and Commerce Committee, and one comment I will make is it's referred to as the committee on energy policy in the Agriculture Committee, and I think everyone today has mentioned that. I really believe that the right direction for this country is to move to more renewables.

I am working with 11 other Members, bipartisan, on putting more research and development dollars to hydrogen fuel cells and using it as a base fuel to extract the hydrogen that makes ethanol. But there are many other measures that we can take in the meantime where we use more ethanol, more of the E-85.

Mr. Knopf, you mentioned that all you will be doing is growing for BP, Amoco, and Exxon, Mobile and all of those. And that may end up being true, but right now they are the ones still resisting regardless of those fluffy commercials. And I think it's ironic that we had Exxon, Mobile and BP, Amoco in our offices begging them to let some of their franchisees put E-85 at their gas stations, and they are the ones that are flat refusing to allow them to do that.

So I believe there is great opportunity for you all to form the co-ops and be not only the suppliers but the producers in that area. They're going to come around when it's too late, and they're going to rely on you if you grab this opportunity.

Some of the feedback that I hear is that if we do rely on renewables, corn and other crops, that we will make them too expensive, and that is contrary to good farm policy. I would just like your comments on that. Frankly, I didn't think it was possible to make corn or other products too high for you all, but I hear that. I would like your comments. Anyone want to step up? Mr. Knopf, why don't you, since you mentioned some of those energy companies.

Mr. KNOPF. Certainly. Boy, that's a new question to me. I would be very, very surprised to ever see that happen just because how—as several people on the pane list commented on, our ability to

produce is so vast, somebody told me that Iowa produces more corn than the entire Southern Hemisphere. And you better go check it. Don't quote me on that. But just our resources that we have in the middle of America to produce these types of products is so vast, I can't imagine the demand being so high to where it's an overpriced problem.

Mr. TERRY. Anybody else want to comment on that fallacy? I agree with you, Mr. Knopf.

Mr. RICHTERS. Well, I would say that the 1996 crisis we paid for for 10 years. If we're going to be an industry and we go over I have been down to Mexico to talk to people about selling grain. We have been to Europe to try and compete with Europe. But we better supply them. And we ran out. No other industry does that.

Again, in 1996 when corn got to \$6, I don't know, I think it hurt us more than helped us.

Mr. HURST. We increased production on 80 million acres of corn, 2 bushels a year, that's a long term—that's 160 million bushels of corn. That's half a billion gallons of ethanol. I don't think it's—

Mr. TERRY. Mr. Chairman, I will give back my 30 seconds.

The CHAIRMAN. I thank you gentlemen, and I thank all of the members of this panel for their very valuable testimony. This has been noted by a number of Members up here one of the best panels that we have had in terms of the diverse viewpoint and interest that you generated here. So we thank you for the contribution that you have made, and we will now thank and excuse you as we welcome our second panel to come up to the table.

While we are doing that, I want to acknowledge a couple of important people here in Nebraska, one of whom is not here, but we very much appreciate, and that is your former governor Mike Johanns, who is doing a great job as the Secretary of Agriculture representing agricultural interests for the whole country, but certainly not forgetting Nebraska.

And, second, I would like to acknowledge the presence of Scot Blehm, the State Director of the Rural Development Office for the U.S. Department of Agriculture. Scott, thank you very much for being with us today.

And I am also informed that we have an elected State senator here, and I would like to acknowledge him as well, Roger Weilbein. Thank you, Roger.

The CHAIRMAN. I would like to welcome our second panel: Mr. Daniel Kluthe, pork producer and operator of a methane digester of Dodge, Nebraska; Mr. Vern Jantzen, dairy, corn, sorghum soybean and hay producer of Plymouth, Nebraska; Mr. Bill Siebenborn, dairy producer of Trenton, Missouri; and Mr. Eggerling, cow-calf producer and grain farmer from Martell, Nebraska.

I will remind you that your full written statement will be made a part of the record and ask you to limit your testimony to 5 minutes. And thank you for joining us. I note that your testimony regarding the methane digester has generated a lot of interest on the committee. Welcome.

**STATEMENT OF DANNY KLUTHE, PORK PRODUCER,
OPERATOR OF METHANE DIGESTER, DODGE, NE**

Mr. KLUTHE. Hi. I am Dan Kluthe, a farmer from Dodge, Nebraska. I would like to thank you, Mr. Chairman, and members of the committee. I'm married to my wife, Josie, and we have four daughters. We grow corn, soybeans, alfalfa and raise hogs. The hog enterprise consists of an 8,000 early wean to finish hog setup. The pigs come in right off the sow weighing about 14 pounds, and we finish with a 270-pound hog at market. This operation is profitable and successful.

I believe that the new farm bill must address very strong renewable fuels. The United States grows 1.2 billion bushels of corn and the world's largest supplier of soybeans. Ethanol and biodiesel are value added, renewable resources. These industries are stimulating rural America. In 2004, the United States ethanol industry supported the creation of nearly 147,000 new jobs in all sectors of the economy; added \$1.3 billion of tax revenue for the Federal Government; 1.2 billion for State and local government, and added 25.1 billion to the gross output in the United States economy. Ethanol in 2004 reduced the trade deficit by 5.1 billion eliminating the need to import 143.3 million barrels of oil.

On February 8, in St. Louis, Missouri EPA Administrator, Stephen Johnson, comments on the ability of U.S. agriculture to meet the demand for biodiesel and ethanol that can reduce U.S. dependence on foreign oil.

The President's speech on January 31, wants to make a goal of replacing more than 75 percent of oil imports with alternative sources by 2025. I think this is exciting and I know that if you give the American farmer incentives to get something done, it will happen.

In the new farm bill we need to keep the biodiesel tax incentive to create new markets for U.S. soybean oil, Support full funding of the Conservation Security Program and Equip Program. I firmly believe that the American farmer plays a significant role in alleviating world hunger, and that food aid should not be replaced by cash donations.

To keep the hog industry strong, exports play a huge role in price supports. I think China coming into the World Trade Organization is a huge market place for U.S. pork variety meats that have very little value at home. I think NAFTA and Uruguay Round Agreement have increases U.S. pork exports dramatically and should be protected.

The new farm bill should keep monies allocated for the CRP program. I put filter strips on my farm along the waterways. This not only stops run off and keeps the waterways clean, but the pheasants and wild life that also has huge benefits from this.

I would like to see a portion of the new farm bill have a greater incentive to promote renewable technology. For instance, I would like to see a 0.02 kw off Federal income tax, for every kilowatt of renewable electricity; whether it comes from wind or biomass energy with no limit on size, as long as it is produced by private enterprise. I am aware that there is the 150 kw tax incentive now, but mine is an 80 kw unit and there could be a huge increase in renewable energy projects if we removed the 150 kw minimums for

this tax incentive. I have Nebraska's first livestock methane digester. It produces electricity from the gases in the hog pits. The manure is fed daily to the digester in which the hogs replace. The bacteria in the digester break down the solids and produce a gas, which is pushed through a pipe to feed a 3306-caterpillar engine. The engine is connected to a generator that makes electricity in which is put into the power grid. This engine runs 24 hours a day, 7 days a week. The only down time is when I maintenance the engine and change the oil and oil filter. This is renewable energy to the extent. Once the slurry leaves the digester after about 21 days being in here, the slurry goes to a lagoon to be applied to a field process. The great benefit is the slurry is 95 percent odorless.

I am on the Colfax County Zoning board, and you want to see the court house fill up; have a livestock producer mention he wants to expand or put new hog barns up. It used to be every farm had livestock but that is not the case anymore. They do not smell their own odor and they do not want to smell yours either. With this digester, the odor is eliminated. You still have the sweet smell, but the offensive smell is gone. Every hog and dairy farm has methane and if there was an incentive to capture it, I know we could help to use less foreign bought oil and improve our environment.

The CHAIRMAN..Thank you. Mr. Jantzen.

**STATEMENT OF VERN JANTZEN, DAIRY, CORN, SORGHUM,
SOYBEAN AND HAY PRODUCER, PLYMOUTH, NE**

Mr. JANTZEN. It makes sense to me that producers who are good stewards of the land receive some credit and incentives for participation in Conservation Programs. I fail to see the logic, though, in promoting increased conservation practices and programs, but then witness yearly attacks on the funding of those programs through the appropriations process or budget-balancing legislation.

I have mentioned a few of the programs I participate in, but there is one program authorized in the 2002 farm bill that I have been denied. Mandated country-of-origin labeling was to be enacted by 2004 and yet continues to be delayed at the behest of packers and processors.

Now, I would like to outline a few issues I think should be included and addressed by future farm bills. The counter-cyclical safety net approach in the current farm bill is a good idea. The MILC Contract Program is important to small dairy producers across the country and makes a difference when the milk price drops. Country-of-origin labelling needs to be funded and implemented now and not further delayed.

An energy title should be included to build upon the progress already made in the arena of renewable fuels and should also promote exploration of the unlimited potential that exists in alternative sources available to rural areas such as wind and solar energy.

Conservation incentives should be continued and expanded in the future farm bill. Increasing Conservation Programs cannot only provide a financial benefit to myself but rewards society as a whole by improving the environment. Improving program payment limitations is needed as future farm programs are to be targeted to real producers. The agriculture economy and rural America's economic

health is much better off with more producers receiving payments instead of most of the money going to a handful of huge operations.

Many rural parts of our country have struggled and continue to struggle due to devastating weather-related disasters. It makes more sense to include a Permanent Disaster Program in the next farm bill that mitigates losses not covered by traditional crop insurance or other programs administered by the USDA rather than yearly ad hoc disaster programs.

One of the challenges that I continuously face is the ongoing lack of competitive markets for my production. I would encourage the committee to include a strong competition title in the next farm bill. A part of the competition question also involves trade and trade policy. What happens to my market price when our trade surplus turns into a trade deficit? Trade is a good thing but will not work in the long run if fairness issues are not addressed. Where are the World Trade Organization's talks headed? I believe there is a lot of merit in extending the current farm bill until we see what direction trade talks take and what final agreements are hammered out.

As a country, we need to deal with a mounting Federal budget deficit. USDA Secretary Mike Johanns says agriculture cannot be excluded from pitching in. I agree that the Federal Government needs to stop bleeding red ink, but who decided that rural America farmers and ranchers have to jeopardize their futures to pay for a mess we did not create with disproportionate cuts in funding?

I believe we are at a crossroads on what our future as a rural society will look like. Is it important to have small, independent owner-operators producing agricultural commodities for our country? What are the social and economic implications for rural America if no one comes back to farm or to take over the small community business? How do rural schools and other social structures deal with the challenge of a declining population? I believe the challenge for this committee and Members of Congress is to wrestle with these and similar questions and decide if the Government should be involved and what the best way is to help. I hope some of my suggestions have been helpful or at least stimulated some thought. Thank you for this opportunity to testify, and I would be happy to answer any questions you might have.

The CHAIRMAN. Thank you, Mr. Jantzen. Mr. Siebenborn, welcome.

**STATEMENT OF BILL SIEBENBORN, DAIRY PRODUCER,
TRENTON, MO**

Mr. SIEBENBORN. Thank you. I am Bill Siebenborn, a dairy farmer from Trenton, Missouri. My wife, Sarah, and I milk 100 cows on a 390 acres farm, utilizing intensive grazing for the past 27 years. I am actively involved in all phases of dairy production, marketing, and promotion. I serve on the Missouri State Milk Board overseeing inspection of grade A dairy farms. I am a vice chairman of Dairy Farmers of America's board of directors and a member of the executive committee and chair their value added committee. I serve as chairman of the United Dairymen Association, the national generic promotion arm of dairy farmers administering part of the 15 cent advertising and promotion deductions paid by all dairy farm-

ers in the United States. I am also a member of the National Milk Producers Federation board of directors.

I appreciate this opportunity to testify at this hearing.

While the DFA has not officially developed all of the issues for support for the 2007 farm bill, some of the major features of that bill would be as appears at the conclusion of the hearing:

We favor continuation of the Dairy Price Support Program in support of a \$9.90 U.S. average manufactured milk price. We would oppose granting the Secretary of Agriculture any provision which would reorient its intended purpose from supporting income to farmers versus minimizing Government costs. Under President Bush's proposed agriculture budget, the Secretary of Agriculture would be allowed to adjust buying prices for products made from milk, such as cheese, butter and nonfat dry milk, so as to reduce the cost to the Commodity Credit Corporation for products purchased. This could allow for a reduction in targeted support price from that \$9.90 as specified in present legislation.

Additionally, we request that the Commodity Credit Corporation take action and adjust the support program purchase price levels for cheese, butter, and nonfat dry milk to reflect the significant additional costs manufacturers face when selling products to the CCC. The current Commodity Credit Corporation purchase prices for dairy products do not reflect any costs beyond those incurred for commercial sales. As a result, market prices for individual products have from time to time fallen below support levels, allowing the price of milk used to produce them to fall below the statutory support level for milk of the \$9.90 per hundredweight at average test.

We continue to support the DEIP Program and the requirement that the Secretary of Agriculture be directed to see that the allowable amounts of cheese, butter and nonfat dry milk be afforded export assistance equal to what we are allowed under the current WTO agreement. Currently no Government export assistance is being offered, even though, by law, the Secretary is directed to do so, and by agreement we are allowed to do so under the WTO agreement.

We support continuation of the Federal Milk Marketing Order Program. The application of minimum prices should be equally applied to all significant business transactions.

This would mean that if a dairy farmer, through vertical integration, becomes large enough to affect market prices, their exemption from Federal order regulation should be removed. This is receiving a lot of press lately as a result of a large dairyman integrating into a fluid milk operation in New Mexico and Arizona. We believe his bottling operation should be subject to Federal order regulation the same as all other bottling plants.

Congressman Nunes of California has proposed legislation to also remove this exemption as it applies to the State milk order pricing system.

The Dairy Checkoff is a farmer-funded self-help program designed to increase demand for and sales of U.S. dairy products domestically and internationally. The checkoff works in this way: For each hundred pounds of milk sold, the dairy farmers contribute 15 cents to the program, through their cooperatives or whoever buys their milk. Ten cents of that money then goes to a qualified pro-

gram at the State or regional level, and the other five cents goes to the National Dairy Board. Most of that 10 cents that goes to a local program is managed by the State and regional promotion groups that make up the United Dairy Industry Association. The dairy board and UDIA came together in 1995 to put their combined resources into one program under Dairy Management, Incorporated.

The checkoff collects about \$260 million a year, the majority of which is invested through DMI in a single Unified Marketing Plan designed to sell more dairy on behalf of all dairy farmers. Those dollars are invested in research, promotion and in partnership with cooperatives, processors and other industry leaders to overcome the barriers to increased sales and consumption of dairy products.

In the last few years alone, the checkoff has spurred a large increase in fluid milk consumption in quick-serve restaurants and in schools by making a more attractive milk package available to children and their parents.

Today we are working with leaders and innovators to encourage greater innovation and wider availability to give consumers the dairy products and ingredients they want, how they want it, and where they want it.

The checkoff works for all dairy farmers. Dairy farmers appreciate that the 2002 farm bill includes provision for collection of the dairy checkoff on dairy products imported to the United States. As you know, there still has not been any collection of the dairy checkoff on imported products. The U.S. Special Trade Representative's office has made the decision that additional legislation is needed to provide for the collection of the checkoff from dairy farmers in Alaska, Hawaii, Puerto Rico, as well as all the dairy farms located in Washington, DC, before the checkoff can be collected on imported dairy products.

Mr. Chairman, we need this additional legislation even now, before the 2007 farm bill. Importers are getting a free ride on U.S. dairy farmers' promotion of dairy products.

I would like to address other proposals contained in President Bush's 2007 budget:

We oppose the proposed 3-cent per hundredweight tax on dairy farmers as proposed by the President and his budget. Dairy farmers currently are being assessed 15 cents per hundredweight to provide funding for our various generic advertising and promotion plans. They are designed to stimulate consumption, improve sales. Helping keep milk prices above the minimum \$9.90 support price that hold down Government cost.

To impose an additional deduction on milk checks when the current outlook is for very low milk prices is unfair and not justified.

I see my light flashing, Mr. Chairman. I think I will wrap it up here. Thank you, sir.

The CHAIRMAN. Thank you, sir. Mr. Eggerling, welcome.

**STATEMENT OF TODD EGGERLING, COW-CALF PRODUCER
AND GRAIN FARMER, MARTELL, NE**

Mr. EGGERLING. My name is Todd Eggerling, and I am a cattle producer and a grain farmer in Nebraska. I appreciate the opportunity to comment on the 2002 farm bill. I will address conserva-

tion programs, energy, research, payment limitations and country-of-origin labelling.

The Conservation Reserve Program is a strong program with many benefits. I have no acres enrolled in this program and have not any doubt the opportunity to hay and graze in any existing contract (inaudible). I feel strongly the practice of using the acres in times of true need with payment reduction is vital. Haying and grazing protects other resources stressed by drought by allowing a period of (inaudible) no matter how short. Haying and grazing are good management tools for control of weeds and brush for the contract holder. However, I feel producers must show a real need for the use of CRP acres, not just an opportunity for personal gain.

I have been accepted into the Conservation Security Program. Rewarding strong management practices can be harmful to young producers. A longtime farmer or rancher may be able to use their program acceptance to their advantage by adding practice incentive payments to potential lease contracts. They may not have the same opportunity. It is important to consider the establishment of an equal playing field for all producers. This program needs to be fully funded with the opportunity for everyone to enroll.

The Environmental Quality Incentive Program is a program that not only helps fund conservation methods but also educates participants on helpful management practices. I have utilized this program and found it is very important to my operation. A simplified enrollment process with a short fund reimbursement procedure would make this program even more useful.

Verification of records to determine qualification is needed, but any reduction in the application process would be beneficial. I feel due to the education received and implemented conservation practices, EQIP funds should not be used for repairing or rebuilding structures on previously enrolled acres for 15 years.

Funding for research of renewable energy sources is important. The ethanol industry provides added value to corn as a renewable source of energy. The livestock industry utilizes the byproducts of the ethanol production. The potential gain from further study of the feeding of this product is critical. The waste from animals consuming this byproduct could be producing a renewable source of energy as well. If so, we should use it.

Continued research is needed to help control and eradicate anything that threatens our food supply or safety. The quality of what we produce is critical to all.

Therefore, no disease or pathogens should be ignored. With funding for research, we may be able to manage these threats and have a controlled impact on producers. Research into healthy diet components is also beneficial. The USDA has done an outstanding job of evaluating dietary needs and trends, and should be the agency responsible for American food guidelines.

As organizations I belong to search for policy, it's my feeling that payment limitations are too high and could be reduced to help the funding of more program approval for applicants. I seek a process for country-of-origin labeling that would benefit the U.S. beef industry as well as domestic and international consumers. My enthusiasm and interest in COOL has led me to be a participant in the Nebraska Cornfed Beef Program where I am currently a board

member. NCFB is a program started by the members of the Nebraska Cattlemen in 1996 to supply a source verified product to consumers.

NCFB has become a program that produces or believes in the concept of COOL. The process of COOL in the 2002 farm bill is not efficient or effective and imposes unnecessary costs and labor on producers. The current rule prohibits use of mandatory ID in animals for determining origin. This does not allow a program like NCFB to be used to determine eligibility for labeling. The current COOL rule also only applies to beef sold at retail and not beef sold at end food service resulting in only about 15 percent of beef imported subject to COOL labeling.

The laws should not be confusing like the tiered labeling process that does not treat all products equal. Hot dogs do not have to be labeled. I fear retailers may choose not to carry beef products because of the stiff penalty of \$10,000 per day per violation.

I join the Nebraska Cattlemen in support of dramatic revisions to the current COOL law and will only support a mandatory program if it is profitable to all segments of the beef industry. The Market Access Program should be debated outside the farm bill where open and productive discussion can occur.

COOL should not be decided at the last hour as it affects the markets I have, not the production of my product. The farm bill is no place for anti-agriculture views and should not be used as a platform for activist groups, protection of private property rights. The farm bill discussion should allow for free choice of land, water, soil and energy use development and conservation. Thank you.

The CHAIRMAN. Thank you, Mr. Eggerling.

In this round of questions, we will recognize those members of the committee who seek recognition. I will start with myself. I would like to start by asking if any members of the panel are participating in the Environmental Protection Agency Clean Air Act Monitoring Program under the recently signed consent agreement? Nobody.

You might comment then from your perspective as non-signors looking ahead a few years, do you believe the current Conservation Program, such as the EQIP, will be adequate to meet producers' needs to comply with an EPA order that might be forthcoming from the results of the agreement? It's a concern to me that the costs of the compliance of this program could grow for the foreseeable future, and I am wondering what modifications to our conservation programs you would suggest in any farm bill we write.

Mr. KLUTHE. If I might start on that, I think EQIP funding is very important. I know that the environmental laws that are coming out are putting quite a strain on the livestock industry, and I think that EQIP will play a big part of helping them stay compliant to the new environmental laws that are coming out. And without EQIP, I think it would be really hard for a lot of producers to stay in compliance.

The CHAIRMAN. Thank you.

Anybody else?

Mr. SIEBENBORN. As you know, we on the National Dairy Board recently agreed to fund \$6 million towards this effort. And, really, it was quite a struggle for those of us involved in the promotion

because the promotional dollars were not intended for this effort. But it is the only pool of dollars out there that we all pay into. So for anybody else, be it through a co-op or some other organization, the dollars come from a specific group. The NDB dollars are the only dollars available.

The CHAIRMAN. One of the outcomes of this consent agreement already is to divert funds from promoting the marketing of your product to compliance with Government regulations.

Mr. SIEBENBORN. That's exactly right.

The CHAIRMAN. Anybody else?

Let me ask all of you as livestock producers to comment on our commodity programs since the animal agriculture sector is the single largest consumer of program crops. I am curious about your views on these Federal programs, and I would like each of you to tell me what you would like to see in the next farm bill with respect to Commodity Payment Programs. I'll start with you Mr. Eggerling.

Mr. EGGERLING. As a grain farmer also, the payments that we receive, whether it's in LDP form, that helps me as a producer with my bottom line, and it does create a sense of—a lot of livestock producers then try and keep that value themselves by feeding the grain, feeding what they produce. There are a lot of operations that utilize grain from—in the purchase sense, and it will create a different market for them.

But I think there is a nice balance there that can be met to work with both the livestock industry and the grain farmer, and both can be profitable in a program that will have protection for the imported grain per bushel, and the livestock sector can still afford it.

The CHAIRMAN. Thank you.

Mr. Siebenborn.

Mr. SIEBENBORN. Yes, sir. To address specifically the price of our program with milk, we view it as a vital part of our future. It's well below our cost of production, \$9.90. I don't think any one of us anywhere in the country could produce milk for that price. But it does give us a forum, and that's important to us.

I guess one other comment I would make is as I listen to other farmers talk about these subsidies, we're referring to them as farm subsidies, and I believe they are more consumer subsidies. I think the reason consumers enjoy such low prices in the grocery store is because of what we're referring to as farm subsidies.

The CHAIRMAN. You're saying the taxpayers get their money back?

Mr. SIEBENBORN. Several times over.

The CHAIRMAN. Mr. Jantzen.

Mr. JANTZEN. I would like to address the grain aspect.

I feed a lot of the grain that I raise, and because of my operation, and I raise alfalfa and some other crops that don't fall under any category of the farm bill.

And so my problem a little bit is I don't plant fence row to fence row corn and beans, so I can't take full advantage of the commodity types. That's why I am so happy to see more emphasis put on conservation and soil, saving soil and that kind of thing because that happens when I plant alfalfa and grass and raise those kinds of crops.

The CHAIRMAN. Thank you. Mr. Kluthe.

Mr. KLUTHE. You know, listening to our first panel and everything that's been said, I think the payments are actually probably fairly important or very important, but we have to be careful when we cut them because it was brought to our attention that the world market now that we're in, if we don't be careful, we could lose our edge in the United States that's built on agriculture. So we have to be very careful when we start tweaking agriculture's future. I guess my bottom line would be that if we are going to do something, we have to be very careful on how we do it.

The CHAIRMAN. Thank you.

The gentleman from Minnesota is recognized.

Mr. PETERSON. Thank you, Mr. Chairman. First of all, there has been mentioned a couple times this kind of conventional thinking that's out there that if we're not going to have it in commodities, we will put it in conservation. And that's been the conventional thinking.

But I think people need to start thinking about another thing, and that is that there is another option. We can go into energy and not run into WTO problems going that direction. So I think people need to be thinking about that.

You know, nobody has been a bigger proponent of renewable energy than I have in Minnesota. My State is the leader. But I am a little bit concerned about what's happening because now there is a stampede out there, and everyone wants to research everything. You have about—I don't know how many different people researching the same thing. We even have overlaps in my district where you have got towns 50 miles apart that are not talking to each other.

And, you know, the biggest problem we have in this renewable energy is the distribution system, wind energy, trying to get into the grid, trying to be able to sell into the system, whether it's getting your ethanol to California, getting the car companies to build flex fuel vehicles, which they should be doing and they're not. We have 600 E-85 pumps in the country. We have 180,000 gasoline stations. We only have 600 E-85 pumps. Those are the biggest problems that we face.

I am not sure this committee can solve it. But what I am concerned about, and we have looked, and we have worked on methane digesters in my district. We tried to hook them on to dairy farms and so forth. But the other day one of my research outfits had done a look. They had a county that was trying to take a 7,500 cow dairy farm and take the methane off of it, create synthetic gas, and then use that to attract industry to that county. Good idea.

What's interesting is they took a look at all of the different sources of energy and found out that corn stover is considerably less costly as a feedstock as compared to methane. So one of the things that I am concerned about is that we in Congress don't get into the same kind of thing where we're off supporting all of these different kinds of technology before we really know what we're talking about.

Now, I think there are certain cases where it's the right thing to do for maybe reasons other than cost. You want to get rid of the

odor. That's a good thing. But should agriculture pay for that, or should the people in town that don't like it pay for it.

We had this discussion in California yesterday. They have all of these wacky laws in California, and they want us to pay for them. Well, I think they ought to tax themselves to pay for them myself. But I guess my point is that this is a huge opportunity for us in agriculture. We do not want to get down the road of choosing technologies, if you will, when we don't know all of the facts about what we're doing.

There has been a lot of folks out pushing the idea that we're going to make ethanol out of sugar. That is a dumb idea. We do not want to do that because it costs twice as much to make alcohol out of sugar in the United States as it does out of corn. There isn't a plant. We would have to build a plant. We would have to give them a buck and a half a gallon subsidy, which is more than it costs us to make the ethanol out of corn. And yet there are people running around this country trying to promote this idea.

So this is a big opportunity, and I think we have to be careful—going off on a lecture here—about how we interface with this. And I think methane digesters are a good thing in certain areas. But to be honest with you, you can make that gas out of the corn stover a lot cheaper. And if you have corn stover, you ought to look at that. And we eventually are going to make ethanol out of that corn stover. It's going to happen. You know, probably in the not too distant future.

I don't know what your reaction is to my tirade there, but I'd like your reaction.

Mr. KLUTHE. Actually, as you were speaking, if a guy has hog manure or cattle manure, that's what he has to use. And proposing, you know, like you said, per kilowatt energy for biomass or wind or whatever, you make things work with what you have got and try to make the best of it. I know this, that if we could compress methane, if that Caterpillar engine runs off of propane and methane both, that engine purrs better off of methane than it does off of propane. And a switch can turn it from methane to propane and propane to methane. That would alleviate the oil consumption tremendous.

I think the fact that it reduces odor, there is a whole lot of different angles, that this is such a fantastic technology. I mean, odor is huge in rural America. You start getting close to metropolitan areas, it even gets to be a bigger problem.

But, you know, renewable energy, I think, is probably going to be probably one of your hottest topics that you're going to talk about.

Mr. EGGERLING. All of your points were perfect, but we also do not want to let something slide because we're afraid of overlapping a study. I am not saying we need five studies from five different organizations putting that out and the studies are skewed, but we still need to consider all aspects. And if we put dollars in the farm bill to look at things, we need to continue to look at them.

The CHAIRMAN. Thank you.

The gentleman from Texas Mr. Neugebauer.

Mr. NEUGEBAUER. Thank you, Mr. Chairman. I think it's really important we're having this energy discussion because if there is

one thing I believe is the biggest threat to America today, maybe not terrorists, but our independence on energy and the people who we depend on for that energy.

Mr. Kluthe, I wanted to go back to your testimony because in my district right now, it's planned a done gesture that will produce fuel to do the heating for the ethanol plant, and they're going to use the manure from the feedlots from around this particular area of my district. And they will do the ethanol and, of course, the good news about that is they have got the sort of thing where they're going to turn right back around and feed it to the animals that will produce more manure. So we're going to kind of recycle that a couple times, which is very innovative. I think it's going to be great for our district. You have an 8 kilowatt unit; is that correct?

Mr. KLUTHE. That's correct.

Mr. NEUGEBAUER. And there is no tax incentive for you to have that unit, you just decided to do that; is that correct?

Mr. KLUTHE. At this time there is absolutely no incentives as far as payment incentives to do it.

Mr. NEUGEBAUER. But you could use the accelerated depreciation, I assume, to write off part of the unit that you bought, right?

Mr. KLUTHE. Yes, that's right.

Mr. NEUGEBAUER. You could use that. But is there any tax incentive now for the kind of unit that you have?

Mr. KLUTHE. At this point there is none.

Mr. NEUGEBAUER. Even if you would have bought a larger unit, there would not be.

Mr. KLUTHE. Well, OK, yes. I believe the Federal Government has got a 150 kilowatt minimum. If I would have went to 150 kilowatts, then I would have probably fell under their incentive.

Mr. NEUGEBAUER. And the reason that you didn't go to 150 kilowatts is you just didn't have the material to operate that one or the resources.

Mr. KLUTHE. Actually, the material. For this 8,000 head, an 8 kilowatt generator is the maximum that I could use for that.

Mr. NEUGEBAUER. And do you take electricity out of what you produce before you put it in the grid, or do you put it in the grid and then take it back out?

Mr. KLUTHE. In the State of Nebraska, we're public power, so everything goes back to the grid, and then I stay on as a regular power district customer.

Mr. NEUGEBAUER. OK. I think this is certainly something we want to encourage. And while I know that Mr. Peterson talked about overlapping, but one of the things we don't want to do is be restrictive in keeping people from thinking outside the box. I think you kind of wanted to follow up.

Mr. KLUTHE. The only thing I will say is I know for a fact that if, you know, we could remove that minimum standard of 150 kilowatts, there is a tremendous amount of interest on the smaller scale. And if there was, you know, that incentive out there, it might not be the tilt in hand, but it would play a part in it.

Mr. NEUGEBAUER. Well, I love the incentive piece of policy because it encourages investment, and that's what we want.

I want to switch from the energy now to animal IDs a little bit. Mr. Eggerling, I want to kind of get your thoughts on the current direction that animal identification is going.

Mr. EGGERLING. Personally, as far as COOL is concerned, I don't see how you can do (inaudible). I have used the IDs myself. I work with programs. I am involved in programs that we went to solely electronic identification. I think it's very important. I think it's important for our industry. It's important for our consumers. I think the discussion is already going on. I know there are a lot of companies out there trying to provide the service. They're all pretty much now integrated. I think we need to move on that. We need a program out there that protects our industry.

Mr. NEUGEBAUER. Anybody else want to comment on that?

Mr. SIEBENBORN. Yes. I also support that, sir, and I think in the dairy industry a lot of us are already involved in the animal IDs with vaccinations, and that's what I am thinking maybe it got closer than some other animal agriculture. But I support it.

Mr. NEUGEBAUER. Mr. Chairman, thank you.

The CHAIRMAN. Thank you, gentlemen.

The gentlewoman from South Dakota.

Ms. HERSETH. Thank you, Mr. Chairman. I would like to follow up with Mr. Kluthe on the methane digester on both the energy side, but very importantly on the environmental side. The odor issues along Interstate 29 in South Dakota, there is a desire among some dairies to expand, but there is, as you mentioned in your testimony, the zoning issues in the counties. And certain segments of the citizen (inaudible) counties are very concerned about what the environmental impacts will be of expanded dairy operations.

And so maybe you could just help us understand a little bit better how you got involved. How did you get started with your digester? How did this come about? What kind of capital did you have to get this going? I think Mr. Neugebauer ventures out there a little bit in asking you some questions in that regard, as did Mr. Peterson.

And then also do you think that we need to look at some additional—maybe the most appropriate focus of adapting the next farm bill is targeting more funding into research and development, such as they would like to pursue at South Dakota State University or others, for the anaerobic digester technology to improve some of these inefficiencies that Mr. Peterson was identifying in his questions and comments to you.

Mr. KLUTHE. Thank you. Actually, when you're talking about odor, once the manure goes through the digester, whether it's manure or a hog manure, it's 95 percent odorless. You can't get away whenever you have livestock, you're still going to have some sweet odor, but the offensive odor is all eliminated. So if a livestock operation is trying to get rid of that offensive odor, this methane digester is probably not the only source, but it is one good source to get rid of odor, eliminate the offensive odor.

As far as the incentive to go about with this methane digester, you know, I am right across the road from a country church, a parish. A lot of times what people see is what they smell and—I wanted to expand, so I read about this dairy operation in California. And one of the things that they talked about was odor reduction.

I thought, wow. Here we hit so many nails on the head with one hit, you know, renewable energy, elimination of odor, making electricity and putting it back into the grid. I mean, it just seems so exciting.

Ms. HERSETH. I am sorry to interrupt. I don't know if this was your experience, are you aware of any counties, as they look at conditional use permits or what have you in zoning, do you see a move or did you have to expand, integrate a method of reducing odor as a way to ensure that you were going to get your permit? I mean, can you just explain a little bit more your experience here so we understand how it was that you came to be the first person utilizing the anaerobic digester.

Mr. KLUTHE. Good question. Actually, I want to be real careful. We don't want to mandate necessarily things. I am not a fan of mandating. I like the word "incentive." I think you can do a lot with incentives. To mandate something—I didn't do it because I was mandated to get rid of odor, just being neighbor friendly. And I don't know if I could have expanded or not without this. I just know the fact that when I introduced this with plans of expansion, you know, I got it done.

Ms. HERSETH. I understand. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Ms. Herseth.

The gentleman from Nebraska, Mr. Fortenberry.

Mr. FORTENBERRY. Thank you again, Mr. Chairman, and thank you all for your insightful testimony as well. We appreciate you coming today.

I am sorry to monopolize your time, Danny, but I have had the opportunity to tour your facility. I think to put it in a little bit better perspective, Danny is an innovator.

He, I think, by all measures would be considered a small to medium-sized family farm. And I think you heard some extraordinary testimony from him that he simply had a good idea and saw some leading edge technology somewhere else.

And we're real proud that he has taken advantage of some public resources, but most of all his ingenuity to be the first to do this in Nebraska with hog manure.

I think it would be helpful following up on Ms. Herseth's comments as well as Mr. Neugebauer's comments for you to, if they were alluding to it, and it hadn't been touched on by you, to talk about those incentives that you were able to tap that adequately capitalized you to be able to leverage those very important public goods, reduction of odor, good environmental use of a waste product, new source of energy, all of the things we were talking about earlier, as well as the source of income for you to make. Again, I don't know how sensitive you are to that. I assume that because most of these were public grants and your own ingenuity in leveraging the vast array of resources that were out there, how did you overcome the barrier to do this? There was a significant capital barrier. I think it would be interesting for the panel to hear that.

Mr. KLUTHE. Thank you. Thank you very much for your comments. Actually, the USDA rural development has a grant out there that helped out tremendous. The EQIP funding helped out with some of the ground work and helped out.

In the State of Nebraska, we have the environmental trust that helped out in this. I can honestly say without having these very important things to start a program, it would probably have been hard to get going.

Bankers don't sometimes like new things without being proven, so this was a good way to get a start. And without them, I am not so positively sure—I would have had to come up with a lot of innovative creative thinking to make this work otherwise.

Mr. FORTENBERRY. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman from Iowa, Mr. King, is recognized.

Mr. KING. Thank you, Mr. Chairman. I want to also thank the witnesses for your testimony here. As I listen to this, I am trying, of course, like all of us, to sort it out from a national perspective. I would direct my first question to Mr. Eggerling. In your response to one of the questions with regard to the Livestock Identification Program and the necessity for that to be a foundation for country-of-origin labeling, can you tell me if you support a mandatory or obligatory program.

Mr. EGGERLING. I personally support a mandatory program, but it is only used for identification purposes.

Mr. KING. If it's not a mandatory program, it's a voluntary program, do you have some ideas on how we could get to the level of participation necessary to have a viable Livestock Identification Program.

Mr. EGGERLING. If it's not a mandatory program, and in some way shape or form a COOL Program comes out, it is my feeling that in the first year there will probably be price incentives of selling products that are identified on a voluntary basis to fit under the COOL Program. The following year, that sector may then become the commodity market. And if you are not involved, you would be at a discount. To me it's the wrong way to go about it, but it still may work.

Mr. KING. Thank you. Shifting over to hogs then, Mr. Kluthe—I know it wasn't part of your testimony, but do you have a position on livestock identification?

Mr. KLUTHE. Actually, for hogs, I would say premise identification would probably work. I can't say that you can identify each and every hog. I suppose it could be done, but the cost—

Mr. KING. You would be supportive of group lot identification of hogs.

Mr. KLUTHE. Yes.

Mr. KING. And as to the difference between a mandatory versus a volunteer program, this is without regard to COOL, but just as to lay the foundation in the event we move towards COOL.

Mr. KLUTHE. Yes, I think it probably would be very valuable if we would have all premises located for a lot of purposes. It would probably be a good idea.

Mr. KING. Thank you. And then, Mr. Siebenborn, I would just shift the subject just a little bit. You would like to see Hawaii and Alaska and Puerto Rico and Washington DC come under the dairy checkoff. And those Washington DC dairy people are lobbying me real hard. But I know you're legally and technically correct in your testimony. I wanted to point that out.

The people out in Alaska and Hawaii both contend they have a captive market, very high loan prices. Aren't they going to squeal about as loud as one of Mr. Kluthe's pigs.

Mr. SIEBENBORN. Well, you know, our advertising is generic to promote cheese or nonfat dry milk or fluid milk.

It can be done in Alaska or Hawaii just as respectively as in the continental United States.

Mr. KING. Thank you. And then also another statement. I think it's a question that doesn't get raised. And you made a statement that you believe farm subsidies are really consumer subsidies, that consumers get their money back several times over from farm subsidies. And I just submit this free enterprise approach on supply and demand, and a fair amount of our program is—it's a disincentive to produce when we look at the CRP to be a perfect example of that. So if there is less supply, there is more demand, and that drives up prices one would think.

So how does this program really turn into something that lowers food commodity prices for consumers? How does it transfer into that.

Mr. SIEBENBORN. I don't have a good answer for that. Maybe I could think about it just a minute. But I guess I was listening to the folks up here this morning, and a lot of the feeling I got is that we are almost apologetic about it. When I look at the fact that the U.S. consumers pay a smaller share of their dollar for food than almost anywhere in the world, it just seems that there is a misconception there of who is being subsidized.

Mr. KING. I think what it speaks to is a high level of efficiency in agriculture and the quality of the people that are there in the industry. Maybe we can leave it at that, Mr. Siebenborn, and thank you all for your testimony.

The CHAIRMAN. Thank you, gentlemen.

The gentleman for Nebraska, Mr. Osborne, is recognized.

Mr. OSBORNE. Thank you, Mr. Chairman. Thank you for your testimony. Thank you for being here. I would like to go back to maybe a larger question, and that is that we have had a lot of attention on Japan and sometimes Canada in the livestock industry lately. It seems to me that the larger problem is the European Union, and at times that flies under the radar screen. As you know, they have shut out most of our beef. They shut out most of our pork, poultry, GMOs. And a planned \$6 billion in trade with the European Union was fit into our trade margins.

And so this is a major concern. As we look at writing a new farm bill, the big issue is going to be WTO. And I think most people one way or another realize that to write the farm bill not knowing where WTO regulations are going to lead us is going to be very problematic. And the question I would like to ask you, we need to be concerned about WTO. That's a pretty big question. It's almost unheard of to say, well, should we just forget about it.

But in view of what has happened with the European Union—and apparently not a whole lot of movement on their part to take a look at what they're doing regarding our trade. The tariffs are 30 percent higher going in there. There are (inaudible) coming in here and all of those imbalances where they use pretty much artificial barriers.

Is this something that we need to think about? Because to write a good farm bill, as I see it, in the next year is going to be really difficult if we are really going to be concerned about the WTO regulations.

I would like to get your take on it. Where do you think this is headed? A lot of interest in trade. Most people believe trade is a good thing. But also when we look at the way trade has been implemented, we have to be somewhat concerned about how level of a playing field it's been. So any reaction you gentlemen would have, I would appreciate it.

Mr. KLUTHE. If I could start, this is definitely a world trade war. You know, it's almost tiring to hear them put the trade embargoes on stopping trade, hearing the tariffs and all that. But not to look at that would be—when we do our new farm bill, since it is a world market, I think we need to maybe at least take all of those things into consideration.

Mr. OSBORNE. Do you think we can write a good farm bill until we know what the actual parameters are? I guess I still would throw that question out to all of you. Is WTO a necessary part of the thought pattern? And do we need to wait until we know what the rules and regulations might look like before we write the farm bill in your estimation.

Mr. SIEBENBORN. I would make a couple of comments, if I could. I think our organization would be supportive of waiting until we do know for sure what we have. But, also, we had about 10, 15 years ago the opportunity to hear the individual that ran the EEU, the European Economic Union, I believe, and his message to us was that Americans have never been hungry. He said there has been twice in Europe's history where food was not available. It wasn't just high priced. It wasn't just hard to find. It was unavailable.

And he said you all have never faced what we have faced, and you don't understand how we feel about agriculture subsidies. His message was we are going to subsidize agriculture and never find ourselves in that position again.

So I think, Mr. Osborne, that the answer is they are going to continue to play that game because they see it from a somewhat different viewpoint.

Mr. EGGERLING. I have the opinion that I don't think we should wait. We need to consider what is out there with the agreements, what people are asking for. I don't think we can wait because I don't know how long we're going to be waiting. I also think it's time that if things are not on a fair playing field, we need to pull back. With Japan not accepting our beef, we made a mistake, we fessed up to it, it was a food safety issue. Let's pull back. They pulled the rope. Now, let's pull back. Let's do something.

Sitting and waiting—I don't think waiting to write the farm bill to see what comes out, I don't think that will get us anywhere.

Mr. JANTZEN. Congressman, I testified that I think there is merit in waiting because of the problems that you talk about that could impact the farm bill.

I guess one of the things maybe that I would challenge you to consider is can we figure out a way to remove agriculture from the World Trade Organization talks because I foresee two things hap-

pening maybe. One is that, as you mentioned, the trade talks will become an integral part of the farm bill at some point in time.

The other thing that will happen is they will continue to negotiate and negotiate. And we can extend the current farm bill, but the question becomes then how far out do you extend it before you ever reach a resolution that you feel comfortable with writing a new farm bill. And so maybe one of the things that could be explored is take and pull that out because that is a very contentious issue, people have talked about it today, the people in Japan and the EU have for agriculture and subsidies, and that is going to be a tough issue to wrap your mind around and come to a consensus on. So maybe that's one of the challenges you could look into.

Mr. OSBORNE. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

The gentleman from Kansas is recognized.

Mr. MORAN. Thank you, Mr. Chairman. Just a comment, that we have had—I think probably the discussion in Washington DC at the moment is about whether or not we should proceed in drafting a farm bill, trying to pass a farm bill. And, Mr. Peterson, the ranking member of this committee, has legislation introduced to delay that process, extend the current farm bill. And that very well may be something we want to do or we should do, but I clearly think it's premature to reach the conclusion that now is the time to say we're going to wait.

I recognize that most farm organizations and commodity groups have taken that position, and it may turn out that the best farm bill we get is the one we have. But it seems to me we would be in a better position having Congress and the American people develop farm policy for this country than expecting our trade negotiators, which will negotiate that position, as compared to us relying upon our negotiators in Geneva, the World Trade Organization, to determine what farm policy is in the United States.

Let's see if we can develop a farm policy in this country that's advantageous for our farmers and then expect the United States to negotiate on our behalf in the World Trade Organization. I also recognize it would be very difficult for Congress to accept a simple—unless it's a very short term, a real short deadline, it would be very difficult for us to get Members to agree to extending the farm bill.

It bothers me somewhat. I just put more trust in this committee and our ability to determine what farm policy should be, and I am much more worried about what somebody at the WTO is going to tell us what it should be.

So I appreciate the opportunity to sound off, Mr. Chairman. This is an issue where we may end up extending the farm bill, and that may be the right choice. But I hope we develop a farm policy that keeps farmers farming and brings another generation back to rural America.

The CHAIRMAN. I thank the gentleman for his observation. I thank all of our witnesses of this panel and the earlier panel for their very careful preparation and consideration in the presentations that they have made.

I would also like to thank Dana Stovall and Adessa Grundman and all of the staff here at the Lied Lodge and Conference Center and the National Arbor Day Foundation. And I would also like to

thank the outstanding and very bipartisan House Agriculture Committee staff. Let's give all of those folks a round of applause.

The record for today's hearing will remain open for 30 days. Anyone who would like to submit a written statement for our consideration is welcome to do so. Please see Lindsey Correa—Lindsey, raise your hand; she is our clerk—for more information on submitting a statement if you wish to.

Without objection, the record for today's hearing will remain open for 30 days to receive additional materials and supplementary written responses from witnesses to any question posed by a member of the panel.

This hearing of the Committee on Agriculture of the U.S. House of Representatives is adjourned.

[Whereupon, at 12:17 p.m., the committee was adjourned.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF JUSTIN KNOPF

Let me begin by stating that by no means am I an expert on the farm bill or agriculture policy. Nor do I have many years of full-time farming experience. However, I am both humbled and honored to have the opportunity to share some of my thoughts with you, members of the House Agriculture Committee, as you prepare to draft the next farm bill. My intention is to communicate my thoughts and opinions openly and honestly from the perspective of an independent and relatively young crop producer in rural Kansas.

A person's perspective is influenced by the environment that surrounds them, so it is important for you to know a bit about my environment. I grew up on the farm I now live on in eastern Saline County, which is in central to north-central KS. I attended Kansas State University and graduated in 2000 with a Bachelor's degree in Agronomy. I then worked for three years as an agronomist for a seed company covering areas of KS, NE, and MO. In 2003, I returned to my home community to farm full time with my dad and brother. Each of us has our own rented and owned ground, but we work together sharing labor, equipment, and ideas. I am fortunate to have a Father who is a good leader and a wise planner and a family who communicates and works well together. Our farm is all dryland, no-till crop production of alfalfa, wheat, grain sorghum, soybeans, and corn. I would estimate our farm size as about average for full time producers in our area.

I am proud to have chosen farming as my livelihood and rural KS as my home. I believe in community, investing in a place long-term, heritage, and the next generation of American producers. I believe this coming generation of producers, although perhaps limited in number, is optimistic, open-minded, and anticipates overcoming challenges in the current landscape of agriculture. In my written testimony, I will offer thoughts on why young people are or are not returning to rural America and farming, describe three distinct directions I believe family farms will have to choose, and share a few possible opportunities and threats I perceive for family farms on the Great Plains. Throughout, I will comment on how the farm bill can be of assistance. In preparing my testimony, I have thought a lot about my current situation and business as a young producer and have discussed these things with other young producers I know to gain their perspective as well.

Young People Returning to the Farm. Three Categories:

1. Those who desired to return to the farm and were able to.

Most young producers I know returning to the farm do so simply because of their passion for farming. They are not returning for financial reward, but for a lifestyle that they appreciate and desire. This group seems ready to overcome challenges with a willingness to try new things. I believe they will be quick to adopt new ideas and technologies that increase efficiency or profitability. They will utilize increased access to more information and make very informed decisions. They will be aware of what is happening in the world economy and how it affects their farm. They are competitive; yet recognize that in order to succeed there must be an overall spirit of unity and teamwork. Finally, I believe they will look to the U.S. Government and the farm bill not as much for subsidies, but for research funding, support for conservation efforts and new business ventures, and a basic safety net when factors outside of their control, such as severe weather events, bring economic disaster. Important programs include university and other research funding, CSP, rural devel-

opment and small business grants and loans, and affordable and effective crop insurance.

2. Those who desired to return to the farm but were not able to.

We are all aware that U.S. farm numbers continue to decline along with the number of young farmers. I have many friends who would love to farm but have not been able to find an opportunity to make it work. There are many factors making it difficult for young people to enter the business, but two that seem to commonly be at the root of the problem are limited access to land and capital. I would argue that limited access to land is more of a problem than limited access to capital. Lenders seem very willing to offer credit to young producers who have access to even a little bit of rented land as long as they present a good business plan. There are many farmers retiring and renting out or selling their land. Currently, I know of no incentive to do anything but rent or sell to the highest bidder, which is typically a large, well-established farm in the area. A program in the 2007 farm bill that effectively links new producers to those retiring and provides incentive to rent or sell land to those young producers would help bring more of these young people back to the farm.

3. Those who had good opportunity to return to the farm, but chose not to.

I believe this group is overlooked at times. Many of my peers in college grew up on very successful family farms, but did not choose to return to the farm. Granted, some just did not enjoy farming, which is fine. However, many enjoyed farming, but either they or their spouse desired a lifestyle that they could only find today in an urban setting. I certainly do not expect every opportunity that is available in the city to be available in smaller towns, but there is a lot of room for improvement. Things I hear that are important include new businesses and jobs, good education and health care, presence of young people, and arts and culture. We are losing many young farmers today because small towns in rural America are no longer providing the type of lifestyle they desire. The farm bill can improve this situation by expanding rural development initiatives. These young people are well educated and have a very entrepreneurial spirit. Grants and loans to new businesses and ventures that create unique value, art, and culture in counties with declining population would be helpful in bringing more young people back to small communities.

Three Possible Directions for Today's Midwest Farms

All costs associated with farming continue to increase and prices for our commodity products continue to stay the same. This has been happening for years and continues to be one of the largest problems for farm profitability. There are more niche markets developing for locally produced, organic, or value-added products, but transitioning to these markets typically means large changes in a farming operation. I believe these market forces will drive today's medium size farms to one of three directions.

1. Part time farming combined with off farm income.

As profit margins per acre decrease, farms must either find new products to increase profit per acre or farm more acres. If neither is accomplished, income must be sought out elsewhere.

2. Small to medium size farms that produce value-added or differentiated products for niche markets.

I believe this is a growing market that many current family farms and young farmers will consider. The increasing consumer demand for products produced locally by family farms that utilize responsible management creates great potential for new jobs, businesses, and young people in rural small towns. It will be important for the farm bill to support these new creative business ventures.

3. Large farms that continue to increase in size.

Efficiency with economies of scale is the focus of these farms. Profit margins per acre continue to decrease, so the farm must continually cover more acres with the same amount of fixed costs to remain profitable. These farms will focus on quickly adopting new technologies to drive efficiency to new levels. Farm payment limitations may become an issue with these farms as they continue to increase in size.

Opportunities and Threats

Renewable Energy and Fuels

I perceive this as one of the largest opportunities for Great Plains agriculture. Even from my limited perspective, I sense more and more political pressure to move away from fossil fuels produced in other countries to renewable energy sources produced in the heartland. The reasons to do this not only include responsible stewardship of the environment, but also national security, economic viability, and a public desire to end dependency on oil from the Middle East. The farm bill and other legislation will largely determine how these markets for renewable energy and fuel are met. An emphasis should be made on supporting farmer-owned cooperatives that will produce these products. It is important to continue funding new research on de-

veloping and further refining renewable energy and fuel so we can produce it cheaper and more efficiently than current methods. In the meantime, legislation should offer increasing incentive for industries to use renewable fuels such as biodiesel and ethanol.

Carbon. Related to renewable energy, Carbon consumption and emission is becoming an important issue. The U.S. will someday need to become more responsible with the amount of Carbon it is contributing to the atmosphere. When public policy and/or the marketplace presents an incentive for industries that emit large amounts of Carbon to reduce or offset a percentage of their emissions, agriculture needs to be prepared to offset their emissions by storing it in our soils. CASMGS (The Consortium for Agricultural Soil Mitigation of Greenhouse Gases) has already vastly improved our knowledge of how Carbon is stored in the soil and is gaining more understanding on management practices that increase the amount of Carbon removed from the atmosphere and stored in the soil. It is important that funding for this research continues so farmers are prepared to implement management practices to store this Carbon. Furthermore, these management practices can be used in producing sources of renewable energy that not only consume less Carbon, but also offset industries with large Carbon emissions by storing it in the soil. This is a new market area where agriculture can provide value and therefore improve farm and rural economies.

Threats. Access to Land

As a young producer, I perceive the continual transition of farmland to urban development as a large threat. This is a complicated issue, but one that needs close monitoring. Recent decisions on uses of eminent domain add to this threat. A government entity should not be able to forcibly transfer property ownership from one private entity to another for the sake of economic gain.

Land prices in many agricultural areas are setting record highs, making it difficult for any producer, particularly a young one, to buy land. Most of the people buying land in our area are investors from the city, who buy for development, recreation, home sites, or just to have some land to call their own. I was fortunate to have an older neighbor in the community offer to sell their land to me, a young producer, rather than offer it up on the auction block for someone from town to buy. Not only did they sell it for less than what it may have brought at public auction, but they allowed me to make an installment purchase, which made it much more feasible for me as a beginning farmer. This person recognized how difficult it has become for young farmers to access land and how important that first parcel of land is to their beginning business. Again, I feel the farm bill should support people that give opportunities such as these to young producers.

The CRP has become a threat for some young producers. CRP needs to focus on land not desirable for farming and payments need to be at a level where producers are not competing against the USDA for farm ground.

Energy Costs. The recent high energy costs have significantly impacted the profitability of producers in our area. Again, this is a complex issue, but I believe the farm bill can improve this negative scenario by offering incentives for investment in and use of renewable fuels and energy. How nice it would be to pull up to the gas pump and dispense and pay for a product produced by an American farmer rather than a huge international oil company that is recording record profits.

The farm bill is a large piece of legislation containing many programs that represent diverse interests. My objective was to share a few things I see on the horizon as a young producer and thoughts on how the next farm bill might help more young producers achieve their goals. The farm bill provides funding for new ideas and improved management, assistance in protecting our vital natural resources, development for the communities we live in, and a very important safety net when factors outside our control prove devastating to profitability. This safety net will be an important piece of the 2007 farm bill, along with increased emphasis on assistance to beginning farmers, support for new business ventures in small communities, research and funding for renewable energy and Carbon management, and protection of America's valuable acres of productive farmland.

Again, I thank you for taking time to travel and listen to a diverse group of people involved in agriculture across this country. We are blessed to have the opportunity to not only live in such a country, but to be involved in an industry with so much heritage, importance, and opportunity for the future.

STATEMENT OF BILL SIEBENBORN

I'm Bill Siebenborn, a dairy farmer from Trenton, Missouri. My wife, Sarah and I milk 100 cows on a 390 acres farm, utilizing intensive grazing for the past 27

years. I am actively involved in all phases of dairy production, marketing and promotion. I serve on the Missouri State milk board overseeing inspection of grade A dairy farms. I am a Vice Chairman of Dairy Farmers of America's board of directors, a member of the Executive Committee and chair their value added committee. I serve as chairman of the United Dairymen Industry Association (UDIA) the national generic promotion arm of dairy farmers administering part of the 15 cent advertising and promotion deductions paid by all dairy farmers in the U.S. I am also a member of the National Milk Producers Federation (NMPF) board of directors.

I appreciate the opportunity to testify at this hearing.

While DFA has not officially developed all of the issues for support for the 2007 farm bill, some of the major features of that bill would be as follows;

We favor continuation of the dairy price support program in support of a \$9.90 U.S. average manufactured milk price. We would oppose granting the Secretary of Agriculture any provision which would reorient its intended purpose from supporting income to farmers versus minimizing government costs. Under President Bush's proposed Agriculture budget the Secretary of Agriculture would be allowed to adjust buying prices for products made from milk (cheese, butter, and nonfat dry milk) so as to reduce the cost to the CCC for products purchased. This could allow for a reduction in targeted support price from that \$9.90 as specified in present legislation;

Additionally, we request that the Commodity Credit Corporation (CCC) take action and adjust the support program purchase price levels for cheese, butter and nonfat dry milk to reflect the significant additional costs manufacturers face when selling products to the CCC. The current CCC purchase prices for dairy products do not reflect any costs beyond those incurred for commercial sales. As a result, market prices for individual products have, from time to time, fallen below support levels, allowing the price of milk used to produce them to fall below the statutory support level for milk of \$9.90 per hundredweight at average test.

We continue to support the D.E.I.P. Program and the requirement that the Secretary of Agriculture be directed to see that the allowable amounts of cheese, butter and nonfat dry milk be afforded export assistance equal to what we are allowed under the current WTO agreement. Currently no government export assistance is being offered, even though, by law, the Secretary is directed to do so, and by agreement we are allowed to do so under the WTO agreement;

We support continuation of the Federal milk marketing order program. The application of minimum prices should be equally applied to all significant business transactions. This would mean that if a dairy farmers, through vertical integration, becomes large enough to affect market prices, their exemption from Federal order regulation should be removed. It's receiving a lot of press lately as a result of a large dairyman integrating into a fluid milk operation in New Mexico and Arizona. We believe his bottling operation should be subject to Federal order regulation the same as all other bottling plants.

Congressman Nunes of California has proposed legislation to also remove this exemption as it applies to the State milk order pricing system.

The Dairy Checkoff is a farmer-funded self-help program designed to increase demand for and sales of U.S. dairy products domestically and internationally. The checkoff works in this way: For each hundred pounds of milk sold, dairy farmers contribute 15 cents to the program, through their cooperatives or whoever buys their milk. 10 cents of that money then goes to a qualified program at the State or regional level, and the other 5 cents goes to the National Dairy Board. Most of that 10 cents that goes to a local program is managed by the State and regional promotion groups that make up the United Dairy Industry Association. The dairy board and UDIA came together in 1995 to put their combined resources into one program under Dairy Management Inc.

The checkoff collects about \$260 million a year, the majority of which is invested through Dairy Management Inc. in a single Unified Marketing Plan designed to sell more dairy on behalf of all dairy farmers. Those dollars are invested in research, promotion and in partnership with cooperatives, processors and other industry leaders to overcome the barriers to increased sales and consumption of dairy products.

In the last few years alone, the checkoff has spurred a large increase in fluid milk consumption in quick-serve restaurants and in schools by making a more attractive milk package available to children and their parents.

Today we are working with leaders and innovators to encourage greater innovation and wider availability to give consumers the dairy products and ingredients they want, how they want it, and where they want it.

The checkoff works for all dairy farmers.

Dairy farmers appreciate that the 2002 farm bill includes provision for collection of the Dairy Checkoff on dairy products imported to the U.S. As you know, there still has not been any collection of the Dairy Checkoff on imported products. The

U S Special Trade Representative's office has made the decision that additional legislation is needed to provide for the collection of the checkoff from dairy farmers in Alaska, Hawaii, Puerto Rico, as well as all the dairy farms located in Washington, DC, before the checkoff can be collected on imported dairy products.

Mr. Chairman, we need this additional legislation even now, before the 2007 farm bill. Importers are getting a free ride on U S dairy farmer's promotion of dairy products.

I would like to address other proposals contained in President Bush's 2007 budget.

We oppose the proposed 3-cent per hundredweight tax on dairy farmers as proposed by the President and his budget. Dairy farmers currently are being assessed 15 cents per hundredweight to provide funding for our various generic advertising and promotion plans. They are designed to stimulate consumption, improve sales. Helping keep milk prices above the minimum \$9.90 support price that hold down government cost.

To impose an additional deduction on milk checks when the current outlook is for very low milk prices is unfair and not justified.

Seventy-five percent of the milk in the U.S. is voluntarily contributing an additional 5 cents per hundredweight or approximately \$120 million dollars per year to a self-funded self directed supply demand balancing mechanism called CWT. This plan provides for dairy farmers to voluntarily offer their cattle for marketing to reduce the number of cows being milked in the U.S. dairy herd. In addition, approximately 20 percent of the dollars are being used to stimulate export sales of cheese and butter in world markets.

The 5 percent reduction in government payments for all agricultural programs is also under question—particularly when not all government expenditures are equally being reduced—except for homeland and national security. Farmers will pay their share of the need to balance the Federal budget, but we question whether the 5 percent is fair.

As the industry comes together there will be other issues and proposals we undoubtedly will support.

I've included, for the record, other issues that dairymen are concerned with—that will be taken up by other committees of congress. These are comments made by DFA members and presented at the National Milk Producer Federation producer's conclaves at public hearings recently held in the west, Midwest and eastern part of the country.

Thanks for allowing me to testify. I'd be glad to respond to questions.

STATEMENT OF JAMES VORDERSTRASSE

Chairman Goodlatte, Members of U.S. House of Representatives Committee on Agriculture, and staff.

My name is James Vorderstrasse from rural Hebron, Nebraska. I operate what I would classify as a smaller medium sized dry-land farm in southern south-central Nebraska where I usually grow 550 acres of grain sorghum, 300 acres of wheat, 300 acres soybeans, 50 acres alfalfa, and 90 acres native grass hay. I also run a 70 head cow heard. I am past president of National Sorghum Producers, but am testifying to you here today as a farmer in Nebraska.

I would like to thank the chairman and committee for giving me the opportunity to express my thoughts on the 2002 farm bill and what I would like to see in the 2007 farm bill.

As a sorghum producer the 2002 farm bill is a good bill. It raised the loan rate for sorghum to a level almost equal to corn where it should be when considering our local average price for sorghum over the past 6 years has been equal to or above the price of corn. It also provided a safety net for farmers as it was intended to do when commodity prices fell as they did these last 2 years. I realize that the last 2 years it looks like the farm bill is costing more than anticipated, but you need to also factor in the early years of the bill when there were no LDP or counter-cyclical payments made. I know that without this safety net these last 2 years you would have seen a rash of us smaller farmers being forced in bankruptcy. Also with the increase in energy and fertilizer cost it becomes even more important to have a viable safety net.

I am very pleased with the passage of the Renewable Fuels Standard in the Energy bill. This will create a greater demand for grain and decrease the reliance on imported energy. It will also improve the price farmers receive for grain which will in turn cut back on the amount of payments that may need to be paid to producers as LDP's, Marketing Loan Gains or Counter Cyclical payments.

I hear the administration proposing to cut farm subsidies by 60 percent in the WTO negotiations which would erode our safety net in a time when input costs are skyrocketing. During the two World Wars people in Europe went hungry, and since then those countries have vowed that that will never occur again and have been heavily subsidizing their farmers to make sure that does not happen. I feel this is why they are so strongly against cutting their farm subsidies in the WTO negotiations. Here in the U.S. there has not been any time in history when there was not an abundant safe food supply for its citizens, and we have lost sight of what it is like for a nation to go hungry. I feel this supply is due to the farm policy that has been implemented over the years to make sure farmers are able to stay in business. When you see that less than 1 percent of the total budget is spent on farm subsidies, I feel that is a very minimal cost to ensure a cheap, abundant safe food supply so our nation will not endure the shortages as Europe did. Sure some people contend that we can import our food, but look at how vulnerable we are in the energy situation by importing a major portion of our oil. For National security we need to be able to produce an abundant supply of food for our nation.

I realize that there are a few problems with the farm bill being compliant with WTO. I also think that with a few little changes that the 2002 bill could be made to fit within the WTO parameters. Some of my thoughts weather doable or not are listed below.

Direct payments. The exclusion for planting fruits and vegetables needs to be rescinded so that these payments will remain in the Green box. I cannot see any large number of farmers switching their production over to fruits and vegetables to do any adverse harm to those present producers.

Work to change the WTO Agreement so that the counter-cyclical payments would fall into the Blue box category

Convert some of the LDP and Marketing Loan Payments into Direct type payments that would be in the Green box.

Convert more of the LDP and Marketing Loan Payments to a counter-cyclical type of payment that would fit in the new Blue box.

Many of the payments could be tied to conservation practices similar to those in the lower tiers of the CSP program. If this is one avenue of payments I feel great care needs to be made so as not to discriminate against the smaller farmer by requiring practices that are not feasible in a small operation as are some of the requirements for the upper tiers of the CSP program. Ex. A smaller farmer applies his own fertilizer as part of his operation and looks at that as part of his income potential since he is not paying someone to do it. If he is required to grid apply his fertilizer to get a payment, the size of his operation dictates that he cannot justify the cost of the equipment to apply fertilizer in that manner and is then not eligible. It needs to be something easily achieved by all size farmers with little or no additional outlay of money. In these conservation practices there could be a variety of things: No till which could easily be converted to and would save energy, moisture, and soil

Since surface and groundwater are becoming more and more of an issue, the planting of a more water conserving crop such as sorghum. I am in an area where we just have enough groundwater to support a farmstead with livestock. Consequently I am very concerned when I see the water levels dropping in the irrigated areas a few miles from me. How long will it be before my limited supply of water will dry up due to the irrigation? I feel that if a water conserving crop is grown on dry-land it will allow more water to filter into the aquifer than if a higher water use crop is planted. Also if water conserving crops are irrigated, the underground supply will not be depleted.

The planting of crops which after harvest are more conducive to wildlife habitat.

Requiring crop rotations to better utilize the potential of the soil rather than a monoculture system.

Many people have voiced their concern about young farmers not being able to start up with the high cost of land and equipment and that the big farmers are taking the land and not leaving it for the beginning farmer. I have a situation where my son would love to come back to the farm and make it his career, but he sees the writing on the wall that there is not much money in production agriculture compared to other fields. He also sees that there is no way he can acquire enough land to make it worth while. There are some solutions to part of the problem. Nebraska has the NAP program where a retiring farmer can lease or sell his equipment and or land to a beginning farmer in return for some tax breaks in the State. I think there are a few flaws in the program but they could be easily worked out. Also Congressman Terry from Nebraska introduced H.R.2034, which is a beginning farmer bill to give tax breaks for someone helping a young farmer get started. These however would have to be taken up by another committee.

Again I would like to thank the committee for the opportunity to give this testimony and would be happy to answer any questions you would have for me or discuss any of the issues I have covered. Feel free to contact me either by e-mail or phone.

STATEMENT OF DENNIS RICHTERS

My name is Dennis Richters. My son, Jason, and I farm about 2,100 acres of dryland and irrigated land in Seward County. We are located about 30 miles west of Lincoln, Nebraska, and rotate corn and soybeans, using no-till methods primarily, and raise some seed corn under contract.

I do happen to be on the Nebraska State Farm Service Agency Committee, which possibly gives me some insights to the present farm bill, but my testimony represents my views as a farm operator—not as a State committeeman.

I have read and heard comments deriding the present farm bill as an “abject failure”. Though improvements need to be made, it seems to be a bit harsh to condemn a system with so many benefits to our nation. A positive balance of agricultural trade surplus, improved conservation, and the most abundant, and therefore the cheapest, food supply in the world does not represent failure. Perhaps we are not unhappy with our destination, or where we’ve arrived, as much as we are frustrated with the convoluted road to get here.

I understand there is a cost to bear by all taxpayers, farmers included, to fund the programs. The advantage of being independent of other nations for our food supply is necessary, while the risk of a foreign Cartel having the ability to shut off our food supply is an unacceptable risk. It is true that a large portion of farm program money goes directly into land costs, but I don’t believe that is necessarily a problem. Farmers, as any businessmen would, put all incomes and expenses into their cash flows. The value farmers put into bidding for land is the final arbiter on whether he will survive as a farmer. The farm program payments do not, nor should they, guarantee success. Farming may be one of the last competitive businesses in America. Even with the present farm bill, there have been sufficient economic pressures to “weed out” the inefficient at a fairly severe rate.

I assume there will be evolutionary changes in the present farm bill. I assume there will be more severe budget constraints in the next farm bill. If so, it would be prudent to implement lower payments gradually. The new generation of farmers is very impressive. Economics and free enterprise should decide on who survives, but sudden or extreme changes could eliminate a large portion of the present farmers. I doubt that by replacing this new generation of farmers you will improve production or lower food costs. Also, squeezing capital out of land values too quickly could create havoc with farm lending institutions and the rural communities and the schools dependent on property tax from agriculture.

Payment limitations is an area in the present farm bill that probably needs more scrutiny. Selective listing of certain recipients of farm program dollars and the amounts they receive can be misleading, but the result is a black eye to the farm program. The farm program cannot be perceived to favor or promote any special area of agriculture—large or small. Effective smaller payment limits may be needed.

A possibility for a revolutionary change to farm programs would be to use Crop Revenue Coverage as a template for a new farm program. Research would be needed to see if it could help address WTO concerns and what the cost may be to indemnify insurance companies and at what level the premiums could be subsidized. The possibility for simplicity by eliminating, in my estimation, at least half the costs of people and offices for program delivery could be surprising. One caveat exists though. We farmers would need to accept the responsibility for establishing our yields and paying our share of the premiums. Anyone choosing not to participate would need to state his/her choice in writing with the understanding that they would not be bailed out by taxpayers in the event of a disaster.

Two items that probably do not fall under the auspices of this committee need to be mentioned. These are taxes and energy. The 1031 exchange program, as it is known in the country, has a large impact on land prices in certain areas. In our area it has probably raised the price of land and, therefore, the taxes by 40 percent over its economic ability to pay for itself. It is now nearly impossible for the next generation of farmers to own any of the land they farm. Personally, I would have no problem maintaining estate taxes as they are if there could be some adjustment to the 1031 situation.

Energy could be the most important issue to the entire populace, including agriculture. We import 60 percent of our oil needs, which costs us \$250 billion per year. Ethanol provides less than 3 percent of our gasoline used. With the advent of biodie-

sel, ethanol, and improvements in technology, and the risk strategically, I am at a loss why we don't make a commitment nationally to have renewable fuels replace 30 percent of our usage by 2030. That could save our nation \$125 billion per year and keep some of that money out of the hands of those who want to destroy us.

STATEMENT OF DANNY KLUTHE

I would like to thank you Mr. Secretary, Members of Congress, and forum participants. I'm married to my wife, Josie, and we have four daughters. We raise corn, soybeans, alfalfa, and hogs. The hog enterprise consists of an 8,000 early wean to finish hog setup. The pigs come in right off the sow weighing about 14 pounds and we finish with a 270-pound hog at market. I consider this operation profitable and successful.

I believe that the new farm bill must address very strong renewable fuels. The United States grows 1.2 billion bushels of corn and the world's largest supplier of soybeans. Ethanol and Biodiesel are value added, renewable resources. These industries are stimulating rural America. In 2004, the United States ethanol industry supported the creation of nearly 147,000 new jobs in all sectors of the economy; Added \$1.3 billion of tax revenue for the Federal Government; \$1.2 billion for State and local government, and added \$25.1 billion to gross output in the United States economy. Ethanol in 2004 reduced the trade deficit by \$5.1 billion eliminating the need to import 143.3 million barrels of oil.

On February 8, in St. Louis, Missouri EPA Administrator, Stephen Johnson, comments on the ability of United States Agriculture to meet the demand for Biodiesel and ethanol that can reduce U.S. dependence on foreign oil.

The President's speech on January 31, wants to make a goal of replacing more than 75 percent of oil imports with alternative sources by 2025. I think this is exciting and I know that if you give the American farmer incentives to get something done, it will happen.

In the new farm bill we need to keep the biodiesel tax incentive to create new markets for U.S. Soybean Oil, Support full funding of the Conservation Security Program and Equip Program. I firmly believe that the American farmer plays a significant role in alleviating world hunger, and that food aid should not be replaced by cash donations.

To keep the hog industry strong, exports play a huge role in price supports. I think China coming into the World Trade Organization is a huge market place for U.S. pork variety meats that have very little value at home. I think NAFTA and Uruguay Round Agreement have increases U.S. pork exports dramatically and should be protected.

The new farm bill should keep monies allocated for the CRP program. I put filter strips on my farm along the waterways. This not only stops run off and keeps the waterways clean, but the pheasants and wild life that also has huge benefits from this.

I would like to see a portion of the new farm bill have a greater incentive to promote renewable technology. For instance, I would like to see a .02/KW off Federal income tax, for every KW of renewable electricity; whether it comes from wind or bio mass energy with no limit on size, as long as it is produced by private enterprise. I am aware that there is the 150 K.W. tax incentive now, but mine is an 80 K.W. unit and there could be a huge increase in renewable energy projects if we removed the 150 K.W. minimums for this tax incentive. I have Nebraska's first livestock methane digester. It produces electricity from the gases in the hog pits. The manure is fed daily to the digester in which the hogs replace. The bacteria in the digester break down the solids and produce a gas, which is pushed through a pipe to feed a 3306-Caterpillar engine. The engine is connected to a generator that makes electricity in which is put into the power grid. This engine runs 24 hours a day, 7 days a week. The only down time is when I maintenance the engine and change the oil and oil filter. This is renewable energy to the extent. Once the slurry leaves the digester after about 21 days being in here, the slurry goes to a lagoon to be applied to a field process. The great benefit is the slurry is 95 percent odorless.

I am on the Colfax County Zoning board, and you want to see the court house fill up; have a livestock producer mention he wants to expand or put new hog barns up. It used to be every farm had livestock but that is not the case anymore. They do not smell their own odor and they do not want to smell yours either. With this digester, the odor is eliminated. You still have the sweet smell, but the offensive smell is gone. Every hog and dairy farm has methane and if there was an incentive

to capture it, I know we could help to use less foreign bought oil and improve our environment.

STATEMENT OF VERN JANTZEN

Thank you, Chairman Goodlatte and Ranking Member Peterson for holding this field hearing and providing me the opportunity to testify before your committee concerning the 2002 farm bill and future agriculture policy. My name is Vern Jantzen; I am a fourth generation family farm operator in southeast Nebraska along with my wife and two teenage daughters. Our operation consists of a 100 cow dairy operation along with replacement heifers, supported by 600 acres used to raise corn, grain sorghum, wheat and alfalfa along with pasture. Equipment used to harvest forage raised on the farm is large enough to also support a custom harvesting enterprise to harvest and store alfalfa and corn silage. I also serve as the secretary for Nebraska Farmers Union.

There are many components of the current farm bill that I participate in, which have a direct impact on my operation. I would be remiss to not give credit to the hard working staff at the Jefferson County, Nebraska FSA office for helping with the many programs available and walking me through the sign-up process. I would hope any future attempts to dismantle the farm program delivery system at the local level would be rejected by Congress. I rely heavily on the folks at my local county office and they need more funding and staff, not less.

As a dairy farmer, I participate in the Milk Loss Income Contract (MILC) program, which has helped me pay the bills when the milk price drops. I don't have deep pockets to sustain my business through difficult economic times without programs like MILC. I applaud the safety-net approach of this program and the fact that it is targeted to smaller producers with a limit on pounds of milk that are eligible. I was disappointed MILC was not authorized to run the full length of the farm bill and then became a political football in Washington before receiving a two year extension. While the extension was greatly welcomed, it's unfortunate the program had to be reduced at such a significant rate that producers are forced to take money out of one pocket, put it in the other and be told we're better off.

As a crop producer, I also participate in the commodity programs and am signed up for counter-cyclical payments. This safety-net approach has made a difference to my cash flow in the past few years when commodity prices are depressed. I am sure many of my neighbors that only raise commodities, would have had some serious financial struggles without this program. I want the committee to know that there is no substitute for receiving our income from the marketplace, but in the real world, the prices we sometimes receive are not enough to pay the bills and the safety-net/counter-cyclical programs of the 2002 farm bill are needed to keep the farm going.

Conservation programs received more attention and emphasis in the current farm bill; I participate in both the EQIP and CSP programs. It makes sense to me that producers who are good stewards of the land receive some credit and incentives for participation in conservation programs. More importantly, I believe it is critical that financial resources are made available to producers for past conservation investments and crop rotations and those producers receive due recognition for not planting the whole farm to crops covered by traditional farm bill commodity programs. I fail to see the logic in promoting increased conservation practices and programs, but then witness yearly attacks on the funding of those programs through the appropriations process or budget-balancing legislation.

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

The food purchase choice is still up to the consumer but at least it will be an informed choice with COOL. Survey after survey shows both consumers and farmers want COOL to be implemented now. When was the last time you purchased a non-

food item and were unable to determine where that item was manufactured? I want to know where the food I buy for my family comes from, and I resent the fact that the program to make that happened has been approved but has still not been implemented.

I would like to outline a few issues I think should be included and addressed by future farm bills. The counter-cyclical safety net approach in the current farm bill is a good idea and it works. I was told that in the first 3 years of the current farm bill a savings of more than \$13 billion was realized. The MILC program is important to small dairy producers across the country and makes a difference, similar dairy policy should be continued in the future; country-of-origin labeling needs to be funded and implemented now and not further delayed. Not only should the future farm bill contain an energy title to build upon the progress already made in the arena of renewable fuels, but should also promote exploration of the unlimited potential that exists in alternative sources available to rural areas such as wind and solar energy. Harnessing these renewable energy resources and mandating their increased usage is a step in the direction of changing the paradigm of our current petroleum-dependent society.

Conservation incentives should be continued and expanded in the future farm bill. I would like to have the opportunity in the future to review my CSP contract to determine what I can do further to increase and expand my eligibility. Increasing conservation programs is not only a financial benefit to myself, but rewards society as a whole by improving the environment. Further efforts must be made to improve program payment limitations if future farm programs are to be targeted to real producers. The agriculture economy and rural America's economic health is much better off with more producers, not just a handful of huge operations- as is the case currently.

Many rural parts of our country have struggled and continue to struggle due to devastating weather-related disasters. Some weather-related disasters are not dramatic enough to make headlines, but typically cause as much damage if not more than the disasters that do make the nightly news. Just because it is not in the news, doesn't mean that devastation caused by multi-year drought is not having a profound negative impact on rural communities and producers right here in Nebraska. Yearly ad hoc disaster programs are fine as long as the political winds in Washington are blowing in the right direction. It makes more sense to include a permanent disaster program in the next farm bill that mitigates losses not covered by traditional crop insurance or other programs administered by USDA.

One of the challenges that I continuously face, is the ongoing lack of competitive markets for my production. It was unfortunate the final version of the 2002 farm bill did not include the competition title that was contained in the Senate's farm bill. Without competitive markets, independent producers like me will continue to be pushed off the land or be turned into low-wage employees on our land. I would encourage the committee to include a strong competition title in the next farm bill which should include a ban on packer feeding, reauthorize an improved mandatory price reporting program and get USDA to start doing its job by enforcing the Sherman Anti-Trust Act and the Packers and Stockyards Act.

Take a look at the big picture and historical data to quantify the huge negative economic impact on rural America's economy, as a result of non-competitive markets and devaluation of our commodities. Government farm payments do not and should not make up for the loss of our markets, forcing producers to depend on their mailbox as opposed to the marketplace for their living. Currently, I have access to two markets to sell my milk; that is not a competitive market. I had to stop feeding hogs when my neighbors that supplied feeder pigs to me had to sell out because the hog market was completely consolidated.

It is no fun to get up every day, do chores and only end up deeper in the hole. USDA releases updated parity numbers each month and I have to wonder what kind of economic forces would be energized if producers could receive a price balanced against escalating input costs. In December 2005, the price for milk was only 39 percent of parity; I was informed 2 weeks ago the cost to transport my milk to the processing plant will increase 50 percent in March. My question was where do I go to recover that increased cost? I have yet to find somebody to pass it on to and the price I receive for my milk is forecast to decrease for the rest of this year. Every other sector of the economy has someone to pass increased costs on to, except farmers. As my input costs are skyrocketing, my share of the retail dollar shrinks. In the middle of December 2005, a gallon of milk at Safeway (Washington, DC) was \$3.39, while the farmer's share was only \$1.21.

A part of the competition question also involves trade and trade policy. What happens to my market price when our trade surplus turns into a trade deficit? For January through November 2005, dairy imports totaled \$2.43 billion, while dairy ex-

ports were only \$1.54 billion. How do I know if the dairy producers from importing countries are required to meet the same strict environmental and labor standards? Our current trade agenda does nothing to level the playing field or provide opportunities for me to make a profit from the market. As a dairy producer, I have a hard time understanding why milk protein concentrates (MPC) can be imported into the U.S. at unchecked levels. In 2005, imports of MPC were up 22 percent, and that has a direct correlation on the price I receive for my milk. Trade is a good thing but will not work in the long run if fairness issues are not addressed. Where is the World Trade Organization talks headed? I believe there is a lot of merit in extending the current farm bill until we see what direction trade talks take and what final agreements are hammered out.

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

Just weeks after Congress passed those cuts, President Bush proposed even more. The administration's budget proposal for next year calls for a three-cent-per-hundredweight tax on all dairy farmers to help cut costs; initiating a butter/nonfat milk tilt to reduce USDA expenses on the dairy price support program and reducing all program payments by 5 percent. How is this supposed to work when USDA predicts a big drop in net farm income for 2006? That kind of math may add up in Washington, but it certainly doesn't out here. What kind of stress will this put on farm operations that are already struggling with financial concerns? How many more farmers will throw in the towel because the combination of increasing energy and fertilizer costs, weather problems and declining prices prove to be too overwhelming? These are questions that are not going to go away and need to be addressed sooner rather than later.

Finally, I would like to make you aware of a national park a few miles from my farm that is dedicated to the preservation and education of the 1862 Homestead Act and the process of settlement of the Great Plains by homesteaders. The social and economic implications of that model for community development and land ownership continue to this day. I believe we are at a crossroads on what our future as a rural society will look like. Is it important to have small, independent, owner-operators producing agricultural commodities for our country? What are the social and economic implications for rural America if no one comes back to farm or to take over the small community business? Last week there were 385 permits to sell milk from dairy operations in Nebraska. The number of permits back in 1979 was 3,490. I find this to be a disturbing trend and it should be addressed now and not later. How do rural schools and other social structures deal with the challenge of a declining population? I believe the challenge for this committee and members of Congress is to wrestle with these and similar questions and decide if the government should be involved and what the best way is to help. I hope some of my suggestions have been helpful or at least simulated some thought. Thank you for this opportunity to testify; I would be happy to answer any questions you might have.

STATEMENT OF BLAKE HURST

Sometimes, when the sun is shining on the combine windshield, and things are running like they're supposed to, and a 200 bushel corn crop is coming out of the fields one acre at a time, sometimes farming can be the best life I can imagine. And sometimes, when it doesn't rain, or it rains too much, or the combine breaks down, or when prices are too low, and diesel is three dollars a gallon, sometimes farming is a hard and challenging life. And almost always, we farmers forget to thank the taxpayers and their representatives who spend their hard earned dollars supporting agriculture through farm programs. We've come to depend upon those programs, and we're grateful for the concern and interest shown by our fellow citizens. Without that support, a hard and challenging life would be impossible for many of us.

Perhaps I can best describe farming by using the words of two poets. One who is a wheat and hog farmer from just north of here, and one who lives just west of here. First, Timothy Murphy: I fear for my spring wheat. Will it grow red and tall or head our small? Will it succumb to heat, drought and dust or rot and rust? Will it be flooded out or flattened by the hail? I am beset with doubt and debt Surely the wheat will fail.

Poet Laureate Ted Kooster sums up farm economics in a paragraph. "That's farming: huge surpluses of grain one year, with low prices because of the abundance; then, the following year, a poor crop resulting in higher prices per bushel. And so it goes, year in and year out, supply and demand, demand and supply. Nearly every person who farms in our area has a day job—and farms in the evenings and on the weekends. But it's still a good life. 'Not even a chicken digs for nothing'."

To the weather and disease that Timothy Murphy worries about, and the low prices that Ted Kooster describes, we've experienced a series of other problems, many of our own making. I started by thanking the taxpayer for the help he has sent my way, and he's truly been generous. But I just closed the books on the past year, and I can tell you that those generous farm payments don't cover even the increase in energy costs on my farm. During harvest, we suffered from an increase in energy costs of nearly \$500 a day: while applying anhydrous fertilizer later in the fall, we were hammered by fertilizer costs nearly 3 times higher than they were a couple of years ago. Just the increase in prices for nitrogen fertilizer will cost my family nearly \$50,000 this year. We need to quit using natural gas for the things that coal and nuclear power can do, and we need to find and use natural gas where it exists in our own country. We've made great strides in producing energy from the sun by producing ethanol, and we'll soon be doing the same with biodiesel. Our county in Northwest Missouri will soon be the home for several wind power farms. But these alternatives, as important as they are, won't replace fossil fuels anytime soon, so we must produce more energy from traditional sources. To put it as bluntly as I can, an energy policy that results in lower costs to my farm will do more to ensure my success than any farm policy changes that I can envision.

Added to our energy woes is the challenge we face from decisions made in Washington. Barely a mile from where we sit is the Missouri River. Along the river lies some of the best farm ground in the world, and the homes and businesses of thousands of Midwesterners. People whose homes, farms, and very lives are at risk because of changes in river management made to help, or at least that's the theory, two birds and a fish. The science for that decision is shaky, and the folks along the river unwilling guinea pigs in a grand experiment. To add insult to injury, our crop insurance may not cover the results of what will be a man made disaster. It's never too late to replace foolishness with common sense. Someone once said that "wisdom is easy to carry but hard to load." I sincerely hope that the wisdom to change this decision is found before we suffer a man made disaster on the scale of Hurricane Katrina.

The past few years have been good to agriculture. Despite the concerns I've listed here, farm income has been strong, and the 2002 farm bill a success. We are now engaged in the end game of decade long negotiations on a World Trade Agreement. We should extend the 2002 farm bill until a trade agreement helpful to agriculture is in place. We are faced with trading partners that don't play fair, and who are, so far, unwilling to replace their subsidies with a more free world wide market in agriculture products. We can secure an agreement that will lessen the need for agricultural subsidies worldwide, and hundreds of millions of people will benefit. But we can't do that without the leverage that our present programs provide. And along with protecting our negotiating position, the new farm bill needs to continue to provide protection against the vicissitudes of the market and the weather. Because Timothy Murphy had it right. Eventually, we farmers always face drought and dust, and rot and rust.

Mr. Chairman, Ranking Member Peterson, Members of the Committee, thank you for the opportunity to present the Nebraska cattle industry's perspective on the upcoming 2007 Farm Bill. My name is Todd Eggerling, and I am a cattle producer from Martell, Nebraska. I am a member of the Nebraska Cattlemen, the National Cattlemen's Beef Association and am currently serving on the board of directors for the Nebraska Corn Fed Beef program.

On behalf of the membership of the Nebraska Cattlemen (NC), I appreciate the opportunity to provide comments regarding the development of the 2007 Farm Bill. The Nebraska Cattlemen association serves as the spokesman for the state's beef cattle industry and represents professional cattle breeders, ranchers and feeders, as well as 47 county and local cattlemen's associations. Our headquarters are in Lincoln and a second office in Alliance serves cattlemen in western Nebraska.

The beef industry in Nebraska powers our state's economy. The multiplied impact of the \$5.9 billion in cattle sales each year is estimated at \$11.5 billion. As well, Nebraska is a microcosm of the U.S. cattle industry. We have large ranches and feedlots and small ones as well. We have a strong cow/calf industry, a healthy feeding industry and a robust packing industry. Nebraska is number one in the U.S. in red meat exports, number two in cash receipts from cattle and calves and number two in commercial cattle harvest representing 22% of the U.S. commercial cattle harvest. One out of every five steaks and hamburgers in the U.S. comes from Nebraska. In fact, the only component of the beef industry that is not heavily represented in Nebraska is our number of consumers as cattle outnumber Nebraskans by almost 4 to 1.

The opportunity to work cooperatively on shaping the 2007 Farm Bill is welcomed by the Nebraska Cattlemen. Nebraska beef producers are keenly interested in the crafting of this important piece of legislation since our livelihoods are in part directly tied to many other agricultural commodities. With that being said, however, Nebraska Cattlemen view agriculture policy with fundamental guiding principles that reflect the independent nature of cattlemen of wanting the opportunity to run our operations as we see fit with minimal intrusion from the government. We desire to work towards agricultural policy which minimizes direct federal involvement; achieves a reduction in federal spending; preserves the right of individual choice in the management of land, water, and other resources and provides an opportunity to compete fairly in foreign markets.

To address specific portions of the Farm Bill, I will provide comments this morning representing NC on several important issues specifically Conservation programs, Activism, Energy, Research and Country-of-Origin Labeling.

Conservation: Protecting the environment and those that protect the environment

Conservation programs have been identified as a highlight of the 2007 Farm Bill discussion. The Conservation Reserve Program (CRP) will have many acres that will mature in contract agreements in the next year or so. While CRP is more directly associated with farmland, there are implications to the livestock industry regarding grazing and haying. NC has supported provisions that allow haying and grazing of CRP acres at a reduced payment for the year in which the haying or grazing takes place. During times of drought, the opportunity to utilize the grass on CRP has benefited cattle producers.

In addition to CRP, the Environmental Quality Incentive Program (EQIP) is an important conservation program with the goal to achieve the greatest environmental benefit with resources

available. I have utilized EQIP funds on my own operation for several years. Many Nebraska Cattlemen members have successfully utilized EQIP funds to improve their conservation methods as well. However, many cattlemen have complained that the intense administrative paperwork and time allotment for receiving funds makes EQIP an unattractive and burdensome program. Realizing that dollars are limited and expanding programs by adding dollars may be impossible, one method to realize more dollars to the end users of conservation programs would be to make the program more user friendly and less burdensome. Now certainly verification of records in order to ensure that appropriate qualifications are met is very important. But achieving a more efficient application method and accountability system would result in more dollars to participants.

Paramount to any discussion regarding conservation programs is the need to protect individual private property rights. Nebraska cattle producers are environmentally conscious by our very nature. Our desire to improve the environment thus preserving it for our children and grandchildren is one of our strongest attributes. To that end, government policy should reflect both the U.S. and state constitution and enhance the individual right of free choice of land, water, soil and energy use, development, and conservation. The rights of private landowners must be protected. Any loss of private lands or water rights including waters arising or claimed on public lands without specific procedures of due process of law and just compensation shall be opposed by NC. Agreements involving individual private land and water rights shall be solely a decision of individual private property owners. The laws and policy of state and local governments and private rights should be paramount in governing the use and ownership of water and natural resources.

Activism: No place for extremism and special agendas

More and more the debate involving the Farm Bill is not being limited to those who are affected by the programs within the legislation. The beef industry, indeed agriculture in general, is seriously at risk from attacks by environmental and animal activists who desire to put the beef industry and thus my family, out of business. Threats to animal agriculture may be as slight as trying to influence a food guide principle that labels beef as a minimal use protein to as blatant as passing a law that bans the use of USDA funds to inspect horse processing facilities. The Farm Bill is no place for anti-agricultural views and should not be used as a platform for activist groups.

Energy: Balancing inputs and outputs

There is no doubt that renewable energy sources will continue to become more important to the future of the U.S. energy supply. There is much to be learned in finding cost-effective methods of utilizing animal waste as a fuel supply. No where in the U.S. is the excitement of the growing ethanol industry more present than in Nebraska. Paramount to the equation of adding value to corn through ethanol production is the need to cultivate the livestock industry to utilize the by-products of ethanol production. It would be a shame to limit our energy and economic growth by not realizing the full potential of feeding distiller's grains to livestock. Research is needed to most effectively utilize renewable energy by-products and capitalize on this growing industry.

Research: Human and Animal Health Needs

Continued research is needed to help control and eradicate animal diseases. Johnne's disease is an example of the need for research to better understand the pathology of this disease so that management plans can be created for cattlemen to adopt. The health of our cattle herd is

crucially important in our ability to produce a high quality product that is desirable to domestic and foreign consumers. In addition, nutrition research is important to reinforce the importance of beef's role as a healthy part of American's diets. USDA has done an outstanding job of evaluating diet needs and trends and should be the government agency responsible for evaluating and recommending America's food guidelines such as the "My Pyramid" program.

Country-of-Origin Labeling: Competitiveness and Common Sense

NC seeks a process for country-of-origin labeling that will benefit the U.S. beef industry as well as domestic and international consumers. In fact, NC believes so strongly in the quality of Nebraska produced beef, that the association initiated the Nebraska Corn Fed Beef (NCFB) program in 1996 in order to supply a source verified, high quality product to consumers. NCFB has since become an independent entity providing producer's that truly believe in COOL the opportunity to participate in a source verified program.

The process for country-of-origin labeling as contained in the 2002 Farm Bill would impose unnecessary cost and labor burdens on producers and does not represent what NC membership views as an efficient, effective and acceptable country-of-origin labeling program. For instance, the current COOL rule prohibits the use of mandatory animal identification from being used for determining the origin of cattle. Under the proposed National Animal Identification System, all cattle born in the U.S. will be identified with a tag containing a similar prefix (the number '840'), it seems logical that this system could be incorporated easily into the COOL program to ensure accuracy and compliance. Hitting closer to home, the current COOL law would not allow state branded programs, such as NCFB to be utilized to determine eligibility for labeling. Additionally, the current COOL rule only applies to beef sold at retail and not beef sold in foodservice operations meaning that only about 15% of the beef that is imported into the U.S. would be subject to COOL labeling. Also, the "tiered" labeling process for retail products is confusing and flawed. The law does not treat all beef products equally. For instance, beef hot dogs do not have to be labeled. Finally, the penalties for non-compliance are so harsh (\$10,000 per day per violation); NC fears that many retailers, specifically small retailers will choose to not carry beef products for fear of the extreme penalties should they be found with a violation.

NC supports dramatic revisions to the current COOL law and will support a mandatory program only if it is profitable to all segments of the beef industry. Furthermore, this kind of marketing program is best debated outside of the Farm Bill where all factors can be weighed and open and frank discussions can occur. COOL should not be decided in last hour of Farm Bill debate when fatigue and time constraints are present to hinder beneficial and progressive proposals.

Conclusion

As you can tell, Nebraska Cattlemen has many interests in the 2007 Farm Bill. My fellow cattle producers and I are hard-working and risk takers that simply want the opportunity to run our cattle businesses the best way we can. In doing so, we believe that we will continue to produce the safest and most wholesome beef supply while providing a quality way of life for raising our families. Nebraska Cattlemen appreciate the opportunity to participate in this field hearing and look forward to working with all partners to create an effective 2007 Farm Bill that will help create opportunities for growth in U.S. agriculture.

Testimony By Ed Wiederstein

For The House Ag Committee Farm Bill Field Hearing

I would like to thank the Chairman for giving me the opportunity to express my opinion on the present farm bill and the new farm bill now being debated. I will try to make my written comments brief as possible, mainly because I do not like to type.

I am a livestock and grain farmer in that order. I feed hogs and have a herd of purebred Angus cattle. I have approximately 800 acres of crops divided between corn and soybeans, and 80 acres of pasture and hay ground. The current farm bill has provided me extra income above what my hogs and cattle and what little grain I do sell. I feed basically everything I raise. The money I receive from the farm program payments is a small percentage of my gross income.

My opinion of the farm bills is they stifle our ingenuity, take too much of the risk out of crop farming, creates a false land market, is one of the reasons we have mega size crop farms, and gives money to people that have a net worth 90% of the people in this country do not have. One of the choices I seldom hear when talking about the new farm bill is "no farm bill". Realistically, I know the chances of this happening are probably less than the Berlin Wall coming down, but then it did come down.

This spring I will be planting my thirty third crop since I started farming in 1973. I believe everyone of those years I signed up for the farm bill has given me experience with the farm bill. I look back and I can think of some positive aspects of the farm bills. Mainly, when I started, I got a beginning farm operating loan from the FMHA. In the middle 80's, when the Fed changed its stance on monetary policy and caught many farmers with high interest rates, FMHA was there to help farmers. I don't know if I would have survived either one of those periods in my farming career without that help, but I feel that was a positive aspect of the farm bill.

I have seen the changes from very diverse farms to strictly corn/soybean farms, and forget livestock, because that is too much work. I doubt those changes would have been as drastic if not for the generous crop price supports. These generous farm supports really should be called "land support", because the supports accrue to the land owner, not the operator. I am not against the land owner being prosperous, because I own some land, but unintended consequences have created a false land economy. Most farm operators would agree with this.

I mentioned the farm program stifled ingenuity. I mean creating ways to be profitable other than using farm program payments. I will say some have been very ingenuitive when it comes to collecting as much as possible and, yet, abiding by the law. Whether you're a large operator or small, when I hear the words "I couldn't make it without farm program payments", I believe we have really become dependent on the government.

Farmers can be very entrepreneurial, but this dependence sure has suppressed it.

This dependence issue leads me into another issue that at some point we had better face. It is the issue, do I deserve money from the government to, supposedly, support me, any more than the Ace Hardware man in downtown Audubon, or the feed store, the local newspaper, the local flower shop, or the funeral home. Is what they do really any less important than what I do? They are subject to a lot of the same variables as I am. There are a lot of farmers with million dollar net worth receiving thousands of dollars of support. Somehow, that picture just doesn't look right. I have nothing against high net worth, in fact, I'm all for it and want to be one.

I do wish that when times get tough, as they always do, regardless of farm programs, farmers would quit whining about the government should help more. Instead, they need to use their ingenuity to look for the opportunities that are plentiful. Farmers don't like risk, but it is what creates opportunities that lead to profit. Most Ag commodities do not have government support and somehow, they seem to survive and thrive.

What I would like to see the Farm Program include is some help for the beginning farmer in the form of loan guarantees. Continue to offer commodity loans that are well below cost of production to avoid growing for the government. And if society wants to pay us for conservation practices, that is okay, but there are not enough people to police all those practices.

I would, also, like to see trade barriers lowered, so we can have access to foreign markets, environmental regulations that aren't going to put me out of business, and increased funding of basic research, applied research, and new uses research.

Finally, less means more in the long run. Without farm supports, I know there would be adjustments (probably a little painful), but in the end we would be an economic powerhouse in our local communities and globally. Opportunity awaits.

**The U. S. House of Representatives Committee on Agriculture, Farm Bill Field
Hearing, (Insert Place and Date)
The Testimony of Roy Claycamp**

Chairman Goodlatte and members of the committee, thank you for allowing me the opportunity to appear before you today. I would also like to extend a personal thank you to the honorable Jerry Moran from Kansas' 1st Congressional District for inviting me to be here with you today.

My name is Roy Claycamp and I am here to speak on behalf of agricultural producers in the state of Kansas. I produce corn, soybeans, wheat and beef on my 1400 acre farm in Seneca, KS.

I believe that the Farm Bill debate will be influenced in each of four specific areas: the economy, the budget, trade and political interests must all be addressed in the development of this important and complex piece of legislation. Our economic status at the current time would suggest that we simply are not in the situation we were in during the 2002 period. I am fully aware of the budgetary constraints that will be facing Congress as it considers future farm policy. Global trade and the Doha Round of Trade Negotiations will most certainly impact the structure of future farm legislation.

I would like to address a number of issues that should be considered by the committee when writing future farm legislation. It is crucial that Congress allow the 2002 Farm Bill to operate, without major modification, through its scheduled expiration date with the 2007 crop so that farmers can make responsible investment, cropping and marketing decisions. It is significant that no other commodity or trade organization has proposed changes to the current law. In fact, in its annual meeting in January, American Farm Bureau supported an extension of the current law until a saleable solution can be reached in the Doha Round. Mr. Chairman, as your committee begins consideration on the next farm bill, I believe it is critical for Congress to provide adequate budgetary authority in order to craft an effective and efficient farm bill.

Trade will most certainly play a significant role in the construction of future farming legislation. Congress should consider WTO compliance while debating this issue. Currently, the US farm programs are under constant threat of WTO trade litigation. It is essential that Congress look at ways to comply with WTO regulations regarding trade. Trade-distorting domestic amber box payments may be reduced in exchange for market access and the elimination of export subsidies. Such reduction in US amber box supports should be offset by fully funded green and blue box eligible programs. This could be accomplished through any number of ways including: working lands conservation programs, risk management, the Market Access Program, enhanced crop insurance, revenue assurance or government programs that increase producer profitability.

Allan Grundman
2307 194th Ave
Percival, IA 51648-6009

Farm Bill Proposal - Allen Grundman

This proposal, if implemented, would be in my estimation, the most reasonable in monetary value and fundamentally sound.

My proposal would be to have a bushel allotment for each farm and remove all acreage restrictions. Issue marketing cards for a determined amount on each farm based on the need for the coming year. The bushel amount would not be on the proven yields. All farms would be treated the same at the county average yield, whether the farm had a much higher yield than the county average or not. In the event that the farm produced more than the allotted bushels for the particular farm, the farmer would store at his cost, not the government's. He could sell at a later date to insure some income in the event of a crop loss.

The government wants to cut out soil conservation payments so there could be a provision that the farmer could sell over his allotment to pay for soil conservation work.

The fear of some people would be this may reduce exports. My belief is if the export market could not absorb this at the market price, some of this grain could be sold at a reduced price to other countries.

How to attain price? My contention is that every farmer must trade at least once on the Board of Trade for each commodity he raises. One five thousand bushel contract or more with the government providing the money by loan if requested. (This could be handled by private lending institutions as well.) Some farmers may not need to borrow. As the market advances, which it undoubtedly would, the farmer may elect to sell or hedge his production when the price gets to where he can make a profit.

(Continued on page 2)

(Continued from page 1)

In the event that the price drops below cost of production, he can take delivery of the physical grain and sell the grain using his marketing card. This would tend to bring the market backup because the trader that sold the contract sometime would have to deliver the grain and would go to the cash market to get it.

The government could be left out of the loan to the farmer and leave it to private lenders if he can show cash flow that will work. The banks will or should loan the money. At this point in time there is hardly any way you can show cash flow and see your way out, even with a no interest loan.

We don't need to weed out anymore farmers - we need MORE farmers. This would provide more jobs for every segment of the economy, support more industry and stop, or at least slow up the exodus of American interests moving abroad.

This program would be done at very minimal cost to the government. Tax payers should like this - there are enough taxes. Through the movement of money it will lower the deficit and probably eliminate it in less time, bring down interest rates, help the banking situation and make it so all people, not only farmers, can pay off loans.

The farmer has had his prices set for him in some manner other than his own. I believe the farmer being able to buy into the Board or sell it will stabilize the prices and meet the forces that are controlling our markets today.

I would like to see fast action on this similar to the speed of the PIK Program to get this farm unrest to come to a halt.

REVIEW OF FEDERAL FARM POLICY

MONDAY, MAY 8, 2006

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Greeley, CO.

The committee met, pursuant to call, at 9:00 a.m., in the 4-H Building, Island Grove Park in Greeley, Colorado, Hon. Bob Goodlatte (chairman of the committee) presiding.

Present: Representatives Moran, Musgrave, Conaway, Sodrel, Peterson, Holden, Melancon, Salazar.

Staff present: Kevin Kramp, Pamilyn Miller, Bryan Dierlam, Alise Kowalski, Tobin Ellison, Mike Dunlap, Scott Martin, Lindsey Correa, Russell Middleton, and April Demert.

OPENING STATEMENT OF HON. BOB GOODLATTE, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF VIRGINIA

The CHAIRMAN. Good morning. This hearing will come to order. I am Congressman Bob Goodlatte of Virginia, chairman of the Committee on Agriculture of the U.S. House of Representatives. I would like to thank all of you for taking time to join us here today for the committee's fifth field hearing to review the 2002 farm bill. I will keep my opening remarks brief to allow plenty of time for our witnesses to share their thoughts with our members.

The purpose of this hearing is to gather feedback from producers on the 2002 farm bill which is set to expire in September of next year. To ensure that American agriculture remains competitive and that our producers can continue to provide fellow Americans with a safe, affordable, and wholesome food supply, we must make sure that our producers are equipped with an adequate safety net.

As we travel through the Nation the feedback we receive from our producers will give us a good sense of how these policies work in practice and what improvements can be made within the budgetary constraints we face in Washington.

I would like to especially thank the Colorado delegation including Congresswoman Marilyn Musgrave and Congressman John Salazar who are both members of the Committee on Agriculture for hosting this hearing. Congressman Salazar and Congresswoman Musgrave are strong voices for Colorado agriculture in Washington and I am pleased to be here today in Congresswoman Musgrave's district to hear concerns and feedback from Colorado producers.

I would especially like to thank the witnesses who will be testifying today. These witnesses are themselves producers with livestock, crops, fields, and forests to tend and I appreciate the time

they have taken out of their busy schedules to be here to speak with us today.

The farm bill impacts farmers and ranchers throughout the Nation. While these hearings provide the committee with an opportunity to hear directly from producers, I know there are many more out there who would like to provide input about the future of farm policy.

I am very pleased to announce that the committee has set up a Web form on our Web site that will allow producers to provide the committee with feedback about current policy and what producers see for the future of farm policy. We have cards with more information about the form that you can pick up on the way out today, or you can go to www.agriculture.house.gov and click on the Farm Bill Feedback Form on the committee's main Web page.

While the information submitted on the Web site will not be part of the official hearing record, it will be helpful to us as we move forward with the farm bill debate next year. We look forward to receiving your input.

Speaking of input, I look forward to the testimony of the witnesses before us today and I respectfully request members submit their opening statements for the record so that we may proceed with the first panel of witnesses.

I make one important exception to that and that is our ranking member, the gentleman from Minnesota, Mr. Peterson, who I will recognize in a moment, and then tell you that in addition as we proceed through the questioning I will have the opportunity to introduce to you all of the rest of the members of the committee who could be with us here today.

I am especially pleased that we have nine members of the committee to hear testimony from these witnesses. Thank you again and without further ado, please welcome the gentleman from Minnesota, Mr. Peterson.

OPENING STATEMENT OF HON. COLLIN PETERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. PETERSON. Mr. Chairman, thank you for getting us out here on the road again to hear from the real folks of America. I also want to thank our host and colleagues from Colorado, Mrs. Musgrave and Mr. Salazar. We have a very good working relationship on this committee and I can tell you that your Members of Congress here from Colorado are always working hard and looking out for Colorado farmers. We hear from them on a regular basis. They are doing a good job.

We are all here together, Democrats and Republicans, from all parts of the country to do what is best for agriculture. We have to do that frankly because there just aren't enough Members who represent farm country and we can't afford not to work together. That is one of the major challenges facing us as we write the next farm bill. We need to figure out how to come up with a bill that is good for all parts of the country and that is not always an easy thing.

I am here as well as the other Members today to hear what you think about the 2002 farm bill, how it has worked, where we need

to improve it, and where we think we need to go in the future with Federal farm policy.

There are also some pressing issues for agriculture that I think we need to resolve that are more immediate. Some of us have been working to pass a disaster bill. I represent the western half of Minnesota. We have an area that once again was damaged last year. There were about three counties up north that couldn't plant over 80 percent of their crop.

We have got the situation in the Gulf represented by Mr. Melancon and others. I understand in Colorado you have got some folks according to John that have had some similar problems so we think, once again, we need to do a disaster bill for the country. In that regard I have been working on one of the ideas for the next farm bill is making the disaster program a permanent part of the farm bill.

I think it would cost us less money in the long run. It would be preferable situation to what we have been doing. We have been doing an ad hoc bill every year. I think we are kidding ourselves to think that some place in this country we are not going to have a disaster every year. I think it would just be more sensible for us to admit that and put it in as part of the farm bill.

The other thing I would like to hear from the witnesses today, if we have time, is to get a sense of what they are doing in terms of using agriculture products for renewable energy. In Minnesota we have been leaders in this regard. We have had a 10 percent mandate on ethanol for many years. We built a pretty good industry in Minnesota. I think it is one of the things that is really a bright spot for the future in agriculture. We might get some sense of how that is going in other parts of the country.

We have a big challenge ahead of us creating farm policy that allows our Nation's diverse agriculture to thrive and grow. I appreciate you all being here today and look forward to your testimony.

The CHAIRMAN. I thank the gentleman.

We are now pleased to welcome our first panel. Mr. Dusty Tallman, wheat producer, Brandon, Colorado; Mr. Jeff Deeds, wheat, corn, sunflower, pinto bean, soybean, and grain sorghum producer, Goodland, Kansas; Ms. Vickie I. Ford, potato, barley and canola producer, Center, Colorado; Mr. Tim Hume, corn and sunflower producer, Walsh, Colorado; and Mr. Alan Welp, sugar beet, corn, pinto bean, wheat, cattle and alfalfa producer, Wray, Colorado.

I would remind all of the panelists that their entire statement will be made part of the record and ask them to limit their remarks to 5 minutes.

Mr. Tallman, we will begin with you.

**STATEMENT OF DUSTY TALLMAN, WHEAT PRODUCER,
BRANDON, CO**

Mr. TALLMAN. Thank you, Mr. Chairman, members of the committee. My name is Dusty Tallman. I am a farmer from Brandon, Colorado. There are almost as many people on the panel up there as there are in Brandon so we are a fairly small town. I also serve as vice president of the Colorado Association of Wheat Growers.

Thank you for holding this hearing here in Colorado. We appreciate it. We also appreciate Representatives Musgrave and Salazar and all that everybody does for agriculture. We know it is kind of a tough job.

Much of my testimony will focus on the impact that continuous droughts has had on eastern Colorado, specifically on wheat. We are a major wheat growing area. Five of the last 6 years we have had below-average crops. Our average crop is about 70 million bushels. In 1999 we grew 103. In 2002 we grew 36 million bushels, about a third of our record crop. It has been a tough row for us out there. In 2001, 2003, 2004 we had disaster and we really appreciate that. That is what kept a lot of our people in business. Even with the disaster and the farm bill most of us are dipping into our equity just to keep farming.

Federal crop insurance has been another thing that has helped us tremendously but when you get in this drought cycle where we have lost five out of six crops for the most part, I have seen my APH cut in half, my yield cut in half, and my premiums double. That is almost a four-fold increase in what it cost for less dollars worth of insurance. It has been difficult.

Some of the new insurance products have been helpful to us but still none of them effectively cover the first 25 to 35 percent of loss and that is what we are realizing out there. We can stand a 35 percent loss 1 year in 5 but not 4 or 5 out of 6.

What has worked in the farm bill? the direct payment has been very, very beneficial to my farm. It has been the most important thing. I know how much it will be, I know when it is coming, and I can take that information to the bank.

The counter-cyclical program has worked very well for some crops. It has not worked at all for wheat because our target price during the negotiations in the 2002 farm bill was set too low. We have not had a counter-cyclical at all over the years.

Similarly with the loan deficiency payment we haven't had an LDP payment on wheat so it has been a little tough. The other problem with LDPs, of course, is you have to raise the bushels to get that payment, something else we haven't been able to do.

Conservation title offers protection to producers to conserve the land, water, and air, all good programs from CRP to CSP. The biggest problem I have seen with those is they have been under funded and when they get under funded they quite often seem to be directed around urban areas where you get a higher school for the acres that are being offered.

I think we can improve on the 2002 farm bill without rewriting it. This kind of started with Freedom to Farm but direct payments are very effective. They are green box. I would suggest we increase direct payments and maybe double them for wheat. I think that would help wheat in the country all over. I would also propose increasing the target price, at least for wheat, for somewhere above \$4.40 a bushel. That would lend it the type of support it was supposed to get in the counter-cyclical.

A couple of new ideas that I have seen for risk management green box style protection, a Target Revenue Program, which is created using a 5 to 10-year average, a national average price and 70 percent level. You use an average yield, an average national

price, and take that at 70 percent. From what we are told that would actually be a green box payment as long as you follow those rules. It may not be 10-year average but it might be a 5-year which definitely would work.

It would ensure a level of revenue and at the same time it wouldn't be based on the current year's production so it would almost be a disaster payment in the farm bill. I don't know how expensive it would be from the estimates I have seen. It would be \$3 billion or \$4 billion a year but it would be your disaster bill in the farm bill every year.

Again, the problem would be if you are in an area with continuous droughts you are going to be setting producers' level of revenue at a lower level than they normally would have. If you have had 5 or 6 years of droughts, you factor in all those years of below-average crops it is going to be tough.

The second idea we have talked about at Wheat Growers is a risk management account that would allow a producer to set aside a percentage of their income in a good year, have that matched by USDA funds. In a poorer year they would be able to draw some of that back out. To me that would buy up my crop insurance above the 65 or 70 percent level.

I would hope the conservation title be fully funded. I guess I would caution against writing a farm bill that was completely WTO friendly. If we go to the WTO negotiations with nothing to put on the table, they will go after our green box payments I believe.

I hope that payment limitations will not keep coming up and being used as a political tool. Payment limitations hurt producers in Colorado. The last proposal I saw affected 30 percent of Colorado producers and only 4 percent of Iowa producers. I hope when those come back up again we take a long look at them.

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

Thank you and I will answer any questions when the time comes.

[The prepared statement of Mr. Tallman appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Tallman.

Mr. Deeds, thank you for coming over from the great State of Kansas. We are delighted to have you with us today as well.

STATEMENT OF JEFF DEEDS, WHEAT, CORN, SUNFLOWER, PINTO BEAN, SOYBEAN, AND GRAIN SORGHUM PRODUCER, GOODLAND, KS

Mr. DEEDS. Thank you. Mr. Chairman, members of the House committee, thank you for the opportunity to appear before you today and share with you some concerns I have about the current farm bill. My name is Jeff Deeds and I, along with my wife and three young sons, own and operate a farm in Goodland, Kansas.

I am a fifth generation farmer in northwest Kansas. On our farm we produce wheat, corn, sunflowers, both confectionery and oil, sorghum, soybeans and pinto beans. Our operation consists of approximately 4,500 acres. There are 1,100 acres that are irrigated with water from the Ogallala aquifer. We have been engaged in a no-

till farming system for the last 10 years. Our area has been in a drought for the last 6 years.

Since 1987, when I entered production agriculture on a full time basis, we have expanded our farm by renting and purchasing land. We have an up-to-date equipment line but we have not purchased a new tractor off the lot since 1989. We use the latest in GPS technology available to efficiently sow and fertilize the crop.

We employ the newest seed technology to reduce herbicide and insecticide use and cost. We have invested in equipment that has made our irrigation more efficient thereby reducing the number of gallons pumped. We have incorporated into our operation new production practices and new technology that has made us more efficient and, we had hoped, more profitable.

Agriculture has been, and always will be, highly unpredictable. With all of my investment in the best management practices I still can not control the weather. I can soil sample for the right nutrients for the crop, I can choose the right seed genetics and the right pesticides but I still cannot make it rain. Even on our irrigated land, the water I apply is only supplemental to our typical annual rainfall.

Like many of my peers, when Freedom to Farm was first introduced, I was very excited about the possibilities that it held, to finally let the market work and allow me to produce according to what the market demand was. The 2002 farm bill changed some of the focus and was created in an environment where high yields and low prices were the norm.

Since 2000, when the drought in my area started, we have seen low yields year after year. In order for the farm bill to work you have to have yields, in order for the insurance program to work you cannot have multi-year losses. For the last 6 years that is where I have been, low yields and multi-year losses.

With the drought that has been in place for the last 6 years our guaranteed insurance yields have been declining. For some the decline has been so drastic that purchasing the insurance no longer makes sense. I do not need to tell you that input prices have sharply increased in the last 5 years; you only need to look at the price of a gallon of gas to realize that. Most of my crop inputs are based on petroleum, not only diesel for the trucks and tractors, but also fertilizer and chemicals. We try to use what risk management tools are available to mitigate the risks that are involved.

One of the risk management tools that is available is crop insurance but, as the crop insurance structure exists today, it is inefficient and most of the time is out of step with what I as a producer need. Rulings come from RMA that are confusing and sometimes go just opposite of what best practices are for my farm.

With the decline of my yields because of the drought and the increase in the cost of insurance, I can not justify the cost of buying up additional coverage. I can not get close to covering my production costs with crop insurance, but I can not get financing from my bank or participate in the Government programs without being enrolled in the crop insurance program.

My greatest risk is not that I will lose 100 percent of my crop; it is that I will lose 40 percent. If I lose 100 percent, I do not have the additional cost to harvest. If I lose 40 percent I still have the

expense of harvesting the crop, I will not receive any insurance indemnity and I will not have produced enough bushels to cover my actual production costs.

I need an insurance product that I can choose the level of coverage that I require for my operation. I would also like to be rated on what I can historically produce, not penalized for the freak hail storm or long-term drought that has affected my yields.

I told you that J was a fifth generation farmer in northwest Kansas. At 4,500 acres I may seem like a large farm but, in fact, I am just above average for my region. The reality is that I am preparing to be the last generation on the farm. This winter instead of talking about what crops I was going to grow and what kind of financing I needed, my banker and I talked a lot about how much longer I could stand to take the kind of losses that I have in the last 5 years.

Instead of talking about expansion of the farm we talked a lot about how to get out of farming, what an exit plan would look like. I, like many farmers my age, am at point where I need to make a decision on how best to preserve the equity we have left. Most of the decisions rest on the outcome of this year's crop.

What keeps me in farming is the hope of a new day when agriculture can be part of the solution for America's dependence on oil. I hope for a season when yields and prices are high at the same time. And I hope that some day it will rain.

Once again, I would like to thank you for the opportunity to speak today. I hope I have given you some insight of what it is to be a farmer in western Kansas, the decisions that we are faced with everyday. We are not hobby farmers. We do not have jobs in the city and this is our business and our livelihoods. We take production agriculture seriously and the impact that it has on our lives and our country. Thank you.

[The prepared statement of Mr. Deeds appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Deeds.

Ms. Ford, welcome.

**STATEMENT OF VICKIE I. FORD, POTATO, BARLEY AND
CANOLA PRODUCER, CENTER, CO**

Ms. FORD. Thank you for this opportunity to testify. I represent myself as a producer. I don't represent any trade organization. I am a member of the Colorado Agricultural Commission, which is in an advisory capacity to the Commissioner of Agriculture here in Colorado. I speak as a certified seed potato producer, fresh market organic and conventional potato producer. We grow malting barley for Coors, some specialty hay products and canola. It sounds to me like I am going to be going after the Federal crop insurance as well as these guys. It just kind of doesn't work for us. For example, Federal crop insurance does not cover alfalfa hay.

In Colorado's San Luis Valley, where I come from, 75 percent of 135,000 acres of alfalfa winter-killed. Well, it costs \$8,000 to \$10,000 to re-seed 135 acres of alfalfa, and the farmers have no crop insurance to help them out with that. Canola is not covered under Federal crop insurance unless the farm has a 4-year history of growing it. A lot can happen in that 4 years. I know last year on

our farm we lost the entire crop due to frost. Seed potatoes are not covered either.

Farms need to diversify and not just grow the same thing all the time. That is what we are trying to do on our farm but these specialty crops need risk management and they need to be covered under the Federal crop insurance. Often, too, farmers don't know what coverage they are signing up for. These insurance policies are almost impossible to understand even for the agent that is selling them.

Due to the nature of high-value specialty crop production, such as organic fruits and vegetables, many current farm bill programs and disaster programs aren't really of any use to us. We just need to review all farm programs to ensure that specialty crops such as canola, seed potatoes, alfalfa hay have access to benefits comparable to other farms and kind of level out the playing field.

We are increasingly becoming an overweight Nation. I know I have a problem with that and I try to eat right, but I would support a strong new focus within the farm bill which would expand the school fruit and vegetable snack program. If we did that, this program would help Americans increase their consumption of fruits and vegetables. Just meeting the Federal health guidelines would require Americans on average to double their consumption of fruits and vegetables. Think what that would do for our producers who are growing produce.

I also am in favor of block granting conservation dollars and disaster dollars to the individual states. You were talking we need to make the disaster payments part of the farm bill. I would agree with that. I think the best way to handle that would be to let the individual States handle that. I don't think that the current \$80,000 limit on disaster payments is fair to fruit and vegetable producers because of our higher input and labor costs. I think it would be better if we could index them to cost of production.

A lot of farmers and ranchers, at least where I live, do not participate fully in conservation programs such as EQIP because they are not "user friendly" and a lot of the rules don't fit where we live. I think there ought to be more cooperation between USDA and U.S. Fish and Wildlife on habitat acquisition. I think this can be done through con which can be done through conservation easements.

Renewable fuel, we need to get after it. I think USDA needs to help producers deal with increasing fuel and energy costs. We have trouble getting our produce to the market because we can't get trucks because of fuel. Also the driver hours just cripples the produce industry.

Thanks for the opportunity to testify. We have a limited pool of Federal funds to help us out and I hope I have touched on a few improvements that we can make. Thanks.

[The prepared statement of Ms. Ford appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Ms. Ford.

Mr. Hume, we are pleased to have your testimony.

**STATEMENT OF TIM HUME, CORN AND SUNFLOWER
PRODUCER, WALSH, CO**

Mr. HUME. Thank you, Mr. Chairman. Thank you members of the committee. I am grateful for the opportunity to provide input for the committee's consideration and appreciate the effort you have made to hold a field hearing in Colorado. I recognize it is quite a lot of travel for some of you and it is much appreciated.

My wife Leslie and I farm and ranch in southeast Colorado and southwest Kansas. Our crops, most of which are irrigated, include corn, sunflowers, alfalfa, wheat and grain sorghum. We also have a cow-calf operation and own land that is enrolled in the Conservation Reserve Program. In the past, we have also raised vegetable crops and canola.

During the development of the 2002 farm bill, I was fortunate to have the opportunity to serve as president of the National Corn Growers Association. It has been very informative to observe the bill's implementation and its impacts on agriculture. I would like to address those impacts and other current trends in agricultural policy from the perspective of a relatively young farmer. I am 35 years old and have been farming for 13 years. Overall, the 2002 farm bill has been relatively effective in helping to stabilize the agricultural economy and dampen the effects of low prices for some of our program crops.

Additionally, in years in which prices have been higher Federal spending for farm programs has been substantially lower and that has been a great benefit to both agriculture and to the taxpayer. The counter-cyclical nature of the counter-cyclical program and the marketing loan program are to be thanked for that.

In fact, the 2002 farm bill's actual cost has been less than its projected cost for the first 4 years of its implementation, averaging \$15.7 billion per year. This total is less than a nickel per meal per U.S. citizen. I will say that again because I think that is critical when we are talking about budget. It is less than a nickel per meal. That nickel invested by the taxpayer ensures a never-ending supply of the safest food in history. I think it is an investment well made by yourselves for the benefit of our country.

I would encourage you all to resist the calls to cut the budget for farm programs. Five cents a meal has been enough to ensure adequate support for agriculture but it has won the consumer a bounty. Four cents a meal is not enough to ensure healthy agricultural economy in today's marketplace.

I believe that trade and exports are important to agricultural. Nearly 20 percent of our Nation's corn crop, for example, is exported. However, we should avoid the oversimplification of issues involving the World Trade Organization. I have serious concerns about the offers being made by U.S. negotiators in an effort to get a new WTO agreement. Agricultural exports are not dependent on negotiating a new agreement. I believe the administration's offer of a reduction by 60 percent of amber box payments far outweighs the potential incremental increase in exports that would result from a new WTO agreement. Although the counter-cyclical and marketing loan programs may be less WTO friendly, they have been critical in sustaining my business and the economy and should be continued.

Another recent topic of debate has been the reduction of limits for farm program payments. Many assertions about the effects of payment limitations on young farmers have been made and I would like to give you a first-hand perspective on those.

Low payment limitations send a clearly negative message to young people considering entry into agriculture. With lower payment limits, we would encourage the best and brightest of a new generation to seek opportunities outside of agriculture. Talented young people in agriculture will expect to have a lifestyle comparable to others in society, not comparable to their grandparents. If that lifestyle is not available in agriculture, they will turn elsewhere.

For U.S. agriculture to remain a dynamic industry, it must be able to attract new, ambitious, talented, and intelligent people and lowering payment limitations will do just the opposite. In conjunction with the 2002 farm bill, Federal crop insurance is meant to buffer agricultural producers from factors outside their control. Unfortunately, Federal crop insurance rules are stacked against young, expanding farmers.

When a young farmer adds new land, they must use several years of a county base yield to calculate their actual production history. Effectively, this rule can cause such a gap between a new producer's expected yield and APH that the insurance is nearly worthless.

For example, in 2004 on a newly leased irrigated half section, my wife and I raised 225 bushels of corn on a 120-acre field. In 2005 due to extreme heat and drought that field only averaged 95 bushels per acre. This field had routinely yielded higher than 200 bushels per acre in the past for the previous farmer.

Because of crop insurance rules, we had a guarantee of only 106 bushels per acre at a 65 percent level because we had to use 147 bushel T-yield and only one year of our actual production history. The end result was a payment of \$27 per acre versus an actual loss compared to the previous year of \$298 per acre. Had we been able to use our actual production, that would have amounted to about \$101 insurance payment which would have been far better than \$27.

A producer's actual yields should carry a far greater weight in determining insurance guarantees than outdated T yields. A long-time farmer would have received roughly four times what we did in insurance payments. This is the one of the largest disincentives to beginning farmers in Federal agricultural policy and it should be addressed.

I appreciate the opportunity to share my thoughts and, once again, appreciate your travel to Colorado.

[The prepared statement of Mr. Hume appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Hume.

Mr. Welp.

STATEMENT OF ALAN WELP, SUGAR BEET, CORN, PINTO BEAN, WHEAT, CATTLE, AND ALFALFA PRODUCER, WRAY, CO

Mr. WELP. Mr. Chairman, thank you for the opportunity to appear before the House Agriculture Committee today. I am sugar

beet farmer from Wray, Colorado and I also produce corn, wheat, alfalfa, pinto beans, and cattle. Colorado growers are pleased to have two Coloradans on your committee, especially our hometown Congresswoman Musgrave and Congressman Salazar. We believe that they are strong voices on the committee and we look forward to working with them in the development and passage of the next farm bill.

The sugar provisions of the 2002 farm bill gave 1,500 family farmers from Colorado, Montana, Wyoming, and Nebraska the confidence to spend \$90 million to purchase the Western Sugar Company which includes six processing factories. Colorado farmers took on substantial debt to keep this unique and important industry alive.

Our industry is the economic cornerstone of the small communities throughout our region providing hundreds of good paying jobs in our fields and in our factories. The Sugar Program is crucial for many of these small businesses that depend upon sugar beet farmers and processors and it diverts 200,000 acres from other commodities already in surplus.

Since the passage of the 2002 farm bill, we have faced relatively low prices as a result of less sugar demand and mandatory imports under trade agreements. These market conditions resulted in the domestic industry storage of up to 1 million tons of sugar or one-tenth of our Nation's total annual consumption.

Additionally, we have struggled through a difficult 3-year drought which has also reduced our production. The combination of these factors, along with urban encroachment, forced us to close and sell the factory located right here in Greeley.

Following the devastating effects of the hurricane on the cane crop last fall, our inventories were depleted and sugar prices strengthened but we need every additional cent to cover our huge increases in our fuel and fertilizer costs. Sugar consumption is expanding again which is helpful, but the bottom line is our farmers and our cooperatives remain in a financially fragile position and we need a few good years to pay down and pay off our debts.

As we look ahead, we face significantly higher input costs and we need further efficiencies and adequate returns to survive. We continue to invest millions of dollars to reduce our energy cost in our factories. On the farm we are rapidly working towards the introduction of herbicide resistant seed varieties used in biotechnology.

Sugar beet farmers understand the pressures on the Federal budget and that is why we support our current policy which has run at no cost to the taxpayer. A no-cost program continues to help reduce the staggering budget deficits and provide scarce Federal dollars for income support for other commodities.

In order to survive and remain competitive, we must have adequate production to run our factories efficiently. This is crucial to our ability to provide a reliable and timely supply of high-quality sugar to our own market. Our food manufacturing customers have recently learned that supply and quality are essential and cannot be guaranteed by foreign suppliers. Sustaining a geographically diverse supply of sugar for our Nation is something we can all agree upon because it is essential for both our food security and our national security.

On the other hand, holding huge inventories and cutting production to accommodate unneeded imports is unacceptable. We are the world's second largest importer this year. Even more imports as a result of trade agreements make us the residual supplier for our own market and directly threaten our ability to survive.

Forty-one countries are guaranteed access to our market but there is no such commitment for our farmer. Our message is loud and clear. It is time to put American farmers first by providing adequate access to own market. If we need additional imported sugar, as we did this year, then our FTA trading partners should be given preference.

The WTO negotiations are struggling and it is unclear what the final agreement would look like or when it will be completed. Therefore, we believe it is in the best interest of our farmers for Congress to simply extend the current farm bill and tell the WTO negotiations are concluded. Don't amend, just extend.

Thank you for the opportunity to testify here today and we look forward to working with you in the months ahead.

[The prepared statement of Mr. Welp appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Welp.

The CHAIRMAN. We will now start our round of questioning from members of the committee and I'll start with you, Mr. Tallman. One of the questions that I have been asking many of the witnesses at our previous hearings you sort of bought right into with some of your recommendations which we are glad to hear but they cause us to have to make some tough decisions so I am going to ask you to help us in that regard.

In your testimony you say that the direct payment has been the most helpful to you in this farm bill and you suggest that doubling the direct payment for wheat and raising the target price by 48 cents per bushel. Given the budget constraints that we likely will be working under when we draft the farm bill, it will be very difficult to increase funding for both aspects of the safety net. Would you forego marketing loan or counter-cyclical benefits in order to have a higher direct payment?

Mr. TALLMAN. We have discussed this as wheat growers quite a little bit and since we have had no benefit from the counter-cyclical and we have had no benefit really from the marketing loan program, I guess we would. We would hope, though, that this would become important enough that we could find the funds to do both. I know our friends over at Corn Growers will not want to forego the counter-cyclical program, it has been very good to them, and several other crops.

I don't know how we fight this battle between commodities and I don't want it to become between commodities but I know for wheat producers the direct payment has been really the only assistance they have gotten out of this farm bill with the exception of the conservation title and a few other things. I don't know that we would forego the opportunity for counter-cyclicals. If we could ever get back in a normal rain cycle the counter-cyclical might be very important. At that point we would have done better in the 2002 bill.

The CHAIRMAN. I see you are struggling as we are.

Mr. TALLMAN. Yes.

The CHAIRMAN. Let me ask you a tougher question then. Some of your fellow producers in the rice industry have indicated that high direct payments have created incentives for landlords to no longer have farmers farm their land. Since we decoupled payments from production, we cannot require anything to be grown to collect the payment. Are you concerned that this problem could occur in wheat if we raise the direct payment to a level that the landlords no longer need tenants because direct payment has been doubled?

Mr. TALLMAN. I can't see it, in this part of the county anyway. I know that any kind of payment that is made from the USDA gets built into rental rates or land values or whatever. In our country a 50 cent per bushel wheat payment the average yield would be \$15, \$18 an acre. That is not going to keep a landlord from keeping producers on that property. We don't have anybody trying to develop property out in our country. I think it will remain in farmland as long as it keeps raining. No, I don't see that happening for wheat.

The CHAIRMAN. Thank you.

Let me ask Mr. Deeds a question because he has been complaining about that lack of rain. You pointed out the difficulties of trying to write policy for disasters in consecutive years and the inability to control the weather. Are there any new or innovative ideas that the Congress should consider that would provide a better, more effective safety net for you?

Mr. DEEDS. Well, the trouble is the year after year losses. Your yields keep going down and going down. If we had some way to either take an historical average rather than the 10-year or 5-year average. Everyone can agree that the drought has been affecting our yields. If we could go back to either a longer average or more historical data, I guess I should say, it would certainly help us out.

The CRC and the RA program help out quite a bit. We are still in the mode of securing our financing and making all our plans based off of what crop insurance revenue we can generate or will generate if we have a crop failure because we have gotten this mode of knowing that we are going to have a crop failure and never planning actually to even have a crop after 6 years of being beaten down. I don't think I answered your question.

The CHAIRMAN. We appreciate that. We are struggling with the same issue and we would like to help people who have multi-year failures. We are just trying to find a way to measure that and make sure we are being fair against the expectations for what that land can indeed produce.

Mr. Hume, let me ask my last question to you. in your testimony you State that agricultural exports are not dependent on negotiating a new agreement and it is certainly true. I haven't seen anything on the table that I think could pass the Congress. However, the current environment is not a very desirable one either. In the last decade the trade surplus that we have historically enjoyed in agriculture has dwindled to very little.

It was \$25 billion back then and it is just a billion or two now and could easily slip into a trade deficit at anytime. Is this your observation as a corn farmer or do you believe it applies to other commodities as well? And do you have any thoughts on the impor-

tance of getting real access under current or new agreements versus simply commitments for more access where that access may or may not occur.

We are very dedicated to getting greater access for you and other farmers of any agriculture commodities that are feasible to export because we are in a very unlevel playing field right now in the current environment where our markets are much more open than the Europeans, \$450 million relatively affluent people. A great market for us that we are largely shut out of and this unfairness in the current environment means that while we don't want to take a bad trade agreement, we also don't want to accept the status quo. What would you to?

Mr. HUME. That is a great question and I think that you draw a difference between the commitment to access versus actual access is important because we have had commitments to access for high fructose corn syrup in Mexico for 10 years now and what did we get from that? Nothing.

Part of the problem is that, in my opinion, and I have served on the Agriculture Policy Advisory Committee for Trade advising Secretary Veneman and USTR, and my frank opinion is that we have not been tough enough in dealing with other countries. We have rolled over. We have worked harder to get the Canadian border open for imports for cattle than we have to get the Japanese border open for our exports and that as a cow/calf operator is very troubling to me.

We have also done a horrible job of, as I said, opening the Mexican border to high fructose corn syrup. If we continue to negotiate agreement and then not cause them to be enforced, they are worthless until we show the backbone as a government to stand up for the things that benefit our Nation's agriculture like we have with steel.

We have placed tariffs on imported steel which also hurt agriculture because the prices for most of my equipment went up 30 percent overnight. I will tell you we have done a horrible job administratively of handling trade over the last several years. I have a hard time remembering a win. Until we start winning, we need to stop and get caught up to where we are today.

The CHAIRMAN. Well, I certainly agree with you that we need to be more aggressive at enforcing our current agreements. If you have ideas in how we can move forward in that area, we welcome them because I am concerned if we don't we are going to find ourselves moving backward which is not going to be good for agriculture either to get into a trade war.

It is my pleasure to recognize the gentleman from Minnesota, Mr. Peterson.

Mr. PETERSON. Thank you, Mr. Chairman. You moved me back home.

The CHAIRMAN. Well, you did work here.

Mr. PETERSON. I was telling Congresswoman Musgrave when I got out of high school we had a big flood. We planted three times and everything got wiped out. I was going to go to college that fall and my uncle was the supervisor of building highway 25 out here down by Loveland so I came out here and helped build that highway so I could get enough money to go to college. That is probably

why I didn't end up farming because I guess I learned my lesson or whatever.

In my area we have had this multiple-year loss problem going on for a long time. We have got an area where 9 out of the last 11 years they have had crop failures because of too much water. I have been trying to fix this for a long time. Probably started on it 10 years ago. Because of the actuarial soundness regulations and the way that USDA or Army approaches this, I basically have given up. They have improved some products a little bit but it still doesn't get us where we need to be. It sounds like you guys are in the same boat now.

I have shifted gears kind of feeling like we are never going to be able to fix crop insurance to make it work and taking up this idea that we ought to maybe try to melt together a disaster program with the crop insurance to try to get at it that way. I think we could actually do it for less money and more effectively.

I have introduced a bill that you may or may not be aware of but I would like you to take a look at it if you are not. What it would do is set up that system and it would require you to have some buy-up. I haven't figured out what that would be but I think the American taxpayer would expect that the farmers would pay some money to get into the system. It would get rid of the CAT coverage because the CAT coverage is really a joke that was put together so the southerners could say they had crop insurance when they needed to comply with the USDA regulations.

I guess I would like to get your thoughts about moving in that direction. We are going to have some resistance from some areas where they don't have much coverage now but if we got this thing spread out all over the country so everybody had crop insurance, we could spread the risk more and have more money to work with and so forth. I would like any of you that want to comment on whether you think that is an idea worth pursuing.

The other issue that I would like any of you to speak to that would want to is what is going on with renewal fuels. I have heard a couple of you mention canola. It looks to me like that other than outside of animal fat is probably the most appealing source of biodiesel. Europe is way ahead of us on this with rapeseed.

We, of course, have corn ethanol in the Midwest. I know there is some activity going on down here. I would like to know a little bit about what is actually happening here with the ethanol biodiesel. Any of you that want to comment on either one of those starting with Mr. Tallman.

Mr. TALLMAN. If there is a way to build some sort of disaster into the new farm bill, I think that would be a great thing assuming that we can somehow capture some of the ad hoc spending that we have done over the last 5 or 6 years. That is what the target revenue idea. That actually came to us from, I think, soybeans. It is a study that they have done. It would be disaster insurance at a 70 percent level.

A producer might be able to go outside then and buy up that other 20 or 25 percent. The problem we see with that is that extra insurance policy is probably going to be very expensive because it is going to be the first 20 or 25 percent you lose. If you try to make the target revenue green box, it is the 70 percent level. If you don't

care about it being green box, I guess you could go over that. To me that is almost a disaster program. Unfortunately I can't grow anything they can make ethanol out of in my country. I can plant canola and corn but I don't do a very good job of growing it.

Mr. PETERSON. I don't agree. We are close to having cellulosic ethanol and I think you can grow switchgrass which is the best source of cellulose material for ethanol. You may see that show up in the farm bill, too, depending on how all this goes.

Mr. TALLMAN. I figure if switchgrass is that good, I probably can't grow it. That is the only problem. I don't know where to get the seed yet.

Mr. PETERSON. The roots go down 10 or 12 feet so I don't know how far the water is down.

Mr. DEEDS. My community with local investment is building an ethanol plant and a biodiesel plant just west of town all hoping that is the promise for the future is a new market for our products. With the disaster being built into the farm bill it would be nice to have at least some sort of idea if there is something coming rather than knowing that last year we had a disaster but we get a disaster bill or we may not depending on the whims of the administration. It would be nice to have something more built in than that.

Ms. FORD. I don't think we are doing enough on renewable, growing our own fuel. I know in our area we ought to have a biodiesel crushing facility and plant by now and we don't. I am not quite sure what the reason for that is. Everybody gets all whipped up that we are going to do this and we are going to grow canola and we are going to press it and then kind of nothing happens. Isn't there dollar a gallon incentive for canola if you just press it.

Mr. PETERSON. Yes.

Mr. PETERSON. The problem is that we only put it on for 2 years. I think part of the problem is that people are concerned. When you go to get financing the banker says, "Well, that is fine but what is going to happen in a couple of years?"

Ms. FORD. After the 2 years.

Mr. PETERSON. That is part of the problem and you are kind of jumping off the cliff a little bit.

Ms. FORD. I would like to see that farmer get that dollar and not somebody that just goes out and buys a press. I know the area I live in Colorado's San Luis Valley, gosh, the canola we produce has a huge oil content. It has to do with daylight hours and all that stuff. We should be doing more. I don't know that the Federal Government can do much to do that other than make sure the farmer gets the dollar for pressing it and do extend it because, yes, a banker looks at that. I would agree with that.

Disaster payments, I think they do need to be built in somehow but somehow the local people need to administer them. I am not sure how you accomplish that. The alfalfa disaster we had in our valley this year was just pretty awful. I know we are replanting a half circle of organic alfalfa on our farm and it cost money and there is no insurance.

Mr. HUME. With regard to the insurance program and disaster program, although the disaster payments we received over the last few occurrences have been helpful, as I said, the crop insurance program is broken and doubling something that is broken doesn't

fix it. However, that said, it has been very helpful to have at least a little additional funding when that indemnity has been doubled.

There needs to be a comprehensive long-term look at the disaster program. I agree with you very much. It is something that has been done. You all are busy and I understand that. You can't come up with a new idea every time there is a disaster in the country and there is a disaster in the country, as you said, just about every year.

Unfortunately in this area we have been in that spot for several years in a row here and it is getting difficult, particularly, as I explained, the issue with an insurance indemnity that is only 10 percent of your actual loss. If you double 10 percent of your actual lose 20 percent is still a tough row to hoe whenever you are trying to make a living.

With regard to the biofuels, I do understand very closely the interest in an oil seed crushing plant here in Colorado and I understand the economics of the issue. For biodiesel the economics are not there without some type of incentives. However, 20 years ago that is where we were with ethanol and today we are producing over 4 billion gallons of ethanol a year which is approaching 2 percent or 3 percent of our Nation's gasoline supply.

That is a huge impact when you have got—if we took that 2 or 3 percent out, imagine that first digit on the pump wouldn't be a 2 around here, it would be a 3. I guarantee. For folks in the oil industry to tell you otherwise is absurd. I know they have said some things about removing ethanol being the cause of the high gas prices. I think you all are smart enough to look at \$72 crude oil and figure out the writing on the wall there.

A long-term program to help support biodiesel would certainly increase production. Canola is a specific area in which we can have some advances would be producing canola that is better adapted for production in the Great Plains. Currently we have a pretty serious problem with winter kill and canola that is fall planted which is what we would use in the eastern plains of Colorado as opposed to spring planted in the San Luis Valley. A program to increase the winter hardiness of winter canola would go a long way toward establishing a biodiesel industry in the High Plains.

Mr. WELP. The sugar industry is for renewal fuels. The administration has promised us a study on sucrose to ethanol. That study should be concluded later on this summer. We are looking forward to seeing the conclusions of that study. At this time we don't feel that sucrose to ethanol is an economic alternative to be competitive in the marketplace without huge subsidies from the Government to make sucrose to ethanol work.

Mr. PETERSON. We studied that already in Minnesota and from what I can tell it is going to take a \$1.50 a gallon subsidy over and above what we are already doing with ethanol to make it work for sugar so I think you are right on. I think this study that they are doing is a waste of money myself but we will see what it says.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, gentlemen.

It is now my pleasure to recognize the gentleman from the neighboring State of Kansas, Mr. Moran, who is one of our very important subcommittee chairs. In fact, his jurisdiction covers much of

what we have been talking about, the commodity programs and risk management. Today rather than looking to him for all the answers we are going to let him ask a few questions.

Mr. MORAN. Mr. Chairman, thank you very much. I am always reluctant to admit that my Subcommittee has jurisdiction over crop insurance and that is especially true after hearing the panelists speak today. It is a real pleasure for me to be here. I wouldn't think other than your own congresswoman there is anyone more sympathetic to the consequences of drought than a Member of Congress from the western three-fourths of Kansas. In fact, I was thinking that had we not foolishly given up the part of the Kansas territory that we are now in, you all would be my constituents. We made a mistake a long time ago.

I do appreciate being in Colorado and I appreciate the relationship that I am developing with Mr. Salazar. We are becoming friends and colleagues on behalf of agriculture. Also especially the working relationship I have with your Congresswoman Mrs. Musgrave. Particularly on Japanese beef she has been a strong ally trying to get our borders secure but the Japanese borders open. On crop insurance she has been a constant thorn in fighting on behalf of Colorado crop insurance issues, in large part irrigation issues and others so I am delighted to join Marilyn today in her district.

Let me ask just a couple of questions. Mr. Tallman, you and I have known each other a long time. You talked about how Mr. Hume and you may not agree on the balance between counter-cyclical payments, marketing loan, and direct payments in response to Chairman Goodlatte's question. Is it possible to develop a farm bill that treats commodities differently in regard to prioritizing among those three components?

Mr. TALLMAN. Yes, I think in the 1995 farm bill we treated soybeans considerably differently and I think that could be possible. I guess to look back in the 2002 farm bill when it was projected what it would cost, there were costs projected for wheat for counter-cyclicals and LDPs. We have not spent any of that money. On the other hand, we haven't received credit for any of that money. We have asked over and over to try and switch that money over into disaster for us and they said, no, it has been budgeted but it can't be switched to a disaster until it was actually supposed to be spent.

Mr. MORAN. No reason to try to figure that out. It is incomprehensible but it is true.

Mr. TALLMAN. We argued about that but I would think you can treat crops separately and I think you have a fairly significant commodity group for each of the major crops and I think you go and ask them what they would like maybe.

Mr. MORAN. Is your answer that the importance of the direct payment, is that answer strictly related to the growing conditions that you have experienced with multi-year drought?

Mr. TALLMAN. No, not necessarily. A direct payment is a fixed payment to me. The counter-cyclical I never know if I am going to get that. It is protection against the low price. If I know that those dollars are coming every year, my banker knows they are coming every year and he knows when they are coming and how much

they are. I think the direct payments has always been very important to my farm.

Mr. MORAN. In the 2002 farm bill, the House of Representatives farm bill, was much more oriented toward direct payments and less toward counter-cyclical payments. When we went to conference we had debate with kind of the Northern Plains folks on that conference and ultimately, at least to some degree, they won that battle.

Mr. Deeds, thank you for coming over from Goodland. When Jeff tells you about how difficult circumstances are on the farm and this may be the last generation of farmers, that is very troubling to me because Mr. Deeds and many of the farmers in the Goodland area are among the most progressive, the most forward thinking, the most thoughtful, the most diversified.

Their ethanol and soy diesel plant is an example of that. They are trying to figure out how to make things work but it ought to be troublesome to all of us if a farmer who operates his farm as well as the Deeds do believes that there is no opportunity for a next generation and that is something that in my opinion if we have a successful farm bill we will know it is successful because it returns sons and daughters back home to family farms.

Jeff, you indicated in your testimony, or perhaps it was—I guess it was in your testimony, that the 1996 farm bill excited you because it gave you plenty of flexibility. My question is did the 2002 farm bill take something away? Are there things that you cannot do that you could do under the 1996 farm bill because of the 2006 farm bill?

Mr. DEEDS. It has been too long for me to remember which is which. The Freedom to Farm and the whole promise of that, back when we started when my father ran the farm we grew sugar beets and pinto beans and really had no kind of a corn base or anything to go along with that. As the Freedom Farm came along before that we were restricted. We couldn't grow any corn.

We couldn't grow anything that wasn't a history on our farm, I guess you could say. When the Freedom Farm came along it was an opportunity for us to expand into corn, expand to dryland corn. We had some pretty great years there, 1996–97–98. We really thought we had the whole thing figured out as far as dryland corn production and what we are doing. Then Mother Nature taught us a lesson that we are not nearly as smart as we thought we are.

So, like I said, when the 2002 farm bill came along, and this isn't part of the farm bill, we lost our corn crop, our irrigated corn crop in 2002. We lost our entire wheat production in 2004. Because of provisions that are in the farm bill or provisions that RMA had us do, we couldn't plant on our failed wheat acres. We couldn't put another crop on it and collect insurance on the wheat and then have a second crop insured. There is a first crop/second crop rule.

That took a lot out of our cash flow that year. That basically what really started the decline. The 2004–05 disaster payments helped us out and kind of mitigated that a little bit. That still was the year that started things cycling downhill for us quickly.

Mr. MORAN. It sounds like again it is the crop insurance issue that may cause you a lot more trouble than the farm bill.

My time has expired, Mr. Hume. I hope to maybe visit with you after the hearing. I want to follow up on this T-yield issue and new farmers. That has been presented to me in a way that I never thought about until I read your testimony, heard your testimony, and so maybe we can have a visit.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, gentlemen. It is now my pleasure to recognize the ranking minority member on another of our important Subcommittees dealing with conservation, rural development, credit, research, the gentleman from Pennsylvania, Mr. Holden. Welcome.

Mr. HOLDEN. Thank you, Mr. Chairman. I have a few general questions for our panelists. The chairman just mentioned I am the ranking member on the subcommittee where Mr. Lucas is the chairman of. With the chairman's approval last week we had a hearing in my congressional district in Harrisburg, Pennsylvania.

The panel was primarily made up of dairy farmers and specialty crop producers. We asked them the question what was the biggest hurdle or biggest challenge that they were facing and it was unanimous it was developmental pressure, the pressure in areas of Pennsylvania and the mid-Atlantic and Northeast, the pressure on them to sell off the farm to developers.

In the last farm bill we were able to get \$985 million for farmland and ranchland protection, a record investment by the Congress. Pennsylvania leads the Nation in farmland preservation. I am just curious, is that program working here? Obviously I don't believe you face the same pressures that they do in the Northeast but just curious is it relevant? Is it working here in any fashion at all?

Ms. FORD. Somebody from the Front Range should probably answer that question because no developers are wanting to develop where I live. It is not going to happen for a long time.

Mr. HOLDEN. You don't want it to happen either. Believe me.

Mr. SALAZAR. Mr. Holden, I would just like to talk about what has happened along the Watch Creek and the Gunnison River Valley out in Gunnison. Many of the funds that have been used have actually preserved many of the farms and ranches that have been in families for many, many years. It is a valuable program and I would certainly commend you for trying to push it forward again and get full funding for it.

Mr. HOLDEN. Anyone else on the panel should comment? We have had a lot of discussion here today about the crop insurance program not working. Believe me, it is not working in Pennsylvania as well as we would like it to but I think it is working a little better than what I am hearing from the witnesses today.

Because of the diversity of agriculture in Pennsylvania we had farmers who had anywhere from livestock to fruit and vegetables for the local market to Christmas trees all under one operation. We had participation of about 20 percent. Now because of Whole Farm insuring and some other changes that we have made, we are up to a little over 50 percent participation. Even with all the problems that you highlighted today, I am just curious what is the percentage of participation in Colorado and Kansas in the Federal Crop Insurance Program?

Ms. FORD. I couldn't answer that.

Mr. HUME. I would like you to ask my banker that question because the financing is the major reason they can place at least a bottom dollar in the cash flow and that drives participation as well as the CAT program. At \$50 a crop it is a value. It rarely if ever would be under 50 percent of your expected production so it is not a great program but it is certainly better than nothing.

And with a lot of people pressing towards buy-ups has been more—my operation the buy-up is marginally worthwhile at the subsidy level that you have given it which ought to be a strong indication that money is not being spent well because I barely buy it whenever you subsidize it or the Federal Government and taxpayers subsidize it. It is barely worth buying for me. Of course, I have bought a 65 percent coverage level mostly to help reassure the banker and that would account for the greatest portion of participation along with the fact that the insurance program crops are probably more prevalent here than in Pennsylvania.

Mr. HOLDEN. Thank you for your participation.

Finally, how do you think the credit system is working for not only just young producers but for everyone, commercial lending, Farm Credit system. Any problems with that that we need to address?

Mr. TALLMAN. I guess the biggest problem we have seen, at least out on the Eastern Plains, is with the continuous droughts they have been very good to work with. I have struggled with my banker for the last 3 years, I guess. We are working it out. I just need to really raise a crop and I use Farm Credit. It has worked very well for us. We have been with Farm Credit for probably 8 years now. It has worked very well.

I guess my biggest concern is if we ever see a large drop in property values, if the agriculture program was changed and the money that has been built in there all of a sudden was gone, all of us would be upside down on our loans in a hurry I have a feeling, if we are not already upside down. But it has been working well for us.

Mr. HOLDEN. Anyone else want to comment?

Mr. HUME. Although Farm Credit has worked well for some people, it is not for everybody. One thing I do have a concern with is Farm Credit's desire to get into commercial banking which I think is not what they were set up to do and not a good idea. We need to preserve the competition and the alternatives that are out there in rural America to Farm Credit. Although I do support what Farm Credit currently does, I don't believe that they should be given opportunity to compete on commercial credits with private banks.

Mr. HOLDEN. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. Now I would like to welcome our host and valued member of the committee, Congresswoman Musgrave. I want to call to the attention of everyone her perseverance in getting the RMA to resolve outstanding crop insurance claims and water allocation disputes.

She engaged the committee staff in seeking a resolution which led to the RMA dispatching two teams of seasoned adjusters to the Fourth Congressional District and without her constant focus on this problem, I doubt that we would have received the kind of at-

tention from RMA that we have. She is a valuable asset for Colorado and I am pleased to recognize her at this time.

Mrs. MUSGRAVE. Thank you, Mr. Chairman. I also thank you for taking a great interest in the fourth district. We have had success with those teams out in southeastern Colorado. It has been very rewarding. Also we had a CRP issue that you weighed in on and I appreciate that. We had the Secretary of Agriculture out here signing a CRP agreement so that was very beneficial. I appreciate it. It is wonderful to have all of you here today and you witnesses. It is good to hear from you.

Alan, I was taken aback a little when you said don't extend. Excuse me, how did you say it?

Mr. WELP. Don't amend, just extend.

Mrs. MUSGRAVE. Just extend. Yes. Talking about how you wanted the WTO negotiations settled before we weighed into another farm bill. Could you elaborate a little bit on that? As we get ready to write one, I don't know how many people will be telling us not to go forward at this point but I would like your thoughts.

Mr. WELP. With all the subsidy issues and the tariff issues out there over the whole sector and how much market access and has that develops we need to see what a final agreement is going to look like before we start changing any parameters of support for our own commodities here. Our idea is just extend it until we know exactly what type of deals that Congress has to deal with.

Mrs. MUSGRAVE. I think that asking for certainty makes a lot of sense. I really appreciate your comments.

Mr. Hume, Jerry Moran made a comment about young farmers coming back, young kids coming back to farm. You made some comments about low payment limitations. You also talked about how the Federal Crop Insurance Program, I believe you used the phrase, was really stacked against young people. When I look around in many of the towns in the fourth district, we have kind of the quintessential small town with main street and some of the businesses are boarded up and struggling.

We have declining enrollment in the schools and we are really wanting young people to come back into the communities and get into agriculture. Those remarks really hit home with me. What suggestions would you have in the crop insurance arena and others just to get young people started out in farming where they realize an income that is comparable to people with other occupations?

Mr. HUME. Certainly. I think with regard to crop insurance we just need to be on a level playing field when someone adds new land. Unfortunately what we have seen in our area is irrigated corn yields rapidly increasing to the point that our county T-yield is outdated. It is 147 bushels per acre. We typically average well over 200 bushels per acre.

The insurance guarantee for someone who is just beginning is really much lower than what you would have. I think a producer's actual production should be weighed much greater than the T-yield when determining an actual production history and that would help things dramatically. Say calculate 75 percent of it based on the producer's actual production and/or update the T-yields which is another alternative and probably could be done as well.

With regard to payment limitations, I think it is one of those things that people, I think, get tunnel vision and they see what is going on perhaps in their own area and don't understand what is going on in the rest of the country. If you have farmers that are having to limit their size and income because of Government payment limitations, it clearly sends a disincentive for someone to be successful in agriculture and that, I think, is a very bad message to send to people when they are thinking of choosing a career.

There is no payment limit in computer science. There is no payment limit in business. A large farmer is actually considered to be one with over \$500,000 in sales. A small farmer is less than \$500,000. A small business is \$3 to \$5 million. It seems quite arbitrary and unfortunate and I think the net effect that most people don't take a look at is that we are discouraging talented young people away from agriculture with payment limits.

Mrs. MUSGRAVE. Thank you very much.

Dusty, I just wondered, you made comments about conservation programs and you were concerned about funding levels and when funding is cut that it goes to urban areas. Is there anything we can do in that area besides fully fund?

Mr. TALLMAN. Well, what seems to happen is with almost all the conservation programs now you end up with a score and your score is in part based on how threatened you are by development, value of the property, whether or not there is water or an endangered species. You get out on the Eastern Plains where an awful lot of the production agriculture is we don't have any threat of development.

We don't have high land values, although they remain good. I don't know. It is almost in the way that we score the program. I serve on our local conservation board and we really struggle with this one, how we make sure that money doesn't stay along the front range here, or even up in the mountains. An awful lot of it goes to the mountains because the property values are much higher. It is in the way it is administered and I don't know how to effect that. You all have to do that for us.

Mrs. MUSGRAVE. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentlewoman. It is now my pleasure to recognize the gentleman from Louisiana, Mr. Melancon, who has great familiarity with disasters in his part of the country. As many of you know, they have been struggling with this for a long time now.

Mr. MELANCON. Thank you, Mr. Chairman. I appreciate you all being here today. I know the amount of time it takes away just to do the business side of running the operations, not being in the fields like you would like to or need to.

I hear extension of the farm bill. Can I assume or take that all commodities are feeling that way? I have a shaking head. What is the down side for you?

Mr. TALLMAN. We have discussed this at quite a length and wheat growers feel like both leadership of the House and the Senate said they want to write a farm bill in 2007. We think it is important to have a plan there for them to look at. We have a plan in right now trying to get it evaluated. I guess we see no reason

to delay it. I would imagine if we don't get it done in time, it is probably going to be extended 1 year anyway.

The counter-cyclical has not worked for wheat. We don't want to go in and try to change one thing in the farm bill because everything will try to be changed at that point so we think it is important to go ahead and write one in 2007 as long as both Agriculture Committees have a desire to.

Mr. MELANCON. So in the wheat sector that is where your only real concern is by the extension without some changes?

Mr. TALLMAN. Yes, and it is set to expire. I guess the other thing is we don't think the atmosphere to pass a new farm bill in 2009 is going to be any better than it is in 2007 or 2008 or 2010. Farm bills are difficult to pass right now.

Mr. MELANCON. Maybe you will have more compromising and accommodating Congress, whatever that means.

The bilateral trade agreements that have occurred, I know many other than sugar were formed. In hindsight do any of you see any real gains in market share exports or anything that would gain what these bilaterals, particularly with developing countries?

Mr. HUME. Most of my trade experience would come from a corn export perspective. I think part of the issue, particularly with corn, is there is really no other place in the world to shop when it comes to corn. America has 70 percent of the world's corn exports and that number is probably increasing with the economic growth in China and their possible cessation of exports and perhaps becoming an importing country.

I think the value of those trade agreements from the perspective of exporting corn has probably been somewhat limited for raw corn. I think when we export meats it is a tremendous benefit to the corn industry because you are exporting a lot of corn in that pound of beef or pork or poultry so they are important. I think they have been negotiated obviously more easily than what the WTO is. I think if we can commit to spending the resources to make sure that our trading partners stick to those agreements it is critical. If that happens, I think the bilateral trade agreements have been reasonably done.

Mr. MELANCON. I take a look at the trade agreements. Regardless of the administration it appears that the USTR thinks its job is to make a deal regardless of whether it is a good deal or not. I think we have to get past that mindset and start looking at preserving America, preserving America's agriculture and other areas.

Crop insurance claim frequency, my experience has been in the sugarcane area, and maybe you can speak to it, that the frequency of claims and the payments out in claims by crop insurance in the sugarcane area happens to be the people that are being required by the banks to have it more so than by those farmers that would like to have it. The cost doesn't justify.

Then when you go to crop insurance they show you the volume of claims and how the losses outweigh the premiums. Are you experiencing that in any of your commodities? I feel if we made a crop insurance program very, very attractive and affordable for all farmers, then the premiums paid in would far outweigh those poor farmers or those farmers that are not as productive who keep using it as a payment for their mortgage lenders. Anybody have any com-

ments on whether you think that might be a better avenue to attack the problem?

Ms. FORD. That would make some sense to me. I know we always buy as much crop insurance as we can on our organic market potatoes because the risk is huge. Like if you get a pest in there like light blight you can't spray for it. It is organic. We never have collected much on—we have been lucky, I guess. We have been able to raise a crop every year that we have done it. My feeling is that we have to buy it because the risk is so great and it is very costly. If it were made a little less costly across the board for everything, yes, it would help. The more premiums paid in the better.

Mr. MELANCON. Yes, I was in the insurance business 20 years and insurance is a pooling mechanism, although we are finding out right now with these disasters along the Gulf Coast that insurance companies who want to summarily rule out writing insurance where they are not profitable in some given year because of a storm, that is a whole other story for a whole other day.

I guess if we could provide more participation, and I believe more participation would come if, in fact, there was a program that made you comfortable that you would be whole. Not profitable necessarily but be whole where you were before the disaster and I think that would be more premiums in. Would you agree or disagree on that in any particular commodity? Mr. Tallman first.

Mr. TALLMAN. Just briefly, I think we have in the program commodity in the program crops in our area participation is very high in part because we have had disaster payments and if you are going to receive a disaster payment you have to agree to sign up for crop insurance for the next 2 years. That is forced producers.

Second reason is because of the banks. If there was a great insurance program that I could afford out there, that would be wonderful but I know in wheat if I get above the 65 percent level, I am trading a dollar's worth of coverage for a dollar's worth of premium and I am back to losing 35 percent again.

Mr. MELANCON. If I could be allowed to wrap up with Tim, I think Tim has one.

Mr. HUME. Yes. I think, to have an example, if you were to sell a product at 30 percent less than its cost and you can only get 20 percent of the consumers in Pennsylvania to buy that product, there is something wrong with the product.

Mr. MELANCON. Thank you.

Mrs. MUSGRAVE [presiding]. Mr. Conaway from Texas.

Mr. CONAWAY. Thank you, Madam Chairman. I also want to take a quick moment to brag on your work on behalf of cattle ranchers and cattle producers on opening the Japanese market. I represent West Texas and cattle is a big deal. I know we have producers that are going to testify here in a minute but thank you for your work on that. We certainly appreciate it.

Panel, thank you very much for coming today and visiting with us and giving your thoughts. I have two broad areas of questioning that I will pose the questions and then you can take whatever time is available before the red light goes off. We are pretty keen on sticking to that. One is labor issues. None of you have mentioned labor at all among your testimonies and given the current debate

about immigration and in worker programs and those kind of things if you have some thoughts about that.

The other thing if you have thoughts on would be helpful is most all families, most businesses, everybody has to set priorities as to what they spend their money on. The one large organization that does a terrible job of that is your Federal Government. We have a horrible track record of setting priorities. As we look at the 2007 farm bill, each of you for the most part asked for additional agriculture spending, additional agriculture investments. Where would be get that money?

The choices, of course, are other areas that the Federal Government currently spends money on and the more specific that you could say that you take money away from area X and put it in agriculture investment. Another area would be raise taxes. A third broad area, of course, would be to borrow the money.

I have six grandchildren. Every time we borrow a dollar in this Government, they are going to be paying the debt service on that debt when they are sitting in your chairs, when they are sitting in my chair. Help us to understand what your priorities would be for Federal spending. Either of those broad questions I would appreciate input on.

Mr. DEEDS. I farm about the same amount of acres that my father did in the early 1980's. At that time he had himself and myself, a full-time hired man, and then two guys we employed during the summer. I farm that same amount of acres with me and one guy. There are two of us out there. Actually I don't need him out there full-time. He is really just a half part-time person. With the new genetics and the new T-technologies and GPS everything else we have got going, we have cut out labor by quite a bit so labor issues aren't a big issue for me.

As far as where we get the spending or get the money from, I guess everyone has their priorities and everyone has what they would like to do and where they would like to see the money come from. I guess that is also in your court. I just know what doesn't work. I don't know how to make the programs work better. I don't know how to make the trade organizations work better. I know what isn't working for me.

Ms. FORD. I should probably say something about labor because in the specialty crop industry we do need laborers. There are five of us working on our farm now, me included. We do have to hire quite a bit of part-time help during planting which is going on right now, and during the 6 weeks that we harvest our potatoes down there.

In my opinion this country would stop without all the immigrants we have in here. I mean, this country would not be eating lettuce. They wouldn't be eating potatoes. They wouldn't be eating anything without these immigrants that are working. I know there has been this huge push to make them felons, let us not give them any benefits. I just think that is probably short-sighted. I think we need some kind of a guess worker program. As far as where we are going to get the money to pay for all this stuff, I don't know. That is up to you. I know that I pay my taxes and when I have a year that I need to pay taxes which sometimes isn't real often. It is very hard to prioritize and I don't envy you.

Mr. DEEDS. With regard to immigration, I think you all are at least in the fortunate position of being able to look at the people ahead of you and that came before you and say that they didn't address the problem because it is an issue that has been ignored by our Government for 20 years and that is unfortunate.

This country, as I would agree, would not operate the way it does today without immigration, unfortunately without illegal immigration. We need to increase the amount of legal immigrants we allow into the United States. People don't travel 1,500 miles to show up and not come to work on Monday. People travel 1,500 to turn up their lives so they can have a better chance at tomorrow.

Just like 95 percent of the people in this room at one point had an ancestor that came 2,500 miles to live the American dream. What has happened is we have pretended that we don't have a need for labor but that is not the case. We need to increase the amount of legal immigration we have in order to address some of the issues so that we have people that are tracked and known and we don't have the big problem of undocumented folks here that we have today.

With regard to paying for some of the priorities, I am not exactly sure where to come up with the money but if there is \$15 billion for oil companies that have been making \$10 billion a quarter, there is enough money for an adequately funded farm bill clearly without question.

Mr. CONAWAY. Thank you. I appreciate the thoughtful comments on the labor issue. That is one that is easily demagogue and I appreciate your comments. Mr. Hume, I think the percentage is a little higher than 95 percent. I have ancestors from some other countries so thank you very much for that.

Mr. Chairman, I yield back.

The CHAIRMAN [presiding]. I thank the gentleman. It is now my pleasure to recognize a valued member of the committee, Congressman John Salazar from Colorado. I want to thank John as well for hosting us here today.

Mr. SALAZAR. Thank you, Mr. Chairman. It is good to be back home, especially down here in the heart of feed lot country where people wear the manure on the outside of their boots instead of on the inside.

Many of us as we go across the country and hold these farm hearings, I think the No. 1 issue that comes up, of course, has been energy prices. I know that on my farm my energy costs have gone up by 76 percent over the last couple of years. I think that all of you would relate to the same problem. I know I see Dusty is shaking his head.

One of the things that I have been talking to the chairman of the Commodities Subcommittee, Mr. Moran, about is if we were to focus our commodity programs towards subsidizing those crops that were being grown for alternative energy such as ethanol or biodiesel, do you think—and I want to hear from each one of you. Do you think that maybe we would get a bigger bang for our buck?

I know there are some commodities or some products that probably would not—organizations that probably would not like that, but don't you think that even if we sacrifice briefly that in the long-term we can help make America independent, more energy inde-

pendent to where it would basically benefit all of us? We will start with Dusty.

Mr. TALLMAN. Again, wheat hasn't translated very well into energy yet but I would say from all of our perspective in eastern Colorado there are very few of us that are just wheat growers. We grow dry-land corn. We grow all those other crops. I think any kind of an energy program that can be renewable would help us as producers just as it would anybody else. What would we sacrifice to make sure we have a valued program there? I don't know. Right now we are in the mode of not trying to sacrifice anything. We are just trying to keep the doors open and maintain business. Energy has got to be a tremendous part of it. I think you would have all commodity support of that.

Mr. DEEDS. Like I said before, we are building an ethanol plant and a biodiesel plant. That has come from investment from our community and us going together and doing it. I hope it works because I am also an investor in that ethanol plant so we hope that ethanol does go the way of the promise.

Like Dusty, as a farmer I am just worried about what happens this fall to make a long-range plan for the next 5 or 6 years as far as what energy will do for my farm. I am right now in the mode of just trying to hold everything together. There are big problems with ethanol and for biodiesel and we certainly all hope it works. It is certainly what we are staking our futures on.

Ms. FORD. John, are you talking about subsidizing or like paying people to grow something like canola or are you talking—what are you exactly talking about?

Mr. SALAZAR. Specifically the farm support programs that we get for growing wheat or setting aside some acreage. I was thinking that maybe if we could maybe subsidize those that are growing canola or barley or corn specifically for the ethanol production it would alleviate some of the acreage pressures that are being utilized to produce feed or food. I think that side of the acreage problems would take care of itself.

Ms. FORD. I would agree with that. I think that would be a good thing to do. I think I agree with that. I think in the long haul that makes more sense.

Mr. HUME. I think a good example of something that has worked tremendously is the investment that our Nation's Government made in ethanol 20 years ago. What has happened is they have developed an industry that has increased the price of corn 20 to 25 cents so that we decrease Federal outlays for farm programs by that amount which is significant.

I mean, 25 cents on a \$10 billion bushel corn crop is more than just a few pennies. I think the best thing we can do is have a healthy biofields industry and to the degree that we can help support and incubate that for biodiesel with research into crops and production of biodiesel I think are good avenues to go down.

I think what we have done with the ethanol industry has given us an alternative that is cheaper than gasoline today. How can we not recognize the great success story that our Government's investment in ethanol has been? We can do the same for other alternative crops that can go to energy.

Mr. WELP. Yes, I think that makes a lot of sense for those commodities that can work real well on ethanol. Other nations that are less dependent on foreign fuel than we are, I think that is what they have done, taken a crop and made it work for renewable fuel sources.

Mr. SALAZAR. Well, I want to thank all of you for your comments. Mr. Chairman, I yield back.

The CHAIRMAN. I thank you, gentleman. It is now my privilege last but not least to recognize our newest member of the Agricultural Committee, he's been on the committee for just a few weeks, but representing an important agricultural district in the State of Indiana, Congressman Mike Sodrel.

Mr. SODREL. Thank you, Mr. Chairman. As you point out, I am the newest member of the committee so I am here more to learn than I am to make statements. But what I would like to know, after listening to everything that went on today and all the questions were asked and, by the way, thank all of you for being witnesses today, is there any closing statement that any of you would like to make that kind of ramps up your thoughts?

If you would start, Mr. Tallman.

Mr. TALLMAN. Just very briefly I have been asked several times how we fund something. I guess I look at what is in the farm programs I think is one-half of 1 percent of the Federal budget. To me that is a lot of money. I am not saying that \$15 billion or \$16 billion a year is not a lot of money but it is a very small portion. As Tim was saying, if that is a nickel a meal, 15 cents a day, how could we not afford to protect it and how can we not take care of production of agriculture in the country.

Mr. DEEDS. I think it is important that we keep the little funding that we have now and that we fight for it and make sure that we keep it where it is. May reprioritizing some of the spending may be helpful. Coming up with new programs that probably fit better with the way agriculture is today rather than being kind of locked into "we have always done it this way in the past" type of mentality would help out as far as new ideas. Congressman Moran doesn't like me giving him calls anymore. Anyway, like I said, I just want to make sure we preserve what we have and that we make it available for all young farmers to stay in this business and stay around.

Ms. FORD. I have a 31-year-old son that will be taking over the business for me this summer. I won't be involved anymore. I cannot believe how optimistic he is to go and be a farmer. I told him, "For God's sake, you are a soil scientist. Go work for someone else." He refuses to do that.

I think as long as we have young optimistic farmers out there, they need to be afforded the opportunity to do that. One of my main beefs, of course, is the insurance program. If there is anyway you can fix it, fix it. You all are pretty powerful people. If there is anything that you can do to send some rain out here, get after it.

Mr. HUME. I would certainly echo that comment. If you are successful in that, you will get my vote and everybody else's around here. I believe my most important message would be about the budget. A nickel a meal is a very small investment to make to

make sure that your plate is never empty. It has been successful. It has worked well in insuring that for the consumer.

But in order for the consumer to have a plate that never gets empty, we have got to have an opportunity for success for folks in agriculture. That is what the 2002 farm bill has done. Certainly I think it should be marked as a success. I believe we should lean towards extending rather than amending, or maybe extending with minor changes. I believe it has worked fairly well and has been a great investment for the American taxpayer.

Mr. WELP. Agriculture is important to all of us and we appreciate your help and direction so agriculture can be sustained so we can have more generations of farmers in the future because I would love to have my sons and daughters come and farm with me but the economics are really difficult.

Mr. SODREL. In closing, Mr. Chairman, I would just say I certainly agree with the statement the United States produces the safest, most reliable, most affordable food supply in the world and that we cannot afford to become dependent on foreign countries to feed us. I guess the father of modern economics, Adam Smith, Wealth of Nations, said, "All civilizations are built on a surplus of food."

When you look around the world those countries that we describe as third world are basically those countries that cannot feed themselves so, therefore, people cannot do anything else useful in society. We are committed to agriculture and we thank all of you for being here today.

The CHAIRMAN. I thank the gentleman for his comments and I want to thank all the members of this panel for a very excellent panel discussion in both your testimony and your answers to our questions which we will take back with us as we look ahead to writing the next farm bill. I appreciate again your participation.

At this time we will thank and excuse all of you and move on to our next panel. We would invite our next panel members to come forward and I will introduce you in just a moment.

The committee will come back to order. At this time we would like to welcome our second panel. Mr. Tom Compton, Cattle Producer from Hesperus, Colorado; Mr. John Bartmann, sheep producer of Greeley, Colorado; Mr. Lester Hardesty, dairy producer of Greeley, Colorado; and Mr. Mark Frasier, cattle producer of Fort Morgan, Colorado.

I will first welcome all of you and then remind you that your full testimony will be made part of the record and ask that you limit your comments to 5 minutes.

Mr. Compton, we will start with you. Welcome.

STATEMENT OF TOM COMPTON, CATTLE PRODUCER, HESPERUS, CO

Mr. COMPTON. Thank you, Mr. Chairman, ranking member, and members of the committee. I especially thank Representative Musgrave and Representative Salazar for helping to bring the committee to Colorado. I appreciate the opportunity to testimony. I am a little nervous but after I got here and I noticed the bookends on this committee, a real farmer on one end and a real truck driver on the other, I am not quite so nervous.

My name is Tom Compton. My wife and I own and operate a commercial cow/calf business in southwest Colorado. Although I am past president of the Colorado Cattlemen's Association, my remarks today are personal and only represent the views that my wife and I might have on farm policy so please don't blame the Cattlemen's Association for what I have to say.

I really appreciate the 1995 farm bill and the 2002 farm bill for its emphasis on "Freedom to Farm." I would like to see any more emphasis on programs that assist the producer through educational efforts directed toward best management practices and then the provision of incentives to adopt those practices. I believe the EQIP program, administered through the Natural Resource Conservation Service, is an excellent example. That is where the NRCS assists the rancher in the development of a long-range conservation plan then offers incentives through a cost share to adopt various portions of that plan on their individual ranch.

One small problem you might think about addressing with that program is if you could get the USDA to grant more flexibility to NRCS to adjust cost share requirements because sometimes portions of these conservation plans may have great benefits for wild-life species but the benefits aren't quite so great for the rancher for his business. A rancher might end up not taking advantage of those incentives because they are not cost effective for him.

National disasters have been discussed a fair amount on the first panel. We also are faced with those, particularly drought and wild-fire. It looks like the coming year is going to be a repeat of 2002 for us in eastern Colorado and southern Colorado. I think in order to sustain a ranching operation in the arid Southwest a rancher must learn to anticipate drought and develop strategies to manage accordingly. Research and education into appropriate strategies might be something that you can think about working on in a farm bill.

I do not expect or want the Government to bail me out because of bad decisions that I might make in terms of management, but disasters do occur and I think there are other ways you can assist us. For example, though not directly from your committee, one of the most important things you did for me in my business was to extend a period of time for me to reinvest funds I received because of forced sale due to drought. We must find creative ways to assist ranchers and farmers in rebuilding their operations following disasters.

You will notice I have made reference to disaster assistance, not disaster relief. I don't think we need programs that become an opportunity to create inequities between neighbors or between different segments of agriculture. I don't think there should be opportunities for a producer to receive income over and above what is possible in a normal year. I read an editorial in the Washington Post April 29 in which it was stated that the, the Senate proposed an additional \$1.56 billion for "disaster relief" payments to farmers who already receive subsidies for growing certain crops.

I fully realize most Americans desire cheap energy and cheap food and subsidies are certainly a way to address that problem. I realize that you have a very difficult job in trying to analyze the

situation from a “big picture” perspective, but just giving away large sums of money may not be the best long-term solution.

Half of Colorado’s land mass is managed by agricultural interests. These working landscapes are truly the front lines of conservation. Ranchers and farmers provide vast acreage of wildlife habitat, open space and viewsheds. For example, there are approximately 60 species of birds that spend at least a part of their life on the habitat that my wife and I provide. We don’t receive any direct economic benefit from their presence, but we are happy to be part of their well being.

I believe we should consider doing everything we can to bolster the ongoing activities of ranching and farming families. Sometimes conservation groups are like local economic development groups who measure their success by the number of new businesses they bring to the community when they might get a better return on their investment by seeing what they can do to help businesses that are already there. By keeping lands in agricultural production we not only meet conservation goals, but we also support rural economies and the local tax base without additional cost of government.

The Colorado Cattlemen’s Association, the Nation’s oldest State cattlemen’s association, was one of the first agricultural producer group to develop a land trust. CCALT accepted its 100th easement and have assisted families on about 188,000 acres. There is a waiting list of ranchers who wish to take advantage of this but are unable to do so because of the cost associated with simply negotiating and setting up these voluntary agreements.

It is my understand the U.S. Fish and Wildlife Service spent about \$60 million in 2004 on habitat acquisition. It seems to me society would get a greater return on its investment if you directed the Department of Interior to work with the Department of Agriculture to leverage these funds by using them to assist private land trusts and private landowners in establishing voluntary conservation easement agreements. The result would be ranchers doing the conservation work and the land trust monitoring the ranchers to the general benefit of society, all at no additional cost to the taxpayer.

I know this works because on my because on my Federal grazing allotment somehow you get me to pay for the privilege of building and maintaining improvements such as trails and water developments, and also to keep down wildfire fuels. The recreating public uses the trails, the wildlife uses the water and my cattle get a bite to eat. It seems to be a win-win deal all around. Isn’t it a good idea to conserve privately-owned working landscapes and facilitate voluntary conservation efforts?

It appears my time has expired so I will yield.

[The prepared statement of Mr. Compton appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Compton.

Mr. Bartmann, welcome.

**STATEMENT OF JOHN BARTMANN, SHEEP PRODUCER,
GREELEY, CO**

Mr. BARTMANN. Thank you. On behalf of the Colorado sheep industry, I appreciate this opportunity to discuss our Nation's agricultural policy with the agriculture leadership of the U.S. House of Representatives. I own and operate a 1,000 head commercial ewe operation based in the Greeley area. We flush the ewes on alfalfa fields in the fall and utilize crop aftermath in the winter.

The ewes start lambing about the 15th of April and right now we are in the process of wrapping up lambing. This week we should start moving sheep out to our spring grazing program. This is a program that we started about 6 years ago in cooperation with the Nature Conservancy. We started this program to manage larkspur and have expanded it now to manage dalmatian toad flax and cheat grass.

This year we will begin a project using 200 head of ewes to perform vegetation management for the city of Fort Collins open space. Our operation has seen it's share of ups and downs, but in 2003 we experienced a blizzard that wiped out 600 head of my ewes just 2 weeks prior to lambing. Enough on me.

The U.S. sheep industry is comprised of 68,000 farm and ranch families producing lamb and wool in every State of the country. This industry provides half a billion dollars to the American economy and is a mainstay of many rural communities throughout the western United States.

Our industry has been aggressive and creative in their approach to national initiatives that strengthen the domestic industry. In 2005 we passed the national referendum to continue our American Lamb Board checkoff program. This is a self-funded program that collects \$2 million annually from the sheep industry to promote American lamb.

The American Wool Council launched a wool production, information and marketing program in early 2001. These initiatives have improved introduced international markets to American wool and, as a result, we have expanded our export up until today we have over 60 percent of our annual production is exported. Where before the program began less than a third of our production was exported.

In addition to expanding markets for producers, the Wool Council has developed new fabrics and treatments for textiles with U.S. companies and America's armed services. We are proud to help provide clothing and uniforms for the men and women of our military.

The years 2004 and 2005 marked the first year-to-year growth in U.S. sheep inventory since 1987-88. Industry growth improves competitiveness for all segments of the industry from lamb feeders to breakers, wool warehouses to wool mills, feed suppliers, trucking firms and sheep shearers. The 2002 farm bill has played a critical role in turning around the U.S. sheep industry, especially with the ewe lamb payment program.

Some of the current programs that are in place, and I am just going to mention a couple of them, is, No. 1, the wool Loan Deficiency Program which is the only safety net program for sheep producers in our business. I encourage the committee to re-authorize the wool LDP and at a base loan rate of \$1.20 per pound. Currently

this program is at \$1. Testimony presented before the last farm bill recommended a \$1.20 a pound. By increasing \$1.20 would allow all producers to collect and benefit in the program as intended.

Another program that I would urge is the re-authorization of the National Sheep Industry Improvement Center. This is a program established in the 1996 farm bill in the Rural Development Program of USDA. This program does not loan money to private individuals to buy sheep or lamb, but it does provide financing to companies to build infrastructure within our industry.

Believe me, over the last 20 years with the decline in the U.S. sheep numbers, we have been experiencing a domino effect. As we lose sheep numbers, then we force our infrastructure to decline. We lose packing plants and other processing facilities. As a result we lose more sheep numbers and we lose more infrastructure. It is just the domino effect that we need to put an end to. Fortunately through the National Sheep Industry Improvement Center we are doing that.

Moving onto future programs. As the commodity markets become more global and the United States moves in the direction of global free trade, our U.S. agricultural policy must change to position American producers to compete profitably in this new environment. To do this we need to evaluate each commodity on an individual basis and identify bottlenecks to profitability within those commodity groups. This requires action in two areas.

First, we need to implement a program to improve our competitiveness on the domestic front and, second, we to push for and require aggressive reforms in those countries with barriers to free trade with the U.S.

The U.S. sheep industry has four areas limiting our ability to compete in a global market. No. 1 is labor. I can't emphasize labor enough. The U.S. sheep industry has to rely on unskilled labor from third world countries. We bring these laborers in on an antiquated H-2A visa program. This work program is encumbered with bureaucracy and red tape.

It is ironic that when I wrote this testimony here, and I had to submit this by Wednesday, I included in this as an experience to me that if a worker decides to quit or jump the system, they blend into the rest of the illegal population within the United States. It can take up to 6 months to replace these workers.

When you are in the middle of lambing, people, we need somebody tomorrow, not 6 months from tomorrow. When I submitted this testimony on Wednesday, I went back to my sheep Thursday and the herder that I had was gone. This guy skipped. He packed up his camp in the middle of the night and left. This is not a new problem.

The problem exist because there are herders who come in on these visa programs in the past who are still here illegally in the United States and these people have a communication system. This guy that I just brought in took me 6 months of bureaucracy that I had to go through. I had fees that I had to file and pay with the U.S. Department of Labor to initiate the process to bring this guy up here.

I had airfare to bring him in here and I had other expenses involved in this and the guy is gone. Our U.S. immigration policy

does not work because we do not enforce current law. If our U.S. immigration enforced current law and picked these people up in the past, we wouldn't have this problem. Believe me, people, this problem needs to be fixed and it needs to be fixed now.

Our second problem is predators. Predation is our second largest cost to production, destroying in some operations up to 20 percent of annual production each year. As a western sheep producer told me when I started in the sheep business a little over 10 years ago, he said for every four bands of sheep you run, you had better run another one because that is what you are going to need to feed the predators.

There is no manufacturing business in this country that can sustain the type of losses the sheep industry experiences and stay in business. It is unacceptable that the State and Federal Government claim these predators do not effectively manage or take responsibility for the damage that they cause.

The fourth area is disease. We have four major diseases that impact the U.S. sheep industry. Scrapie, which the Government has started a program on. Unfortunately the program is under-funded and is poorly managed.

The second disease which is identified by a national health monitoring study done in 2001 is ovine progressive pneumonia. This disease is found to exist in over 80 percent of the commercial range operations. Some range operations are experiencing infection rates as high as 65 percent.

The third disease is caseous lymphadenitis. Along with OPP shortens the average production life as a ewe by 2 years. A third disease that we have and have started to experience now is measles in lambs which is becoming a significant reason for condemnation of lambs at slaughter.

The last two diseases, caseous lymphadenitis and measles are diseases that the U.S. Sheep Industry can solve on their own through a little bit of research and producer education. However, we need an OPP eradication program.

The fourth is Government regulations.

The CHAIRMAN. Mr. Bartmann, you need to bring your—

Mr. BARTMANN. OK. I am working on it. I am going as fast as I can. I apologize.

Programs such as the Endangered Species Act, National Environmental Policy Act, and others, while they are well intended have negative consequences on our ability to produce.

You have a copy of my testimony and I want to move on to a couple of other things that we need to do in order to overhaul our industry. No. 1, the Federal Guaranteed Loan Program to help new producers in our business. We need a catastrophic risk insurance program for the livestock industry.

I guess, finally, for the security of this country and to maintain our place as a "superpower", we need a healthy and prosperous agricultural industry to feed our country. To underscore this problem, as you guys fly in and out of DIA look out the window of your aircraft and look at all the houses that are built and expanded in Colorado. We have a problem when water is of more value to keep the grass and the yard green than it is to grow the crops to put the food on the table. Thank you.

[The prepared statement of Mr. Bartmann appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Bartmann, for your welcomed comments.

Mr. Hardesty, welcome.

**STATEMENT OF LESTER HARDESTY, DAIRY PRODUCER,
GREELEY, CO**

Mr. HARDESTY. Thank you. Good morning. My name is Les Hardesty. My wife and my young family operate a dairy farm about 10 miles north of this beautiful city of Greeley. My daughter did join us today as an example of a young person with her roots in agriculture, but also realizes that not all of the work is done on the farm. Quite a bit of it has to be done in the hall of Congress.

As you can see on your trip in, living, working, and playing in Colorado at the base of our beautiful Rocky Mountains is desired not only by the human residents but my cows love the view and the climate also.

I would like to thank you for taking time from your busy schedules to come to Greeley. I think it is great that you are out in the country listening to the agriculture community. In my opinion, that will truly give you a read on the pulse of America.

I would like to thank Congresswoman Musgrave and her staff for the recent visit that they had to a dairy in the area and thank you for continuing to build your knowledge base about our industry. Also Congressman Salazar for his recent participation in a trade policy forum that we had.

A brief flavor about Weld County, the county that you are in. It is the largest agriculture county in the State and it is one of the top 10 in the Nation both in geography and agriculture revenue. Thirty-one percent of the local employment is directly in some way related to agriculture. There are 420,000 acres of irrigated farm land.

I emphasize irrigated here. Irrigated farm land in Weld County. That makes Weld County one of the largest masses of irrigated land in the world. All this talk about irrigation, even so if you could help us if you have any connections. Mother Nature needs to help us irrigate a little. We do need a little rain.

Let's talk about the farm bill. The dairy industry needs, and I am asking for your help on the following issues. Les Hardesty farm bill testimony

1. Continuation of the dairy price support program at its current support level of \$9.90 per cwt. We would oppose granting the Secretary of Agriculture any provision that would reorient its intended purpose from a safety net to farmers versus minimizing Government costs.

2. The Commodity Credit Corporation should take action and adjust the support program purchase price levels for cheese, butter and nonfat dry milk to reflect the significant additional costs manufacturers face when selling products to the CCC.

3. The Dairy Export Incentive Program should be used to its maximum allowable levels. The Secretary of Agriculture should be directed to see that the allowable amounts of cheese, butter and nonfat dry milk are afforded export assistance equal to what we are

allowed under the current WTO agreement. I am a strong supporter of Federal Milk Marketing Order System. However, at hearings in which we request changes, it routinely takes 24 to 36 months to get a final decision. This must be streamlined.

Let us shift gears for just a second here and talk about the Dairy Checkoff Program. Dairy Checkoff, as you know, is the generic advertising program. It is a farmer-funded self-help program designed to increase demand for and sales of U.S. dairy products domestically and internationally.

As you are aware, each and every farmer contributes 15 cents per hundredweight which is in excess of 1 percent of our revenue toward this program. One example of the successes that we have had in recent past is the huge increase in fluid consumption in quick-serve restaurants and in schools by making a more attractive package available to our children and their parents. The checkoff is indeed working for all dairy farmers.

Dairy farmers appreciate that the 2002 farm bill included a provision for collection of dairy checkoff on dairy products imported into the United States. As you know, there still has not been any collection of the dairy checkoff on imported dairy products. The U.S. Special Trade Representatives Office has made a decision that additional legislation is needed to provide for the collection of the checkoff from dairy farmers in Alaska, Hawaii, Puerto Rico, and all of those cows located in Washington, DC before the checkoff can be collected on imported dairy products.

Mr. Chairman, we need this additional legislation even prior to the 2007 farm bill. Imports of dairy products are getting a free ride on U.S. dairy farmer's promotion of dairy products.

In the 2002 farm bill, Congress implemented deficiency payments to dairy farmers through the Milk Income Loss Contract Program. Any discussions, in my opinion, of this program in upcoming farm bill should not include limits on payments based on milk production.

As you are well aware, the nearby outlook for dairy farmers is not good. 2006 and 2007 does not look real promising. In addition to milk prices going down, farm costs are increasing putting increased pressure on farm margins. As you are well aware, energy costs are at record highs. High energy costs impact all aspects of my dairy, from fuel used to grow crops, to electricity used to cool my milk. Under the current situation facing dairy farmers in the U.S., it is not appropriate to consider reducing the safety nets that are currently in place.

Finally, I would like to commend the Members of the House of Representatives for their recent passage of the Milk Regulatory Equity Act. This law closes major loopholes involved with milk pricing in certain parts of the United States. Thank you very much for that effort.

That concludes my testimony today. Thank you for allowing me to testify. I will be glad to respond to questions at the appropriate time. Thank you.

[The prepared statement of Mr. Hardesty appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Hardesty.

Mr. Frasier, welcome.

**STATEMENT OF MARK FRASIER, CATTLE PRODUCER, FORT
MORGAN, CO**

Mr. FRASIER. Thank you. Mr. Chairman, Ranking Member Peterson, and Members of the committee, thank you for the invitation and opportunity to present my views on agricultural policy with respect to the 2007 farm bill. My name is Mark Frasier, and as a third generation cattle producer, my family is committed to a ranching operation that is ecologically friendly, economically viable and socially acceptable to my urban and rural neighbors.

Agriculture is a business, and will function most effectively and efficiently when unfettered by misplaced production incentives or under restrictions intended to serve one group of people or producers at the expense of another.

Yet, on a daily basis, we face climate, market and even political uncertainty. Government does have a key role to preserve order and stability, and I appreciate that you accept the responsibility with the weight it deserves. I offer the following priorities for your consideration.

I thank you for your time and being here today and I offer the following priorities for your consideration.

Market Access. As an American beef producer, my most pressing policy concern is for open and fair access to the global marketplace. Nothing would generate a greater economic impact than the opportunity for my peers and me to provide the same quality product to foreign consumers that we enjoy in this country. I urge you to make every effort to work towards trade normalization, especially with the strong economic nations on the Pacific Rim.

Domestically, I would caution you not to impose a ban on ownership of cattle by any trade or production group, including meat processors. As a producer of feeder cattle, you do me a disservice if you prevent a valued customer from bidding on the harvest of my family's ranch.

Animal Identification. For months building on years we have debated the need for a national animal identification system, and we are little closer today than 2 years ago. We argue the merits of a mandatory structure and the logistics of data collection, and meanwhile our foreign competitors are entrenching their policies in place.

It is imperative that we move beyond the pilot stage and initiate a national program. I believe a design that is privately based would operate with efficiency and be more acceptable to producers, but even a private database needs to be backed by the authority of the U.S. Government. Please do what you can to accelerate progress on this important front.

Conservation Policy. Agricultural producers serve a dual role in this country, in addition to providing food and fiber, we manage the vast majority of our Nation's natural resources and it is time that our agricultural policy reflected that stewardship.

Traditional commodity programs that are acreage-based and crop-specific discourage market innovation and ecological diversity. By contrast, initiatives such as the Conservation Security Program are a bold step in the right direction, because they reward responsible management. I would encourage conservation programs that

are based on resource health and eligible to all producers, regardless of size. The intent is to generate a beneficial effect on the land.

To the extent you have the political will, I urge you to make an historical shift in policy, away from supply management and toward encouraging ecologically responsible stewardship. History books are replete with examples of vain attempts by failed nations to centrally manage the production and supply of agricultural goods. We can do better.

Risk Management. Absent the security blanket of commodity price supports, American producers are exposed to the uncertain risks of weather conditions. A farmer faces no greater immediate risk to crop loss than by drought, fire, hail or flood. Obviously, not even the Federal Government can control the weather, but it can help mitigate weather-related loss.

Federal crop insurance is an effective way to prevent avoidable economic failure and those programs should be broadened to include forage-related crops, including range. In circumstances beyond the insurable, there is a place for disaster response, and I hope you will make allowances for these unpredictable but inevitable crises.

Research. Finally, no business can hope to survive into the future without directing resources towards research and development. For our agricultural systems to remain viable, productive and even relevant into the future, it is vital that research dollars continue to be made available.

Our land grant institutions and the Agricultural Research Service provide valuable research and extension into new technologies that benefit all segments of agriculture. The Sustainable Agriculture Research and Education program is one example of an effective way to stimulate innovations in agricultural research.

The U.S. Department of Agriculture enjoys credibility and influence with the consumers of this Nation as well as in markets abroad. It is in the public interest to maintain a strong agricultural policy, as defined by the farm bill. I hope you will give serious consideration to our ongoing needs for market access, for the value created by a management-based incentive system, and be open to assisting farmers with new and creative ways to manage risk. I wish you wisdom in your deliberations and I thank you for your attention.

[The prepared statement of Mr. Frasier appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Frasier.

The CHAIRMAN. Mr. Hardesty, in your testimony you suggest that modification be made to the Federal Milk Market Order Program to expedite the process by which amendments are made. This is a topic of great interest to me and to many in the Congress. Have you or any of your colleagues compared the Federal system with that of the California Milk Market Order which does have an expedited system? If so, what specific amendments should we consider?

Mr. HARDESTY. Thank you, Mr. Chairman. Personally I have not compared the two systems. The California system responds more quickly in both price and in the case of changes. I don't know the specifics of why that changes more quickly but I do think there is

a true need to expedite the process. We understand that due diligence must be done but 24 to 36 months is just not adequate.

The CHAIRMAN. We certainly agree with that.

Mr. Frasier, I am often concerned about the unintended consequences of many policy proposals. The ban on packer ownership, in my view, is one with strong negative consequences to cattle producers. I wonder if you could explain in a little more detail your concerns with the ban on packer ownership that you discussed in your testimony.

Mr. FRASIER. The individuals or groups that we are talking about represent a strong demand source for the product of my family's operation. If you are going to create legislation that bans a certain group from purchasing my product and basically eliminating a competitive bid from the marketplace, you will have to explain to me then how that benefits competition in the marketplace. I can't see that it does.

The CHAIRMAN. Very good. Thank you.

Mr. Bartmann, would you like to see the wool LDP raised to \$1.20? You said you would like to see that. What is the current market price for wool and do you know what the cost would be to raise the loan rate from the current rate of \$1 to \$1.20?

Mr. BARTMANN. Yes, I do. Currently the LDP program is based on nine categories of wool. A majority of the categories paid on the wool is in a single nongraded category. The wool market in the United States we saw some increase in the wool market a couple of years ago and now it is dropping. The wool for my operation last year was 80 cents. This year it is probably about 50 cents a pound for the wool.

When the LDP payment for wool was created, the cost of that was estimated to be \$20 million annually. In 2002 through 2005 the actual cost has been \$7.8 million, \$7 million, \$7.3 million, and \$6.2 million respectively. In reality we haven't even come close to collecting or paying out the money that was actually anticipated to put into the program.

The CHAIRMAN. Do you know why the estimate was so much higher than the actual payout?

Mr. BARTMANN. That I can't tell you right off the top. I think originally when they designed the program there would be more participation in the graded wool category but because of the paperwork and the process and the cost to go ahead and grade that wool, everybody in at the time of the year because in our sheep industry we shear sheep and within 2 weeks for most operations we are already lambing. We have to get that wool sold and get it out of our way. A lot of this LDP program requires that we file with the FSA office. It is a time issue really is why a lot of the wool goes to a nongraded category.

The CHAIRMAN. Thank you. Let me ask if any of the members of the panel are participating in the Environmental Protection Agency's Clean Air Act Monitoring Program under the recently signed consent agreement? Nobody? All right.

Well, perhaps some of you may want to comment on my concern which is looking ahead a few years to believe the current conservation programs such as EQIP will be adequate to meet producer's needs to comply with any EPA orders that may be forthcoming

from the results of the agreement. If not, what modifications to our current conservation programs would you suggest for the next farm bill? Anybody worried about environmental regulations closing in on you? Mr. Frasier.

Mr. FRASIER. Operating in an environment where I think we are viewed as fairly friendly to the environment, but I think producers respond fairly well to incentives. You have the choice of using the carrot or the stick. I think the carrot will be more productive in the long run.

The CHAIRMAN. Thank you. Anybody else? Mr. Hardesty.

Mr. HARDESTY. I would just comment real quickly that obviously environmental concern issues are at the top of all producers minds, especially along the front range here where we operate very close and in harmony with neighbors and urban people. The cost of compliance is part of what is driving the move toward larger and fewer operations.

The CHAIRMAN. Thank you. Anybody else?

If not, I will yield to the gentleman from Minnesota, Mr. Peterson.

Mr. PETERSON. Thank you, Mr. Chairman. I will try to set an example here to get us back on schedule a little bit so I am not going to ask any questions. I just want to make two brief comments. One to Mr. Compton.

I appreciated your statement about the fact that even if this raised your feed cost to make more renewal fuel, it is the right thing to do. I had a study done not too long ago by FAPRI that indicated they are looking at this out in the future. They don't think it will raise feed cost. The chicken guys still don't believe that but they are pretty good folks over there so we will keep an eye on that.

Mr. Hardesty, I just wanted to commend your industry for their foresight in establishing the CWT. I think that has been a big help. That is the kind of thing we need to be doing where the industry tried to take care of their own issues and not have the Government get involved.

Mr. HARDESTY. Thank you.

Mr. PETERSON. I thought you all did a great job and you answered all my questions so I am going to move it on down the line. Thank you.

The CHAIRMAN. I thank the gentleman. The Chair announces that at this point we will recognize members who seek recognition to ask questions. If you don't care to ask any, that is certainly approved by Mr. Peterson.

The gentleman from Kansas.

Mr. MORAN. Mr. Chairman, just briefly. We talked about crop insurance with the previous panel. That was a significant component of their testimony. Risk management tools, so-called crop insurance for the livestock sector, anything that you all are using or any advice or suggestions that you can provide as to how we can improve the opportunity for livestock producers to access great risk management tools?

Mr. BARTMANN. As far as I am aware of, there are no risks past our risk insurance programs for the livestock industry unless you happen to be in an area that is designated as a disaster area, then

there is disaster program money, but on an individual producer basis, there is no catastrophic risk insurance. We need that desperately.

Mr. MORAN. I don't know about lamb and sheep but there are pilot programs in various States across the country, this livestock side of crop insurance is slowly getting off the ground but I am interested in your comment that we need that kind of insurance. Anyone else?

Mr. FRASIER. Yes, Mr. Moran.

Mr. MORAN. Mr. Frasier.

Mr. FRASIER. As a businessman I would look very favorably at a program that provided me the opportunity to hedge my market peril or weather peril on the ranch because our crop really is range. We just market it through livestock so if that was an option that was available to me, I would look very seriously at it.

Mr. MORAN. The other component of this is hay and forage and trying to expand crop insurance to cover things that you all feed your livestock as well. Anyone else? Thank you very much, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

The gentleman from Pennsylvania, Mr. Holden.

Mr. HOLDEN. Thank you, Mr. Chairman.

Mr. Hardesty, I mentioned to the last panel that we had a hearing in Pennsylvania last week and the panel was dominated by dairy farmers because it is the biggest industry in Pennsylvania as far as agriculture goes. I was just curious how large is your operation? The average Pennsylvania dairy farmer milks about 100 head. I am just curious.

Mr. HARDESTY. We milk about 650 head.

Mr. HOLDEN. Six hundred and fifty. Is that about average for Colorado?

Mr. HARDESTY. Yes. There are 107,000 dairy cows in the State of Colorado on 162 family farms, I believe.

Mr. HOLDEN. Big difference. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

The gentlewoman from Colorado, Mrs. Musgrave.

Mrs. MUSGRAVE. Thank you, Mr. Chairman.

Mr. Compton and Mr. Frasier, the Japanese beef embargo, of course, had a great deal of affect on Weld and Morgan Counties and the whole State of Colorado. I wonder if you could comment personally on the affect that it has had on you.

Mr. COMPTON. Unfortunately, Congresswoman, I can't give you a dollar and cent impact to be perfectly honest. The cattle market is pretty much a supply and demand market. We appreciate very, very much the work that you did relative to reopening that Japanese market because I know that is going to increase the demand and we can't increase the supply because the lag time fast enough so it should raise the market price.

I can't give you a dollar and cent value on what impact it will make. Certainly in terms of my emotional health knowing that the loss of that market was prevalent certainly had some impact there I can tell you that.

Mr. FRASIER. Mrs. Musgrave, I believe the industry as a whole has recorded something in the range of a \$4 billion loss since we

lost those particular export market. The Japanese market opened for a brief period of time early in the year until it was subsequently closed. I can tell you from personal experience that there are marketing avenues available to us that we were prepared to participate in to provide source verified product. We were fortunately enough to deliver a few head within that time window and I believe we received a premium of \$35 to \$40 a head. As you know, that door is now closed so that is an opportunity that is no longer available to us.

Mrs. MUSGRAVE. I certainly will continue working along with my colleagues and Chairman Goodlatte to address that and get the Japanese government to respond appropriate. The last misstep was so unfortunate because the United States had done everything. The cattlemen had done everything they were asked to do. Then we had that setback and I am hoping that we can move forward very soon. I do really worry about this lag time and who is going to take care of the market and how long. You can't just turn this around overnight when you are trying to meet the supply so I am hopeful that we can move quickly. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentlewoman.

The gentleman from Louisiana, Mr. Melancon.

Mr. MELANCON. Thank you, Mr. Chairman. I need to just kind of—there was a comment made—set the record straight about the 1.6 or 1.56 being in Louisiana. First, sugar doesn't get any payments and it is not a personal thing. I just need to make sure everybody in the country understand this because Mr. Johann's comments and statements in recent weeks basically said he was watching the exit door of the hospital where the people were coming out well and didn't go to the acute care section.

We have the acute care section in Louisiana. Salt is in the soils. Just in sugarcane over 50,000 acres. That is not an annual crop. That is a crop that is planted in the hopes of getting 3 years out of it. If you don't get 3 to 4 years at \$500 an acre to plant, in Louisiana there is a card game called Bourre and if you play it wrong, you get bourred and have to match the pot. They have been bourred.

There is an \$80,000 cap that they are putting on crops destroyed but they are telling the rice folks, "Unless you plant next year's crop, you won't be eligible." The problem is the salt in the soil has killed off what they didn't harvest and won't allow them to plant for the next harvest. Cattlemen, there is an estimated \$35,000 to \$40,000 head known dead from the storms and they are talking about bringing an \$80,000 cap per unit. I have one guy that I know that has over 1,000 cattle. \$80,000 doesn't even begin to put him back in business or to help him get going and you can't ensure cattle.

Shrimpers. Let me give you a good ironic one. Small Business will loan the shrimpers money and that is why we have got disaster assistance in the shrimpers and fishermen. Small Business will loan them the money to fix their boats but they won't loan them the money to get their boats back in the water so they are in a dilemma. You have got to be in south Louisiana to understand it

when the shrimp boat is sitting out in the middle of the highway and it is 10 miles from the nearest body of water or even further.

There has been so many misconceptions of what happened in Louisiana and Mississippi, Alabama, that unless you get on the ground and see it and talk to the people, understand it, hear it and smell it because the birds haven't come back. The dogs aren't out in the people's yards. The people aren't even there anymore. They have lost their jobs. They have lost their homes.

They have lost their families. They have lost everything that meant anything to them. Mr. Johann's statement has created a problem for recovery efforts in Louisiana, Mississippi, Alabama just as Mr. Powell's comments in a recent week about abandoning a section of Louisiana and not putting levees around it.

That one particular piece of land has 80 percent of all the oil and gas that comes out of the Gulf of Mexico passing through it in pipelines going throughout the United States to provide us our energy use. Like I said, not a personal vengeance, something I needed to state to try and set the record straight because people are getting wrong information out of Washington. Thank you.

The CHAIRMAN. Thank you, gentleman.

The gentleman from Texas, Mr. Conaway.

Mr. CONAWAY. Thank you, Mr. Chairman. Mrs. Musgrave actually asked the question I was going to ask. I was taken with Mr. Compton's comments about throwing large sums of money at issues. It doesn't necessarily make it work and I think you were probably referring to the Senate deal to give commodity crop payments, a 30 percent payment on their direct payments for energy issues. I appreciate your comments on pushing back on that idea.

I would like to follow up with Mr. Frasier. You said the industry lost \$4 billion on sales to Japan. Is that \$4 billion of actual losses or just sales that you would have otherwise gone to Japan that you sold somewhere else? How did that \$4 billion work?

Mr. FRASIER. That is an estimate of the impact on the overall market place. We don't sell animals abroad, we sell parts so that is the impact on our domestic market by reducing the value both in terms of quality of meat products and also by-products that come as a result of having international markets closed to us.

Mr. CONAWAY. OK. The actual money that you lost as a producer?

Mr. FRASIER. It is an opportunity cost.

Mr. CONAWAY. OK.

Mr. FRASIER. We would have generated an additional \$4 billion in revenues over a period of time since December 2003.

Mr. CONAWAY. All right. That helps me. Thank you very much. Yield back, Mr. Chairman.

The CHAIRMAN. Thank you, gentleman.

The gentleman from Colorado, Mr. Salazar.

Mr. SALAZAR. Thank you, Mr. Chairman. I would like to briefly ask Mr. Compton, first of all, how is my brother doing back in Hesperus?

Mr. COMPTON. As far as I know he is doing quite well.

Mr. SALAZAR. Let me just ask you, could you talk a little bit about the Colorado Cattlemen's Land Trust and how Federal regu-

lations or rules or Federal budgets impact what the Cattlemen's Land Trust is trying to do in conserving lands?

Mr. COMPTON. Congressman, I will give my best shot at it. I am not as familiar with that as I probably should be. Certainly——

Mr. SALAZAR. Isn't your ranch under a land trust easement?

Mr. COMPTON. It is not. Our ranch is not under an easement. My children decided that they didn't want to do that and I abide by their decisions in almost everything. All the regulations that are put together to regulate land trust nationwide certainly impact the Colorado Cattlemen's Land Trust. Those regulations are with good purpose. They provide the guidelines by which a land trust is formed and operates.

They need to be sure that the land trust is meeting their responsibility to manage, to monitor the conservation efforts that are agreed to by the landowner and the land trust but I don't know of any specific regulations that impact the land trust community as far as Colorado Cattlemen's is concerned.

The problem that they are having is that they have a lot of ranching families that want to take advantage of the program but are unable to because of the cost involved in setting up the agreements. There are a lot of up front cost as well as continuing monitoring cost. Most ranchers are land rich and cash poor so because of that cash flow problem, they are not able to take advantage of that program.

I was suggesting if there is any way, for example, some of that U.S. Fish and Wildlife money that is being used to acquire habitat could be used to help address those costs a little bit so that more ranchers could take advantage of it so they still get the habitat, still keep the land in production agriculture. Really society wins both ways and cost a lot of extra money but it does reach that conservation goal that we are after, and also helps the family to stay in ranching.

Mr. SALAZAR. Well, thank you, Mr. Compton.

Mr. Frasier, you are out in an area that is also experiencing quite a bit of development. Is that correct?

Mr. FRASIER. Yes, we are on the fringe of it, yes.

Mr. SALAZAR. And so have you utilized any of the land and water conservation fund or the Cattlemen's Land Trust to try to preserve some of your operation?

Mr. FRASIER. No, my family has not done that and I am not aware of any of my immediate neighbors that have participated in that sort of program. As you can appreciate, there is a bit of a tradeoff in placing land into a conservation trust. You are, of course, making decisions for future generations and so I think that is something that is not taken lightly by a lot of producers but, nevertheless, we are happy to have that option available to preserve a farmer ranch.

Mr. SALAZAR. Thank you very much.

Mr. Hardesty, I just wanted to commend the dairy industry, as Congressman Peterson, stated about your leadership in getting the industry to actually take responsibility for your own future as we have done. We followed your model in the potato industry on putting aside acres as far as potato production and we have been very successful this first year. I hope that we continue to do so.

I think many of you understand that we are facing a very difficult challenge in Congress because of our deficit problems. Back in January when I went into Congress our national debt was \$7.054 trillion. One year later it is at \$8.4 trillion. Each one of us as Americans right now basically owe \$28,000 if we are ever to pay off that debt. We understand that this new farm bill may not be quite as generous as the 2002 farm bill so I would just ask you to keep that in mind when asked if we should extend maybe the 2002 farm bill. Thank you.

Mr. SALAZAR. Thank you very much all of you for coming to testify.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

The gentleman from Indiana, Mr. Sodrel, is recognized.

Mr. SODREL. Thank you, Mr. Chairman. This will be quick. As I went around having agriculture-listening sessions in my district animal ID was something folks wanted to talk about a lot. I was shocked to find out the average herd in the State of Indiana for beef cattle is 20 head and the level of sophistication between people that are raising thousands of animals at a time in the west versus 20 head average in my part of the country. There is a wide gap in sophistication and willingness to do computers.

I would just invite each one of you to think about how we might have a system that takes into account some regional differences and levels of sophistication. A lot of farmers think just a simple ear tag. Here is where the farm is and here is the address, here is my name, all the way up to they want ID tags that you can read with a wand.

Any quick comments on that? Or if you would like to think about it and submit something. Be a little more proactive, I guess, I am saying, rather than just wait for something to come down it would be appreciated. Start with Mr. Compton.

Mr. COMPTON. Just very quickly, I think a majority of us in the cattle business already ID our cattle as you said, ear tag.

Mr. SODREL. Yes.

Mr. COMPTON. Some of the more valuable animals might be tattooed. We already do that so it shouldn't be too much of an added workload instead of a plastic ear tag to put a traceable electronic tag in the ear. It looks like that is something we are going to need to have. We are not crazy about the idea of having the Government looking that closely at our operations.

Although I found out recently you can get on Google and call up a satellite map and go right down and see where all the outhouses are located on my ranch. Apparently they know a lot more than I think they know. I do think it would be a valuable service to the food industry in general, as well as to the cattle industry to go ahead and proceed with a national animal ID program.

Mr. BARTMANN. Actually, the sheep industry already leads the rest of the country in an animal ID program in that we have a national scrapie identification program which requires although voluntary all sheep that are marketed to carry an identification that has a code for the operation and all these tags have a number on them. As we get back, as I said, it is under-funded. We do it on

a least-cost bid process so the quality of tags that we got are sub-par.

Getting back to a National Animal Identification Program, the problem we have in the sheep industry, as I pointed out, labor is our No. 1 issue. Not only quality but quantity of labor. A National Identification Program requires that each one of these animals have a tag be placed in the ear and then you got to be able to read and either submit that data or somehow get it into the system so you can track these animals in the event of an outbreak.

The reality of it is we don't have the labor and this system would do nothing more than increase the cost of our production. But I have an option for you here. As I indicated, one of our biggest problems facing producing in sheep is disease and scrapie.

If we could institute an eradication program that involved an ID system such as an RFID implant, we would be able to further our progress of getting a national animal identification program in place for the sheep industry that works that will accomplish the goal set forth by the Department of Agriculture. Also they would be able to introduce producers to the efficiencies and the potential for reducing labor and improving production and efficiency of an operation. Thank you.

Mr. HARDESTY. Briefly, in the dairy industry obviously we have a pretty high level of technology already and sophistication whether it is ID, computerization kind of irregardless of herd size. But more importantly I think is our customers are asking for animal ID and premise identification so I think we have to move there. We cannot get there quick enough. Is there a possibility of regional differences, smaller herds in areas of the country where maybe we could do a premise ID and then internally somehow ID the animals on a small operation? Absolutely.

Mr. FRASIER. I am sensitive to the fact that there are geographic differences across the country not only in terms of size but the way people market and handle their animals. I believe it is imperative that we have a national program or protocol that is accepted nationally so that when your cattle from Indiana come to Colorado or vice versa, we are talking on the same plain.

To me the key thing is the protocol, it is not the technology. I believe there are ways of addressing even for small producers a process or a methodology that is acceptable and affordable to them and will actually provide them some of the market advantages that Les referred to.

Mr. SODREL. Thank you all for being here today and testifying. Thank you, Mr. Chairman. I have no further questions.

The CHAIRMAN. I thank the gentleman. I would like to thank all our witnesses on this panel and on the previous panel here today. I appreciate your very careful consideration in preparing for today's hearing and in answering our questions.

I would also like to thank Kathy Dilbeck and all of the staff here at the Island Grove Park's 4-H Center that have worked so hard to make this hearing possible. Let us give all the people who worked on this hearing including our panelists and the people with 4-H and others a hand for making this possible.

The information that our witnesses provided here today will be very helpful to us as we begin this review process. We look forward

to maintaining open dialog with you and your fellow producers across the country as we consider the next farm bill.

As I stated in my opening statement, I want to encourage you to share your thoughts with Members that don't sit on the Agriculture Committee. They will be involved in this process as well and it is important that they hear it from rural America and our farmers and ranchers.

The record of today's hearing will remain open for 30 days and anyone who would like to submit a written statement for our consideration is welcome to do so. Please see Lindsey Correa, our clerk, for more information on submitting a statement if you wish to do so. Then let me also remind everybody if you didn't get one of these little cards, we have them available for you. This will enable anybody who didn't have an opportunity to testify today to submit your statements, your observations to the committee through our Web site and we would welcome that and benefit from that as well.

Without objection the record of today's hearing will remain open for 30 days to receive additional material and supplementary written responses from witnesses to any question posed by a member of the panel.

Does the gentleman from Minnesota have anything you would like to add? If not, this hearing on the Committee of Agriculture is adjourned.

[Whereupon, at 12:00 p.m. the committee was adjourned.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF MARK FRASIER

Mr. Chairman, Ranking Member Peterson, and members of the committee, thank you for the invitation and opportunity to present my views on agricultural policy with respect to the 2007 farm bill. My name is Mark Frasier, and as a third generation cattle producer, my family is committed to a ranching operation that is ecologically friendly, economically viable and socially acceptable to my urban and rural neighbors.

Agriculture is a business, and will function most effectively and efficiently when unfettered by misplaced production incentives or under restrictions intended to serve one group of people or producers at the expense of another. Yet, on a daily basis, we face climate, market and even political uncertainty. Government does have a key role to preserve order and stability, and I appreciate that you accept the responsibility with the weight it deserves. I offer the following priorities for your consideration.

MARKET ACCESS

As an American beef producer, my most pressing policy concern is for open and fair access to the global marketplace. Nothing would generate a greater economic impact than the opportunity for my peers and me to provide the same quality product to foreign consumers that we enjoy in this country. I urge you to make every effort to work towards trade normalization, especially with the strong economic nations on the Pacific Rim. Domestically, I would caution you not to impose a ban on ownership of cattle by any trade or production group, including meat processors. As a producer of feeder cattle, you do me a disservice if you prevent a valued customer from bidding on the harvest of my family's ranch.

ANIMAL IDENTIFICATION

For months building on years we have debated the need for a national animal identification system, and we are little closer today than 2 years ago. We argue the merits of a mandatory structure and the logistics of data collection, and meanwhile our foreign competitors are entrenching their policies in place. It is imperative that we move beyond the pilot stage and initiate a national program. I believe a design

that is privately based would operate with efficiency and be more acceptable to producers, but even a private database needs to be backed by the authority of the U.S. Government. Please do what you can to accelerate progress on this important front.

CONSERVATION POLICY

Agricultural producers serve a dual role in this country, in addition to providing food and fiber, we manage the vast majority of our nation's natural resources and it is time that our agricultural policy reflected that stewardship. Traditional commodity programs that are acreage-based and crop-specific discourage market innovation and ecological diversity. By contrast, initiatives such as the Conservation Security Program are a bold step in the right direction, because they reward responsible management. I would encourage conservation programs that are based on resource health and eligible to all producers, regardless of size. The intent is to generate a beneficial effect on the land. To the extent you have the political will, I urge you to make an historical shift in policy, away from supply management and toward encouraging ecologically responsible stewardship. History books are replete with examples of vain attempts by failed nations to centrally manage the production and supply of agricultural goods. We can do better.

RISK MANAGEMENT

Absent the security blanket of commodity price supports, American producers are exposed to the uncertain risks of weather conditions. A farmer faces no greater immediate risk to crop loss than by drought, fire, hail or flood. Obviously, not even the Federal Government can control the weather, but it can help mitigate weather-related loss. Federal crop insurance is an effective way to prevent avoidable economic failure and those programs should be broadened to include forage-related crops, including range. In circumstances beyond the insurable, there is a place for disaster response, and I hope you will make allowances for these unpredictable but inevitable crises.

RESEARCH

Finally, no business can hope to survive into the future without directing resources towards research and development. For our agricultural systems to remain viable, productive and even relevant into the future, it is vital that research dollars continue to be made available. Our land grant institutions and the Agricultural Research Service provide valuable research and extension into new technologies that benefit all segments of agriculture. The Sustainable Agriculture Research and Education program is one example of an effective way to stimulate innovations in agricultural research.

The U.S. Department of Agriculture enjoys credibility and influence with the consumers of this nation as well as in markets abroad. It is in the public interest to maintain a strong agricultural policy, as defined by the farm bill. I hope you will give serious consideration to our ongoing needs for market access, for the value created by a management-based incentive system, and be open to assisting farmers with new and creative ways to manage risk. I wish you wisdom in your deliberations and I thank you for your attention.

STATEMENT OF LES HARDESTY

I'm Les Hardesty, a dairy farmer from Greeley, Colorado. My wife, Sherrill and I and our three children operate a 650-cow, Holstein and Jersey dairy on 300 acres. We have been in the dairy business since 1982. We raise alfalfa and corn on our farm. We also raise all our replacement animals needed to supply the dairy operation. I am actively involved in all phases of dairy production, marketing and promotion. I currently serve as chairman for the Mountain Area Council of Dairy Farmers of America (DFA) and as a member of the board of directors. In addition, I am a member of DFA's Executive Committee and serve on the board of directors of two of DFA's affiliate companies. I am also very active in the promotion world, serving both the beef and dairy industries. Currently I serve as vice chairman for the National Dairy Research and Promotion Board and chair the Export and Dry Ingredients Committee of Dairy Management Incorporated. I also serve on the Colorado Beef Council, the National Cattlemen's Beef Association and the U.S. Meat Export Federation.

I appreciate the opportunity to testify at this hearing.

While organizations that I serve for have not officially developed all of the issues for support for the 2007 farm bill, some of the major features of that bill should be as follows:

Continuation of the dairy price support program (DPSP) at its current support level of \$9.90 per cwt. We would oppose granting the Secretary of Agriculture any provision that would reorient its intended purpose from a safety net to farmers versus minimizing government costs. Under President Bush's proposed Agriculture budget the Secretary of Agriculture would be allowed to adjust buying prices for products made from milk (cheese, butter, and nonfat dry milk) so as to reduce the cost to the CCC for products purchased. This could allow for a reduction in targeted support price from that \$9.90 as specified in present legislation;

The Commodity Credit Corporation (CCC) should take action and adjust the support program purchase price levels for cheese, butter and nonfat dry milk to reflect the significant additional costs manufacturers face when selling products to the CCC. The current CCC purchase prices for dairy products do not reflect any costs beyond those incurred for commercial sales. As a result, market prices for individual products have, from time to time, fallen below support levels, allowing the price of milk used to produce them to fall below the statutory support level for milk of \$9.90 per hundredweight at average test;

The Dairy Export Incentive Program (D.E.I.P.) should be used to its maximum allowable levels. The Secretary of Agriculture should be directed to see that the allowable amounts of cheese, butter and nonfat dry milk are afforded export assistance equal to what we are allowed under the current WTO agreement. Currently no government export assistance is being offered, even though, by law, the Secretary is directed to do so, and by agreement the U.S. is allowed to do so under the WTO agreement.

In addition, I am a strong supporter of Federal Milk Marketing Order system. The cooperative I market my milk to markets milk in every Order and participate regularly in hearings to modify and update Orders. However, the Order system suffers in the ability to promptly process hearing requests. Since CY 2000 it routinely takes from 24 to 36 months to get a final decision after a hearing. USDA Administrators should modernize and streamline the process. It would be appreciated if Congress would inquire into a streamlining process.

THE DAIRY CHECKOFF PROGRAM

The Dairy Checkoff is a farmer-funded self-help program designed to increase demand for and sales of U.S. dairy products domestically and internationally. The checkoff works in this way: For each hundred pounds of milk sold, dairy farmers contribute 15 cents to the program, through their cooperatives or whoever buys their milk. 10 cents of that money then goes to a qualified program at the State or regional level, and the other 5 cents goes to the National Dairy Board. Most of the 10 cents that goes to a local program is managed by the State and regional promotion groups that make up the United Dairy Industry Association. The National Dairy Board and UDIA came together in 1995 to put their combined resources into one program under Dairy Management Inc.

The checkoff collects about \$260 million a year, the majority of which is invested through Dairy Management Inc. in a single Unified Marketing Plan that is designed to sell more dairy products on behalf of all dairy farmers. Those dollars are invested in research, promotion and in partnership with cooperatives, processors and other industry leaders to overcome the barriers to increased sales and consumption of dairy products.

In the last few years alone, the checkoff has spurred a large increase in fluid milk consumption in quick-serve restaurants and in schools by making a more attractive milk package available to children and their parents.

Today we are working with leaders and innovators to encourage greater innovation and wider availability to give consumers the dairy products and ingredients they want, how they want it, and where they want it.

The checkoff works for all dairy farmers.

Dairy farmers appreciate that the 2002 farm bill includes provision for collection of the Dairy Checkoff on dairy products imported to the U.S. As you know, there still has not been any collection of the Dairy Checkoff on imported dairy products. The U.S. Special Trade Representative's office has made the decision that additional legislation is needed to provide for the collection of the checkoff from dairy farmers in Alaska, Hawaii, Puerto Rico, as well as all the dairy farms located in Washington, DC, before the checkoff can be collected on imported dairy products.

Mr. Chairman, we need this additional legislation even now, before the 2007 farm bill. Imports of dairy products are getting a free ride on U.S. dairy farmer's promotion of dairy products.

PROPOSED 2007 BUDGET

I would like to address other proposals contained in President Bush's 2007 Budget.

I certainly agree with the following statement in the House Agriculture Committee's February 16, 2006 press release addressing the fiscal year 2007 budget proposed by the President. "The committee recommends that any substantive budget changes be considered only when the farm bill is up for reauthorization in 2007. Rest assured that this Committee will have a full, fair, open and comprehensive farm bill debate in 2007 with participation by all stakeholders."

I oppose the proposed 3 cents per hundredweight tax on dairy farmers as proposed by the President and his budget. Dairy farmers currently are being assessed 15 cents per hundredweight to provide funding for our various generic advertising and promotion plans. They are designed to stimulate consumption, improve sales. Increasing demand for dairy products helps keep milk prices above the minimum \$9.90 support price, thus holding down government cost.

To impose an additional deduction on farm milk checks at any time, but especially when the current outlook is for very low milk prices, is unfair and not justified.

Seventy-five percent of the milk in the U.S. is voluntarily contributing an additional 5 cents per hundredweight, or approximately \$60 million per year, to a self-funded self directed supply demand balancing mechanism called Cooperatives Working Together (CWT). This plan provides for dairy farmers to voluntarily offer their cattle for marketing to reduce the number of cows being milked in the U.S. dairy herd. In addition, approximately 20 percent of the dollars are being used to stimulate export sales of cheese and butter in world markets.

The 5 percent reduction in government payments for all agricultural programs is also under question—particularly when not all government expenditures are equally being reduced—except for homeland and national security. Farmers will pay their share of the need to balance the Federal budget, but we question whether the 5 percent is fair.

In the 2002 farm bill, Congress implemented deficiency payments to dairy farmers through the Milk Income Loss Contract program. Any discussions of this program in upcoming farm bill should not include limits on payments based on milk production.

As the industry comes together there will be other issues and proposals we undoubtedly will support.

DAIRY OUTLOOK

The nearby outlook for dairy farmers is not good. Milk prices are currently at their lowest levels in over 2 years, and the outlook for the rest of 2006 and 2007 is not much better. The price for milk that is used for cheese production commonly serves as the foundation for the price that is received by dairy farmers. It is referred to as the class III milk price. In 2004 and 2005, the class III milk price averaged \$14.98 and \$14.40 per cwt. Based on CME class III futures prices, average prices for 2006 and 2007 are estimated to be \$11.63 and \$12.11 per cwt. In addition for milk prices coming down, farm costs are increasing, putting increased pressure on farm margins. As you are well aware, energy costs are at record highs. High energy costs impact all aspects of my dairy, from fuel used to grow crops, to electricity used to cool my milk, to fuel to transport my milk to market. Under the current situation facing dairy farmers in the U.S., it is not appropriate to consider reducing the safety nets that are currently in place.

Because of lower dairy commodity prices, nonfat dry milk has recently been sold to the CCC through the DPSP. During March and April 2006, over 20,000,000 lbs. of nonfat dry milk has been sold to CCC at a price of 80 cents per lb. One year ago, the same nonfat dry milk could have found a commercial market for over 95 cents per lb. Cheese prices are also nearing levels that would trigger sales to CCC. The DPSP is working for dairy farmers during times of low prices. This is a very good illustration of why the safety net is needed.

Finally, I would like to commend the members of the House of Representatives for their recent passage of the Milk Regulatory Equity Act. This law closes major loopholes involved with milk pricing in certain parts of the United States.

Thanks for allowing me to testify. I'd be glad to respond to questions.

STATEMENT OF JOHN BARTMANN

On behalf of the Colorado sheep industry, I appreciate this opportunity to discuss our nation's agricultural policy with the agriculture leadership of the U.S. House of Representatives.

I own and operate a 1000 head commercial ewe operation based in the Greeley area. We flush the ewes on alfalfa fields in the fall and utilize crop aftermath in the winter. The ewes start lambing mid-April and we start hauling them to spring pasture north of Fort Collins in mid-May. Our current spring grazing program started about 6 years ago as a larkspur control program for the Nature Conservancy and since then has expanded into controlling Dalmatian Toad Flax and Cheat Grass. This year we will begin a project using 200 head of ewes to perform vegetation management for the city of Fort Collins Open Space. Around the first of July we move the sheep to a Forest Service allotment north of Steamboat. The lambs are weaned around September 10th and the ewes are trucked back to the Front Range to restart the production cycle. Our operation has seen its share of ups and downs, most notably, the loss of over 600 ewes overnight in the Blizzard of 2003 just 2 weeks prior to lambing season, a devastating loss by any account, a loss that would have been covered in most other industries. I am passionate about my belief that the U.S. farm bill has an opportunity to assist producers, even in dire situations.

That said, I am pleased to provide my thoughts on the priorities in the next farm bill that will assist the sheep industry. The U.S. sheep industry is comprised of 68,000 farm and ranch families producing lamb and wool in every State of the country. This industry provides half a billion dollars to the American economy and is a mainstay of many rural communities throughout the western United States.

Sheep producers have been aggressive and creative in their approach to national initiatives that strengthen the domestic industry. In 2005, the sheep industry approved a national referendum to continue our American Lamb Board checkoff program. This lamb promotion program is entirely funded by the industry. The American lamb board collects over \$2 million annually from sheep sales with producers, feeders and lamb companies all paying a share of the checkoff.

The American Wool Council launched a wool production, information and marketing program for American wool in early 2001. Our national initiatives have improved competition for American wool. International marketing programs have exposed U.S. wools to the world and exports have grown rapidly to over 60 percent of our annual production today. Total exports represented less than a third of production prior to our programs. We now sell into over eight international markets each year. In addition to expanding market opportunities for producers, the Wool Council has developed new fabrics and treatments for textiles with U.S. companies and America's armed services. We are proud to help provide clothing and uniforms for the men and women of our military—one fourth of our wool production is consumed by the U.S. military.

2004 and 2005 marked the first year to year growth in U.S. sheep inventory since 1987–88. Industry growth improves competitiveness for all segments of the industry from lamb feeders to breakers, wool warehouses to wool mills, feed suppliers, trucking firms and shearing companies. The 2002 farm bill programs have played a critical role in turning around the U.S. sheep industry.

Current programs. The Wool Loan Deficiency (LDP) program provides the only safety net for producers in our business. I encourage the Committee to re-authorize the wool LDP and at a base loan rate of \$1.20 per pound in order to provide the benefit of the program as intended. Industry research by Food and Agriculture Policy Research Institute (FAPRI) and testimony by the American Sheep Industry Association documented a base loan rate of \$1.20 per pound; however, the legislation lowered the base to \$1 a pound with a cost score of \$20 million annually. The total payments for each of the 2002 through 2005 crop years is \$7.8 million, \$7 million, \$7.3 million, and \$6.2 million respectively. There is significant difference between the annual cost estimate and the actual payment total. While nine loan rates are available, essentially all wool LDP applications are in one non-graded rate category. It makes sense that the program be authorized at the base rate of \$1.20 per pound rather than \$1.00 in the current legislation to provide opportunity for all producers to participate in the program as intended.

Additionally, on the international wool marketing efforts, our industry actively participates in the USDA Foreign Market Development, Market Access Program and Quality Samples Program and encourages inclusion of these in the farm bill.

As established in the 1996 farm bill in the Rural Development program of USDA, the National Sheep Industry Improvement Center provides loans and grants to business ventures for financing programs which normal commercial credit or funds were not available. I urge the Committee to support re-authorization of the National

Sheep Industry Improvement Center. This program does not provide funds for individual producers nor purchase of sheep or land, but rather for projects to strengthen the sheep business including loans to wool warehouses, lamb slaughter and processing ventures, and wool processors. The Center has provided 56 loans to 38 entities in 21 states.— The total volume of dollars that have been loaned since 2000 totals approximately \$15.5 million. The Center has also made 58 grants equaling \$20,754,529.

The current growth of the U.S. sheep industry can in part be credited to the USDA retained ewe lamb program that was in effect for 2002–04, and producers continue to voice support of this program. The incentive payment to producers to keep ewe lambs rather than sell them for slaughter, encouraged producers to expand breeding herds which, in the long run, will provide increased market lambs to help U.S. producers maintain and increase their share of the American meat case. I urge the Committee to support reinstatement of the retained ewe lamb program.

Future Programs. As the commodity markets become more global and the United States moves in the direction of global free trade, U.S. agricultural policy must change to position American producers to compete profitably in this new environment. This requires action in two areas; first—implement a program to improve our competitiveness on the domestic front and second—push for and require aggressive reforms in those countries with barriers to free trade with the United States. The United States has no barriers to lamb meat imports and as such has become the market of choice for lamb exporters from around the world. Lamb was never part of the Meat Import Law so other than the brief period of temporary restrictions in 1999–2001, lamb meat has been and is freely traded. However, the playing field is not equitable for U.S. sheep producers. One example is the European Union which continues to maintain strict and effective tariff rate quotas on lamb imports which in turn forces large export countries to dump lamb on the U.S.

The U.S. sheep industry has four areas limiting our ability to compete in a global market.

1. **Labor.** The U.S. sheep industry has to rely on unskilled labor from third world countries. We bring workers to the U.S. on an antiquated H–2A work Visa, a process that is encumbered with bureaucracy and red tape. If a worker decides to quit or jump the system and blend into the rest of the illegal work force in the US, it can take up to 6 months or longer to replace them. When you are in the middle of lambing season you need help tomorrow—not 6 months from tomorrow!

2. **Predators.** Predation is our second largest cost to production, destroying up to 20 percent of annual lamb production in some operations each year. As a western sheep producer told me: for every 4 bands of ewes, you will need to run an extra band to feed the predators. There is no manufacturing business in the country that can sustain the type of losses the sheep industry experiences and stay in business. It is unacceptable that the State and Federal Government who claim these predators do not effectively manage or take responsibility for the damage that they cause.

3. **Disease.** We have four major diseases that impact the U.S. sheep industry. USDA has taken action to eradicate the first disease. The scrapie eradication program was implemented 7 years ago. All the sheep that were born and retained in flocks that were infected with scrapie should have died from or exhibited clinical signs by now. This means that even without a live animal test all scrapie infected flocks should have been identified, but the reality is less than 50 percent of the infected flocks have been ID'd. Unfortunately this program is severely under funded and poorly managed. The second disease, Ovine Progressive Pneumonia (OPP), was found to exist in over 80 percent of the commercial range operations, with infection rates as high as 65 percent of ewes in some herds (Veterinary Services Center for Epidemiology and Animal Health, Dec 2003). This disease is the single largest factor in non-predatory death loss of mature ewes in most operations, and is a major factor in non-predatory predocking lamb losses. The third disease is Caseous Lymphadenitis (CL). This disease along with OPP shortens that productive life span of the average ewe by a good 2 years, with CL being the single largest cause of condemnation of cull ewes at slaughter. The fourth disease that has become a major problem within the last several years is measles. This is becoming a significant reason for condemnation of lambs at slaughter. Caseous Lymphadenitis and measles are diseases that through education and a little research the industry can solve on its own. However, because there is no vaccine for OPP and the prevalence is so high the only way to eradicate the disease is through culling. Unfortunately if we culled every infected ewe tomorrow we would cripple the industry to the point of collapse.

4. **Government regulations.** The Endangered Species Act, National Environmental Policy Act, Clean Air Act, and Clean Water Act, just to name a few, while having good intentions have unintended negative consequences. I will not go into detail on

these items as the farm bill can not bring common sense to these statutes; however you as House members can reform this legislation to maintain the intent and yet protect agriculture. It goes without saying (but I will anyway), that these regulations impose additional cost to our operations and put limitations on potential production practices that could improve efficiency and reduce labor requirements.

The two largest exporters of lamb to the United States are not encumbered with these restrictions. New Zealand doesn't have predators and the Australian government controls their predators. For example 1080 was banned in the U.S. in the early 1970's but is widely used in Australia. This actually points out the major flaw in so called free trade. The United States may broker free trade agreements with other countries (i.e. NAFTA and CAFTA) but if those countries don't have the same restrictions on product ions (i.e. work conditions, use of pesticides, mandatory government inspections), then it puts American producers at a disadvantage.

The sheep industry needs a comprehensive program within the farm bill to address the two limitations that are within its scope. To address the labor issue we need a cost share program to provide assistance in facility construction or modification to reduce our need for labor (i.e buildings, feeding systems, fencing). During the late 1990's, under the 201 trade remedies we did have a cost share for facilities and equipment but it only lasted 1 year and the year was half over by the time the details of the program were worked out. I was able to participate in this program on a limited basis and put together a simple water system in my lambing shed that reduced my lambing labor requirements by 1 person. The second and most important part needs to be a serious disease eradication program. By eradicating the aforementioned diseases we could reduce our labor requirements, increase ewe productivity and add \$10 dollars per ewe to our bottom line. We need a cost share program to cover up to \$20 per ewe to assist in covering the cost of testing and identification. In order to determine that a ewe is OPP free, she needs three negative tests. The testing can cost up to \$10 per head, which means to identify an OPP negative sheep, it can cost up to \$30. Because the incidence rate in some herds is so high they can't afford to cull all infected sheep, thus the need to maintain separate groups of sheep, selecting replacements from the negative group and over a 5 year period allow natural culling to remove the infected sheep from the flock. The use of radio frequency identification tags to identify all animals can dramatically reduce labor requirements and eliminate errors in records. Incorporating this technology into such a program would introduce producers to the potential of this technology, to increase production efficiency and reduce labor requirements. The participation in a disease eradication program should be mandatory to receive Federal disaster assistance. For example, during the severe drought that we experienced here in Colorado 2 years ago, we did qualify and receive a \$4 dollar per head payment to help alleviate the impact of the drought which we greatly appreciated. Unfortunately a lot of producers had to reduce flock numbers anyway. If this type of program had been in place prior to the drought, these producers could have identified and culled infected sheep at that time, instead producers culled their older sheep and today we have the same level of infection, and it is still costing the industry money.

In order for new people to get into the sheep business, we need an overhaul of the Federal guarantee loan program to simplify the process so that private lending institutions who actually provide the loans can understand the process and are not encumbered with an inordinate amount of paper work and bureaucracy, and so young people can get the financial backing to start a new business.

We need a risk insurance program so that when producers are impacted by catastrophic events that result in the loss of large numbers of livestock (i.e. blizzards, drought, natural disasters), they are not put out of business. It is unreasonable that this type of insurance program is available for crops (Hail Insurance) but not livestock, to protect producers in the event of catastrophic loss.

Future programs need to be goal oriented and not subject focused. They need to provide stability for current producers who make up the base of our industry, and opportunity for new producers to expand our industry.

For the security of this country and to maintain our place as a SuperPower, we need a healthy and prosperous agricultural industry to feed our country and not reliance on a foreign country for our next meal.

STATEMENT OF VICKIE I. FORD

Good morning, members of the House Agriculture Committee. Thank you for this opportunity to testify as a producer regarding the upcoming 2007 farm bill. My name is Vickie Ford, and I am a potato farmer from Center, Colorado. I represent myself as a producer and do not represent any trade organization. I am also an ap-

pointed member of the Colorado Agricultural Commission, which serves in an advisory capacity to the Colorado Commissioner of Agriculture.

I speak as a Certified Seed Potato producer, fresh market organic and conventional potato producer, malt barley producer, specialty hay producer, and seed canola producer. Our farm has tried to diversify, as prices and weather affecting all these crops are volatile. Our farm has not traditionally participated in many Federal crop programs. We have received some loan deficiency payments, and most recently have tried to participate in the EQIP program. We do buy Federal Crop insurance for some of our crops, and it is this aspect of the 2007 farm bill that I wish to address first.

Federal Crop Insurance needs to be enhanced and changed. In some cases it is not meeting the needs of producers who need it the most. For example, it does not cover alfalfa hay. In Colorado's San Luis Valley production area this year, 75 percent of 135,000 acres of alfalfa winter-killed. It costs \$8,000 to \$10,000 to re-seed 135 acres of alfalfa, and the farmers have no crop insurance to help them. Canola is not covered unless the producer has a 4 year growing history, and seed potatoes are not covered either. Specialty crops need risk management, and Federal Crop insurance needs to cover more of them. Farmers need to diversify, but when they do, their risks are not covered. Also, the language used in the insurance policies make it impossible for both a producer and his insurance agent to understand them. Farmers often don't know what coverage they are signing up for because the agent doesn't understand the policy either.

I support the long-standing provision that places restrictions on planting. As long as some farmers receive direct payments from the government, they should not be allowed to plant crops on that subsidized land that compete with unsubsidized farmers. Due to the nature of high-value specialty crop production, such as organic fruits and vegetables, many current farm bill programs and disaster programs are of little use to specialty producers due to payment caps, limits on Adjusted Gross Income, and limits on off-farm income. I would encourage a thorough review of all farm programs to ensure that specialty crop producers have access to benefits comparable to other farmers, rather than being excluded or limited, simply due to higher cost of production. Also, American fruits and vegetables need promotion and access to new markets, and our phytosanitary enforcement needs to be increased.

Americans are increasingly becoming overweight, adding to the skyrocketing cost of health care in this country. I would support a strong new focus within the 2007 farm bill which would expand the school fruit and vegetable snack program, and would support development of a new nutrition promotion program. This program would help Americans increase their consumption of fruits and vegetables to meet the 2005 Dietary Guidelines. Meeting Federal health guidelines would require Americans on average to double their consumption of fruits and vegetables, an increase in demand that would create significant value to U.S. growers and would be a cost-effective way for the Federal Government to invest in the sustainability of U.S. fruit and vegetable growers while tackling the critical obesity and health crisis that is draining Federal funds for escalating health care costs.

I am in favor of "block granting" conservation dollars and disaster dollars to the individual states. Many times, the rules and regulations farms must follow in order to have access to these dollars do not fit the agricultural area and conditions under which they must work. It would be better to have these dollars under local control, where local conservationists and State departments of agriculture and the NRCS know the best practices to follow. There should be fewer hoops to jump through, and in my opinion, the "one size fits all" model just doesn't work. Disasters tend to move around according to the weather and many times there are disasters within a small area of an individual State. It would be better to administer disaster dollars locally.

The current \$80,000 payment limit on disaster payments is not fair to fruit and vegetable producers. Due to higher input and labor costs, loss per acre experienced by specialty crop producers as a result of a disaster is significantly greater than for program crops. The cost of production data maintained by the FSA should be used to index disaster program benefits.

Many farmers and ranchers do not participate fully in conservation programs such as EQIP, Conservation Security Program, and Farm and Ranchland Protection Program because they are not "user friendly" and some of the rules do not fit local conditions. Most farmers and ranchers are VERY interested in conservation—the programs available are just not flexible enough to make them workable. If these programs are going to be continued and hopefully made effective, it would be better to "block grant" these dollars to the states.

There needs to be more cooperation between Federal agencies as well. Farms and ranches serve as important habitat for many species. USDA and the U.S. Fish and Wildlife Service need to work together on habitat acquisition, which can be accom-

plished through conservation easements. The rules need to be changed to allow land acquisition for endangered species to include cost-sharing, including monies for conservation easements, with USDA.

Finally, I believe that the USDA needs to help producers deal with increasing fuel and energy costs which have a tremendous impact on getting produce to market. This, coupled with road weight limitations and restrictions on driver hours could cripple the produce industry. The Transportation Services Branch of USDA-AMS should be expanded to include a grant program for State and local governments, grower cooperatives, individual growers and shippers, and State grower and shipper organizations to expand and improve transportation infrastructure and address regional transportation needs. We need to improve the cost effective movement of fresh fruits and vegetables to markets either within the U.S. or abroad.

Thank you for the opportunity to testify. There are better ways to use the limited pool of Federal funds to help protect the future viability of farming and ranching in the United States, and I hope I have touched upon a few of them.

STATEMENT OF TOM COMPTON

Thank you, Mr. Chairman, Ranking Member, and Members of the Committee on Agriculture for allowing me this opportunity to present testimony. I am Tom Compton. My wife and I own and operate a commercial cow/calf business in Southwest Colorado. Although I am past president of the Colorado Cattlemen's Association, the views I express today are personal and only represent the thoughts my wife and I have on agricultural public policy. However, I believe you will find our views to be relatively consistent with the those of the Colorado Cattlemen's Association and the National Cattlemen's Beef Association.

I believe the 2002 farm bill, which continued the "freedom to farm" emphasis, was a step in the right direction by allowing ranchers and farmers more leeway in the choice of management objectives which best suit their individual operations as opposed to directing what they could or should not grow in order to qualify for a government program. I would like to see even more emphasis on programs that assist the producer through educational efforts directed toward best management practices then providing incentives for the adoption of those practices. The EQIP program, administered through the Natural Resource Conservation Service, is an excellent example. The NRCS assists the producer in the development of a long range conservation plan then offers incentives through a cost share for the landowner to incorporate best management practices to accomplish the objectives of the plan. One small problem which you might address is to direct USDA to grant more flexibility to NRCS to adjust cost share requirements because sometimes portions of these conservation plans may have significant benefits for wildlife species but contribute little to the economic viability of the ranching operation so it is difficult for the landowner to justify the expense.

I believe the 2002 farm bill with amendments made an effort to address disaster assistance for ranchers and farmers. Natural disasters such as drought and wildfire create significant problems for us and it appears that this year will be a repeat of 2002 for those of us in southern Colorado. In order to sustain a ranching operation in the arid Southwest a rancher must learn to anticipate drought and develop strategies to manage accordingly. I do not expect or want the government to bail me out when I make poor decisions but when disasters occur there are other ways to assist. One of the most helpful things Congress did for me was to extend the period of time from 2 years to 4 years for me to reinvest the money I received from the forced sale of livestock due to drought. I'm sure many of you supported that legislation and my wife and I thank you. We must find creative ways to assist ranchers and farmers in rebuilding their operations following disaster without greatly increasing the cost of government.

It is also important to take care that we do not create programs that assist some while placing others at a disadvantage. The emergency haying and grazing of CRP lands is an important tool for disaster assistance but you must monitor this activity to prevent abuse and put an unwanted burden on hay markets thus harming a hay producer's business. We need disaster assistance policies that help the family ranch stay in business but do not interfere with the free market or infringe upon the private property rights of the families. You will notice I have made reference to disaster assistance, not disaster relief. We do not need programs that become an opportunity to create inequities between neighbors and they should not become opportunities for producers to have income over and above what is possible in a normal year. According to an editorial in the Washington Post on April 29, the Senate has pro-

posed an additional \$1.56 billion for “disaster relief” payments to farmers who already receive subsidies for growing certain crops.

I realize that many, if not most, Americans desire cheap energy and cheap food and I further realize that this committee has a very difficult job in analyzing the situation from a “big picture” perspective, but just giving away large sums of money may not be the best long-term solution.

In Colorado, nearly one half of the land mass, 33 million acres, is owned and managed by agricultural interests. These working landscapes are truly the front lines of conservation. These farms and ranches are providing vast acreages of wildlife habitat, open space and viewsheds. For example, I have been keeping track of the birds I see on our ranch in western Colorado. There are approximately 60 species of birds that spend at least some of their life on the habitat we provide. While my wife and I receive no direct economic benefit from their presence we are please to be able to contribute to their wellbeing. While we should always be looking for new conservation efforts, I believe we should consider doing everything we can to bolster the ongoing activities of ranching and farming families. By keeping these operations economically viable, society gets the added benefit of their conservation efforts. Conservation groups are sometimes a little like local economic development groups who measure their success by the number of new businesses they bring to the community when they might get a greater return on their investment by assisting businesses already in the community. By keeping lands in agricultural production we not only meet conservation goals, but we also support rural economies and the local tax base without additional cost of government.

The Colorado Cattlemen’s Association, the Nation’s oldest State cattlemen’s association, was one of the first agricultural producer groups in the Nation to form a Conservation Land Trust.

As the initial chairman of the board I can tell you that we did this because of increasing development pressures being exerted on our ag lands and conservation easements seemed to be one tool we could use to address the problem. Since ranchers seem to have an inherent distrust of government sponsored land trusts and other non-agriculturally oriented land trusts, the Colorado Cattlemen’s Agricultural Land Trust was created. CCALT recently accepted its 100th easement and have assisted families on about 188,000 acres. There is a waiting list of ranchers who wish to establish easements but the lack of funding for setting up the agreements prevents many from proceeding. These voluntary agreements, negotiated between the landowner and the land trust, not only help the family ranch remain economically viable but also keep many ecosystems intact. It is my understanding the U.S. Fish and Wildlife Service spent \$60 million on habitat acquisition in 2004. It seems to me society would get a greater return on its investment if you directed the Department of Interior to work with the Department of Agriculture to leverage these funds by using them to assist private land trusts and private landowners in establishing voluntary conservation easement agreements. The result would be ranchers doing the conservation work and the land trust monitoring the ranchers to the general benefit of society, all at no additional cost to the taxpayer. I know this benefit is possible because, on my Federal grazing allotment you get me to pay for the privilege of building and maintaining improvements such as trails and water developments as well as assisting in the suppression of wildfire fuels. The recreating public uses the trails, the wildlife uses the water and my cattle get a bite to eat. It seems to be a win-win deal all around. I do support tax deductions for those ranchers who choose to protect their property using conservation easements and tax incentives for voluntary stewardship efforts. Isn’t it a good idea to conserve privately-owned working landscapes and facilitate voluntary conservation efforts?

I want you to know that cowboys understand that farm public policy is not just about cows. We realize there is a bigger picture for this committee to paint. For example, as a member of a Rural Electric Cooperative, I am supportive of efforts to use agriculture in the production of renewable energy. Programs such as those using farm products to produce ethanol and biodiesel are quite probably good ideas. It is a good thing especially when you assist local communities in their efforts to form cooperatives to raise crops, produce biofuels and distribute them to the public. It is an added benefit when the members of the co-op can obtain fuels at a reduced cost to use in their operations. I did have some concern when I recently read that most of the 50 cent per gallon ethanol subsidy goes to the oil refinery doing the blending rather than the producer growing the crop. I am not a big fan of subsidies and I am even less of a fan when the aid is not going to the farmer.

I want you to know that I am supportive of the ethanol program even though I realize that it will likely raise the market price of corn, a major feed resource for cattle feeding, but I am trying to see the big picture.

For the past several years I have regularly entered the lion's den, or perhaps I should say the wolf's den, by serving on a wolf reintroduction team, not because I am really excited to see wolves reintroduced, but because society seems to think it is a great idea and I want livestock interest to be considered in the process. It's a "big picture" thing for me. You see, I sort of understand your predicament in writing a "big picture" farm bill.

I understand that the World Trade Commission is currently reviewing many of our commodity programs. It would be most helpful if a farm bill would enhanced our market access and our ability to compete internationally by not creating more programs that must be reviewed for compliance problems by the WTC.

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

Let me summarize with some thoughts for your consideration. Keep extraneous issues out of the farm bill and focus on improving the existing titles of the current bill. Focus the 2007 farm bill toward agriculture, not on trifling with animal rights issues.

- Increase the efficiency and funding of the conservation programs that keep working landscapes in working hands.
- Promote private-public initiatives as opposed to government mandates and increased subsidies.
- Preserve the right of individual choice in the management of land, water, and other natural resources.
- Work to enhance our market access internationally.

STATEMENT OF DUSTY TALLMAN

Mr. Chairman and members of the committee my name is Dusty Tallman, a dryland crop producer of wheat, corn, grain sorghum, millet, sunflower and hay from Brandon, Colorado. I also serve as Vice President of the Colorado Association of Wheat Growers (CAWG).

Mr. Chairman, I wish to thank you for holding this field hearing in Colorado. I am extremely proud of the two Colorado members serving on this important committee: Representatives Marilyn Musgrave and John Salazar.

I wish to focus my testimony on the impact that a continuous 6-year drought has had on Colorado wheat growers and dryland crop producers and the implications for Federal crop insurance, crop disaster assistance and current and future Federal farm policy.

Colorado is a major winter wheat producing state, but has had five below average crops in the last 6 years. Let me illustrate production in those six years compared to the 10-year average crop of 70.6 million bushels: 2000: 68.2 million bushels (or 97 percent of average); 2001: 66 million bushels (or 94 percent of average); 2002: 36.3 million bushels (or 51 percent of average); 2003: 77 million bushels (or 109 percent of average); 2004: 45.9 million bushels (or 65 percent of average); and 2005: 52.8 million bushels (or 75 percent of average). By comparison, production in 1999 was 103.2 million bushels (or 146 percent of average). Production has ranged from a low of 36.2 million bushels in 1999 to 103.2 million bushels in 1999. The press always asks me: what is normal production? My answer is: normal is the average of 10-abnormal years. I believe this recent 6-year history bears this out.

Six years of continuous drought has dramatically affected Federal crop insurance coverage for Colorado wheat growers and has resulted in passage of emergency crop disaster programs by Congress in 2001 (for the 2000 production year), 2003 (for the 2001 or 2002 production years) and in 2004 (for the 2003 or 2004 production years). CAWG is also currently supporting emergency crop disaster assistance and economic loss payments for the 2005 production year. This ad hoc crop disaster spending has

kept many producers in business, but it is becoming increasingly difficult to pass in Congress.

Federal crop insurance is another tool to preserve farm income. It works well in low-risk areas, but the continuous drought has caused yields to fall, premiums to increase drastically and dollar per acre guarantees to drop. In 1999, my Actual Production History (APH) was [?] bushels per acre and the cost of coverage for [?] was [?] per acre. In 2005, my APH was [?] bushels per acre and the cost of coverage for [?] was [?] per acre. New crop insurance products continue to be developed, but none affordably cover the first 25 to 35 percent of crop losses. Most producers can handle that type of loss every 4 or 5 years, but not five to seven consecutive years.

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

The direct payment has been most important to my farm. I know how much it will be each year and can provide that information to my bank. The counter-cyclical payment was designed to protect against low prices; however, during negotiations for the 2002 farm bill, the target price for wheat was reduced to a level that eliminated counter-cyclical payments the last 5 years. The counter-cyclical payment has been very beneficial to most other farm program crops. Similarly, the loan deficiency payment has not been of great benefit to wheat, since the drought has kept supplies relatively tight, and therefore the price high. I use the marketing assistance loan to help pay expenses at harvest and spread my income from grain sales from year-to-year.

The Conservation title of the 2002 farm bill offers promise to both producers and the environment. The Conservation Security Program (CSP), Conservation Reserve Program (CRP), Grassland Reserve Program (GRP), Environmental Quality Incentive Program (EQIP) and others have all helped conserve land, water and air. The biggest problem with all of these programs is that they are under funded and seem to end up directed to urban areas.

I believe we can improve upon the 2002 farm bill without totally re-writing it. Direct payments are a very effective green box style of agricultural support. I would suggest increasing the direct payments for all crops and doubling it for wheat. I would propose increasing the target price for wheat from \$3.92 to \$4.40 per bushel. This would provide wheat with the price support intended with the counter-cyclical program.

There are several ideas for risk management tools that could be developed that fit the green box. A historically based Target Revenue Program (TRP) could be created to insure 70 percent of yield times the national average price. Using a 70 percent yield guarantee and a 5–10 year historic average price would make the program WTO legal. It would also insure a level of revenue that is not based on the current year of production and therefore give some crop disaster protection to farmers. The biggest drawback to this type of program would be accounting for continuous disasters that would reduce a farm's revenue level. It might also be possible for a producer to buy crop insurance to an 85 or 90 percent level above the TRP. A second idea would be a Risk Management Account (RMA) that would allow producers to set-aside a percentage of their income in a good year and receive a match of those funds from USDA. The RMA could grow each year and be used in years where production or revenue is below 90 percent to realistically buy up crop insurance coverage to a higher level.

I would encourage the Conservation title to be fully funded and directed to production agriculture to make CSP, CRP, GRP, EQIP and other programs more beneficial.

I would caution against attempting to write a new farm bill which complies with all the demands from WTO negotiations. In my opinion, that would voluntarily disarm any position of strength we have in the negotiating process. We need to have something on the table to negotiate away if that becomes necessary, because there will always be objections to some of our programs—whether they are green box or not.

I hope that payment limitations will not be used as a political tool. There have been many proposals to reduce payment limits and those proposals would hurt producers in my area. It has been the practice to get larger to spread out fixed costs and now we are being told we are too big. The last payment limit proposal I saw would negatively impact 30 percent of the farmers in Colorado, but only 4 percent in Iowa.

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

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

STATEMENT OF ALAN WELP

Mr. Chairman, thank you for the opportunity to appear before the House Agriculture Committee today. My name is Alan Welp, and I am a third generation sugar beet grower from Wray, Colorado. My wife, Marilyn and I and our children operate our farm, which has been in our family for over 80 years. Our 2,900 acre diversified farming operation consists of 1,300 acres of corn, 700 acres of sugar beets, 700 acres of wheat, 120 acres of pinto beans and 50 acres of alfalfa, and we raise 1600 head of feeder cattle in a custom feed lot. Our two sons own and manage a 140-head cow calf operation. Today, I would like to tell you about my experience with the 2002 sugar program. But first, I want to say how pleased we are to have two Coloradans on the Committee, especially our hometown representative, Congresswoman Musgrave, and Congressman Salazar. We believe that they are strong voices on the Committee, and look forward to working with them in the development and passage of the next farm bill.

A greatly changed U.S. sugar industry—positioning to survive: The U.S. sugar industry has seen and adapted to tremendous change over the last ten years. That is particularly true for the sugar beet growers in the mountain states of Colorado, Nebraska, Wyoming and Montana. For decades, two competing sugar companies processed our sugar beets. Given low sugar prices and higher production and processing costs, the corporate processors decided to exit the business. If the industry was to survive, it was incumbent upon growers to become the owners and incur substantial debt to stay in the sugar business.

During the development of the 2002 farm bill, then-Secretary of Agriculture Ann Veneman encouraged producers throughout agriculture to invest in the value-added portion of their raw commodities. “Move up the value chain” was a constant message being sent to producers so that more income could be generated in the marketplace, rather than from direct government income supports. Our 1,500 family farmers in four states took the administration’s advice. With the help of many of our local banks and other financial institutions in the region, we took on substantial debt to pay \$90 million to purchase the Western Sugar Company and its six factories from the multinational British firm, Tate and Lyle. After the successful purchase of the company, we were not only proud that our company was once again American-owned, but more importantly, it was farmer-owned.

The reasons that farmers needed to rescue our company go well beyond the business of producing sugar. First, the 200,000 acres of sugar beets in the four-state region are an essential alternative to other crops that are in a constant and burdensome surplus. We know first-hand from a bankruptcy of the Great Western Sugar Company in 1984 that when acres go out of sugar beets into other crops, there is a significant price depressing effect on other alternative commodities.

Second, the loss of processing factories and an alternative high-value crop has a significant price depressing effect on the land values that support the tax base essential to local schools and communities. The sugar industry provides good paying factory jobs and requires many local goods and services from small independent businesses. It is the cornerstone for one of the best rural development programs there is, and it doesn’t cost the taxpayer one dime.

Since the purchase and the passage of the 2002 farm bill, we have had to manage many challenges, including relatively low sugar prices as a result of less sugar demand and mandatory imports under trade agreements. These market conditions resulted in the domestic industry’s storage (at the growers’ expense) of up to one million tons of sugar—or one tenth of total U.S. consumption. Sustained drought brought very difficult growing conditions, warm winters have challenged our ability to store our crop, and skyrocketing energy costs have threatened us on the farm and in the factories. High natural gas costs make drying the sugar beet pulp, which is the tissue left from the beet after the sugar is extracted, uneconomical. This high-protein cattle feed now must be fed locally, because if it cannot be dried it cannot be exported to our traditional markets in Japan or Europe. In 2004, the combination of these factors, along with urban encroachment, forced us to close and sell the factory located right here in Greeley.

National Security and Food Security: This Committee knows full well the importance of food security as a key pillar to overall national security. U.S. sugar farmers play a key role in supplying an essential food ingredient to the America’s abundant and affordable food supply. Sugar is pure and all-natural, has only 15 calories per teaspoon, and provides unique and critical properties in food production. It’s not just

a low calorie sweetener. We supply more than 30 different sugars and syrups in hundreds of different packages to the marketplace for our customers, who demand high-quality sugar, delivered to them when they want it and where they want it, at the lowest possible cost. As producers and owners of our cooperatively-owned processing company, we bear the financial burden of holding and managing our customer's inventories to reduce their costs and maximize their profits.

When the three hurricanes ravaged production in Florida and Louisiana last fall, one cane sugar refinery shut down for four months, causing supply and price challenges for a few customers who decided to gamble with the market and did not lock in both supply and substantially lower prices, as the vast majority of customers did before the hurricanes. Under the provisions of the current sugar policy, the Administration released domestic stocks of refined sugar and imports were increased to supply the market. Inventories that had been held off the market were released, helping to ease the short term shortages resulting from hurricane damage, and the program has worked quite well under very adverse conditions.

On the other hand, the quality and availability of imported refined sugar has been very problematic because much of it is of such poor quality that it has to be reprocessed. This clearly reinforces the essential need to maintain current domestic refining capacity. With a more balanced market, sugar prices have strengthened, but we will need every cent to help offset huge increases in our fuel and fertilizer costs. In addition, consumption appears to be expanding once again, which is helpful. Our company and farmers, like others in our industry who have made a similar transition to farmer ownership, remain in a financially fragile position, and we need a few good years to pay down and pay off our debts.

As a result of this experience, three conclusions should be drawn. First, our nation cannot allow further reduction of refining capacity. Through a huge consolidation in the domestic sugar industry, we now have a very efficient but very tight supply chain for consumers and industrial users. This is a direct result of a sustained period of low prices for producers that caused considerable realignment and consolidation in our industry. Over the last 10 years, 33 sugar beet and sugarcane factories and refineries have closed permanently. You will find that both sugar producers and customers agree that it is not in our country's best interest to lose any more refining capacity.

Second, it is in the best interest of our Nation's food security to have a geographically-diverse industry to minimize the impact of hurricanes, droughts, floods, disease, etc., that can affect production in any region of the country. As energy-related costs continue to climb and inflation increases costs overall, real declining prices suffocate earnings and eventually threaten the survival of farmers like me.

Third, the current U.S. sugar program has worked successfully under the most adverse conditions to assure America's food security as an important part of our national security.

As we look to the future, all of agriculture faces significantly higher input costs, and we will need further efficiencies and adequate returns to survive. We have invested millions of dollars in our factories to achieve this. On the farm, we are working toward the introduction of herbicide-resistant seed varieties using biotechnology.

Sugarbeet farmers understand the pressures on the staggering and unsustainable budget deficit, and that is why we support our current policy, which has run at no cost to the taxpayer. A no-cost sugar program continues to help reduce the deficit and provide scarce Federal dollars for income support for other commodities.

The changing and challenging global sugar market: For decades, sugar producers around the world have dumped their surplus production into the world market at prices that are often well below the cost of production anywhere in the world. They are able to do so because of very low labor, safety, social and environmental costs, and they make their profits from domestic sales and sales under preferential trading arrangements with developed countries at profitable prices. Additionally, foreign governments have a vast array of domestic and trade policies that effectively isolate their industries from the threat of dumped sugar. A summary of both the transparent and non-transparent sugar domestic support programs and predatory export policies by major sugar-producing and exporting countries is attached to this testimony. As you can see, there is nothing fair or free about the world sugar market.

Our producers have long been globally competitive with foreign producers. In fact, half of the sugar grown in the world is produced at a higher cost than in the United States. We can compete if we all play by the same rules. Unfortunately, the world we live in is plagued with distortions. Furthermore, our farmers are deeply concerned that the current negotiations in the World Trade Organization will not correct the hidden domestic policies that currently give the developing countries—that produce and export 75 percent of the world's sugar—an unfair advantage in the

global marketplace. Any agreement must address the hidden domestic policies that prop up those foreign industries and allow them to dump their surpluses on the world market at prices below the world average cost of production. We ask that you watch this aspect of the negotiations very closely.

The threats from trade agreements (current and future): U.S. sugar policy allows globally-competitive American sugar farmers to compete fairly against foreign governments that subsidize and protect their less efficient producers. It is a policy that responds to unfair predatory trade practices while providing significant market access. Typically we are the fourth largest net sugar importer in the world, but as a result of last year's hurricanes, we will be the second largest this year.

The threat of more imports as a result of various trade agreements makes our farmers the residual suppliers to our own market. Our government guarantees minimum access to our market for forty-one countries under the WTO, NAFTA, CAFTA and other pending FTAs like Peru, Columbia, but our farmers have no such guarantees or assurances. The message from them is loud and clear: It's time to put American farmers first by providing adequate access to our own market. If we need additional imported sugar, as we did this year, our FTA trading partners should be given preference.

Additionally, the country continues to pile up record trade deficits that threaten our economic stability. With a trade deficit at \$804.5 billion in 2005 that is expected to climb to \$950 billion this year, we have to stop making domestic and international trade policies that continue to make the problem worse. Every ton of imported sugar adds \$440 to that trade deficit.

The only effective way to address foreign subsidies is in the WTO, but negotiations are clearly struggling, and it is unclear what a final agreement will look like or when it will be completed. Therefore, writing a farm bill prior to the conclusion of the negotiations would send the message that we are either willing to make unilateral concessions in anticipation of an agreement, or ignore the negotiations and write a long-term farm bill. It seems to me that either scenario only makes it more difficult to bring the negotiations to a conclusion.

Therefore, we believe that it is in the best interest of our industry and American agriculture to simply extend the current farm bill as is and focus on concluding the WTO negotiations. The bottom line is, don't amend, just extend.

Thank you, Mr. Chairman, for the opportunity to testify today. We look forward to working with you in the months ahead in formulating fair and effective farm policy for U.S. farmers.

SUMMARY OF SUPPORT FOR SUGAR INDUSTRY IN SELECTED COUNTRIES, 2002 NOTES:

1. Policy information for countries was collected in June 2003, with the exception of Indonesia, which is based on the 2004-05 season.
 2. Includes low interest loans, interest rate subsidies, debt relief and debt rescheduling.
 3. Includes crop pre-financing, irrigation provision, land maintenance and inventory financing.
 4. Japan is an importer of sugar only. It is the world's fourth largest importer of sugar, importing 1.6 million metric tons per annum on average between 2000 and 2002.
 5. The Cuba wholesale price represents the heavily subsidised ration entitlement. All prices are for refined sugar.
 6. Import tariffs reported in this line applied as of July 2005.
 7. Brazil provides direct subsidies (income support) to producers in the North/Northeast region only.
 8. Chinese cane and beet prices are controlled at the provincial level.
 9. State trading companies account for 70 percent of domestic sales in China.
 10. The EU provides an income support subsidy to refiners of cane sugar.
- The EU Commission provides directives on ethanol use, though these are not binding.
- India provides a transport subsidy for exporters.

STATEMENT OF TIM HUME

Mr. Chairman and Members of the Committee,
 I am grateful for the opportunity to provide input for the Committee's consideration and appreciate the effort you have made to hold a field hearing in Colorado. My wife Leslie and I farm and ranch in Southeast Colorado and Southwest Kansas. Our crops, most of which are irrigated, include corn, sunflowers, alfalfa, wheat

and sorghum. We also have a cow-calf operation and own land that is enrolled in the Conservation Reserve Program. In the past, we have also raised vegetable crops and canola.

During the development of the 2002 farm bill, I was fortunate to have the opportunity to serve as president of the National Corn Growers Association. It has been very informative to observe the bill's implementation and its impacts on agriculture.

I would like to address those impacts and other trends in agricultural policy from the perspective of a relatively young farmer. I am 35 years old and have been farming for 13 years.

Overall, the 2002 farm bill has been relatively effective in helping to stabilize the agricultural economy and dampen the effects of low prices for program crops. Additionally, in years during which prices were higher, there have been significant reductions in Federal spending for farm supports. The countercyclical nature of the countercyclical program and the marketing loan program has proven to be a great benefit to both the taxpayer and the agricultural economy.

In fact, the 2002 farm bill's actual cost has been less than its projected cost for the first four years of its implementation, averaging \$15.7 billion per year. This total is less than a nickel per meal per U.S. citizen. That nickel invested by the taxpayer ensures a never-ending supply of the safest food in history.

I would encourage you all to resist the calls to cut the budget for farm programs. Five cents a meal has won the consumer a bounty, but supports are merely adequate for agriculture. Four cents a meal is not enough to ensure a healthy agricultural economy in today's marketplace.

I believe that trade and exports are important to agricultural. Nearly 20 percent of our nation's corn crop is exported. However, we should avoid the oversimplification of issues involving the World Trade Organization. I have serious concerns about the offers being made by U.S. negotiators in an effort to get a new WTO agreement. Agricultural exports are not dependent on negotiating a new agreement. I believe the administration's offer of a reduction by 60 percent of amber box payments far outweighs the potential incremental increase in exports. Although the countercyclical and marketing loan programs may be less WTO friendly, they have been critical in sustaining my business and the economy and should be continued.

Another recent topic of debate has been the reduction of limits for farm program payments. Many assertions about the effects of payment limitations on young and beginning farmers have been made during this debate. As a young farmer, I would like to give you a first hand opinion.

Low payment limitations send a clearly negative message to young people considering a career in agriculture. With lower payment limits, we would encourage the best and brightest of a new generation to seek opportunities outside of agriculture. Talented young people in agriculture will expect to have a lifestyle comparable to others in society, not comparable to their grandparents. If that lifestyle is not available in agriculture, they will turn elsewhere. For U.S. agriculture to remain a dynamic industry, it must be able to attract new, ambitious, intelligent people. Lowering payment limitations will do just the opposite.

In conjunction with the 2002 farm bill, Federal Crop Insurance is meant to buffer agricultural producers from factors outside their control. Unfortunately, Federal Crop Insurance rules are stacked against young, expanding farmers. When a young farmer adds new land, they must use several years of a county base yield to calculate the insured "guarantee" or "actual production history." Effectively, this rule can cause such a gap between a new producer's expected yield and APH that the insurance is nearly worthless.

For example, in 2004 on a newly leased irrigated half section, my wife and I grew 120 acres of irrigated corn that averaged 225 bushels per acre. Due to extreme drought and heat in 2005, the 120 acres of irrigated corn on this field only yielded 95 bushels per acre with higher input costs than 2004. This field had routinely yielded higher than 200 bushels per acre in the past for the previous farmer. Because of crop insurance rules, we had a guarantee of only 106 bushels per acre at a 65 percent coverage level due to the requirement that we use several years of the 147 bushel T-yield and only one year of our actual production on that field to calculate our APH. The end result was an insurance payment of \$27 per acre versus a loss compared to the previous year of \$298 per acre.

Had we been able to use our production to calculate the guarantee, we would have received an insurance payment of \$101 per acre at a 65 percent coverage level. This is still small relative to the loss, but is substantially better than \$27. As a result of inadequate insurance and soaring natural gas prices, we did not renew the lease on this property for 2006.

A producer's actual yields should carry a far greater weight in determining insurance guarantees than outdated T yields. A long time farmer would have received

roughly four times the insurance proceeds compared to a beginning farmer adding new land. This is the one of the largest disincentives to beginning farmers in Federal agricultural policy. It should be addressed.

I appreciate the opportunity to share my thoughts.

STATEMENT OF GARY A. DAHL

Chairman Goodlatte and Ranking Member Peterson:

My name is Gary Dahl and I have been employed by USDA's Food Safety and Inspection Service (FSIS) as an inspector since 1983. Before I came to FSIS, I worked as a meat cutter in industry from 1977 to 1983. I am proud to say that I am also a U.S. Army veteran. For over 10 years, I have served (along with my inspection duties) as a union representative for the organization that represents FSIS's food inspectors, American Federation of Government Employees (AFGE) Local 925 and the National Joint Council (NJC).

The statement and testimony that I am giving are my own views and of the field Inspectors whom I represent and not those of the USDA FSIS.

I would like to thank you for giving me this opportunity to give our views on the 2007 farm bill. Food safety is not a topic that readily comes to mind when one thinks about farm bills. But the farm bill should actually be called the food bill because it deals with how food and fiber is produced in this country. Should food safety become a topic of discussion during the 2007 farm bill deliberations, I would like offer some observations for your consideration.

At FSIS, we are responsible for food safety for millions of consumers not only in this country, but also abroad. Consumers have a right to safe and wholesome food, and those of us who are inspectors take that responsibility very seriously. This is becoming an increasingly important issue with our trading partners. The current stalemate with reopening beef trade with Japan is a perfect example. There is genuine concern among Japanese consumers over the safety of U.S. beef. We still have holes in our food safety net that need to be fixed. If you fix that, trade will resume. It will not resume simply because of marketing gimmicks that could lead us back to square one since the food safety issues were not properly addressed.

Another important issue that is emerging is the oversight of humane handling of farm animals which is deemed critical to many consumers because not only is it right, but improper animal handling could impact the quality of the meat produced rendering it unfit for human consumption. Because of the current budget crisis at FSIS, the veterinarians who oversee humane handling issues are confined to the office due to travel restrictions.

Travel restrictions are also impacting the work of the Enforcement, Inspections and Analysis Officers (EIAO's) who oversee the HACCP plans and technical science interpretations within food plants. Inspection workforce has also recently been threatened with furloughs because of the budget crisis. On the other hand, FSIS can afford to have a top-heavy headquarters staff composed of many lawyers whose major work is encompassed on hurting the Agency's field work force in regards to workers' rights, welfare, fairness, and safety.

The disconnect between the headquarters and the field staff is growing larger and is impacting morale and the ability for us to carry out our very important jobs effectively.

The current FSIS leadership now seems to be embarked on a mission to implement what is cleverly called a more "robust risk-based inspection system." It is really more deregulation at the consumer's expense because it is designed to reduce the size of the inspector workforce which is already stretched too thin. It has already raised concern among agricultural groups, such as the National Farmers Union that recently passed a resolution against "risk-based inspection" if it means the end to continuous inspection of meat and poultry facilities as we now know it. We are afraid that the FSIS leadership will spend valuable time and resources on implementing a system that will lead to less consumer protection and not more.

Another important issue facing smaller Federally Inspected facilities is the fact that they have to compete with out of home (garage) non inspected/pirated meat—street suppliers who are operating illegally and pose great dangers to the public. An example is a Federal Meat plant in Denver, Establishment No. 18853A named Tamales by Lacasita. Congressman John Salazar and Senator Ken Salazar knowing the owner of this facility, Paul, really well. The owner spends a lot of time, expense and resources to do the right thing in making his product safe, yet others are selling substandard/illegal and dangerous tamales. If you want a real earful on this, please call Gus at Passport foods, Establishment No. 27465 at (303) 293-8373. Gus by the way is from Texas and is close to the Bush family. This issue is very bipartisan.

This is also widespread and out of control. I personally feel that the priorities for FSIS are in all the wrong places. Smaller FSIS-regulated facilities are being penalized for trying to follow food safety regulations, yet those operating illegally are not being scrutinized by any authorities.

Also with avian flu that will in all likelihood appear in the United States, you would only hope that FSIS would be proactive instead of reactive. My fellow inspectors who work in poultry facilities still have not received training or instructions on what they should do to protect themselves or plant employees should flocks be affected with the disease. It seems that we still have not learned from our experiences with BSE—lessons that, in my opinion, still have not registered with the top echelon at USDA.

Thank you for your time in regard to these issues. Thank you for the job that you do for everyone.

STATEMENT OF STEVE ELA

As a fourth generation, certified organic, tree fruit grower in western Colorado I would like to submit the following testimony to be considered in writing the next farm bill. As a fruit grower, our crops often fall outside many of the programs of the current farm bill. Several of my comments will refer to changing programs so as to include those of us that grow high value, “minor” crops. Other comments will encourage you to support the quickly growing number of organic farmers who are producing products increasingly demanded by many consumers.

I believe that our nation's food security is critically important to our national security. The purpose of the farm bill is to help our nation's farmers prosper and provide the food products that our nation's consumers demand. An increasing part of that demand includes organic fruit and produce, and, in fact, the organic sector of agriculture is one of the fastest growing parts of agriculture. Support for fruit and vegetable growers, and particularly organic growers, is of very high importance to me. In particular, I am most interested in seeing more research and extension support as opposed to “price” supports. It is through agricultural research that United States growers are able to stay at the forefront of agricultural production and provide a high quality and safe food supply to our nation.

First, as an organic grower, I have watched many changes in production methods over the past few years both within the organic and conventional realms. In many cases, technology and ideas pioneered and tested by organic growers are now widely adopted by the conventional industry as well. Many organic growers are now far from the “radical, way out there” image that they were first associated with and are leading members of their respective industries. Organic production methods are often highlighted on field tours and included in industry publications and meetings. Price premiums received by organic growers have served to advance the state of the art and to enhance farm profitability and stability.

Despite many benefits, the organic industry has been underrepresented in recent farm bills. As such, I would like to ask the committee to consider support in the following areas:

(1) Organic programs should receive their “air share” of support from USDA research and education programs. The organic sector has been the fastest growing agricultural sector over the last several years. As noted above, there have been many techniques refined by the organic industry that are now widespread in the conventional industry as well. Yet, despite this growth and impact, organic specific programs receive less than 0.4 percent of research and education monies. Specifically, in 2004, 3.1 percent of the USDA gross outlays (\$2.5 billion) were used to fund research and education. Of this \$2.5 billion, only about \$10 million (0.4 percent) went to organic specific research through USDA Research Education and Extension (USDA-REE). In addition, USDA-ARS spent about \$3.5 million on organic specific projects—only about 0.35 percent of ARS annual expenditures. A framework of “fair share” funding, based on marketplace impact and value calls for at least a 5-fold increase in USDA resources (both through REE and ARS) that are targeted at organic research.

The next farm bill should explicitly target research and education money to organic research and education. That money should be significantly increased from current funding levels and represent a fair share to the organic sector. The needs and opportunities within organic farming research are so great, that this money will provide a huge return in information and system improvement. In fact, because the research needs are so great, I would argue that this investment will provide a return far greater than many other research areas.

(2) The fair share argument also extends to USDA Cooperative State Research Education and Extension Service (CSREES). The Integrated Organic Program has had far more proposals than money to allocate. Due to the number of proposals, only about 10 percent of qualified applicants have been funded through this program. In other, comparable, CSREES grants programs, double this number of proposals (19-29 percent) are normally funded. More money needs to be funneled to the IOP to balance and support the needs of the organic industry.

(3) In addition to production research, economic research pertaining to marketing and data collection about the organic sector is desperately needed. There is no way to fully understand the growth and impact of the organic sector until organic sector data is included in baseline data collection. In fact, the 2002 farm bill included language (from the Organic Production and Marketing Data Initiative) that read "Secretary shall ensure that segregated data on the production and marketing of organic agricultural products is included in the ongoing baseline of data collection regarding agricultural production and marketing." While this was required, it has never been fully implemented. Full implementation of this language should be required in the next farm bill. This implementation should include regular nationwide reporting of organic prices, specific surveys and data sets for the organic sector, and farm gate price reporting through the USDA National Agriculture Statistics Service. Additionally, support for the USDA Economic Research Service (ERS) should be continued for their very important data collection on the organic sector.

(4) Crop insurance continues to be a thorn in the side of the organic fruit industry. Despite the fact that insurance coverage is currently based on production history, organic growers are forced to pay an additional premium for multi-peril crop insurance. This premium must be paid, despite the fact that the premium organic growers receive for their products is ignored when claims are settled. Thus, organic growers pay more to get insurance, but don't get any benefit of being organic when claims are paid. Furthermore, the system already compensates for any production variances by basing the insurance on production history.

Additionally, many minor crops do not have crop insurance available to them. Pilot programs such as the Adjusted Gross Revenue program are only offered in limited areas, thus benefiting those growers while leaving growers of the same crops in other areas of the country uncovered. This program should be offered nationally. If organic growers must pay higher insurance premiums, then settlements of claims should also reflect the higher value of the organic product.

(5) The Conservation Security Program should be adopted on a national scale, not just in specific watersheds. Once again, those of us that grow high value crops that are not produced on a large scale or are not grown in the larger agricultural counties are ignored and do not have access to programs that other growers receive benefits from. Additionally, organic farm plans that are approved by USDA accredited organic certifiers should be automatically accepted as proof of compliance with the highest tier (III) of conservation.

(6) The Organic Certification Cost Share program should be continued. This program supports producers of all scales, but it especially assists small and medium producers with the basic costs associated with organic certification. Under this program, producers and processors can be reimbursed up to 75 percent of their certification costs with a \$500 maximum. This program helps to maintain diversity within the organic sector and helps to compensate all growers for the extensive paper trail necessitated for organic certification.

As a relatively small fruit grower, the above comments would help to support our farm and increase our potential profitability. Basic and applied research into organic production methods is critical to advancing the state of the art of the industry. Considering the relatively modest amounts of funding invested in organic farming research and extension, it is quite amazing how quickly the industry has developed and moved forward. With a "fair share" of funding the forward progress of the industry could be accelerated to the benefit of both organic and conventional growers. That research, combined with economic data collection that documents what is actually happening in the organic industry could help to support United States farmers and provide us with a niche whereby we can provide consumers with products they are demanding and desiring.

Thank you for the opportunity to submit this testimony to you and I hope to see the above ideas incorporated in the upcoming farm bill.

United States House Committee on Agriculture

Monday, May 8, 2006
4-H Building, Island Grove Park
Greeley, CO.

Testimony provided by:
Jeff Deeds
Northwest Kansas Grain Producer

Chairman Goodlatte and Members of the House Agriculture Committee, thank you for the opportunity to appear before you today and share with you some concerns I have with the current farm bill. My name is Jeff Deeds and I, along with my wife and three young sons, own and operate a farm in Goodland, Kansas.

I am a fifth generation farmer in northwest Kansas. On our farm we produce wheat, corn, sunflowers, both confectionary and oil, sorghum, soybeans and pinto beans. Our operation consists of approximately 4,500 acres. There are 1,100 acres that are irrigated with water from the Ogallala aquifer. We have been engaged in a no-till farming system for the last ten years. Our area has been in a drought for the last six years.

Since 1987, when I entered production agriculture on a full time basis, we have expanded our farm by renting and purchasing land. We have an up to date equipment line but we have not purchased a new tractor, off the lot, in 17 years. We use the latest in GPS technology available to efficiently sow and fertilize the crop. We employ the newest seed technology to reduce herbicide and insecticide use and cost. We have invested in equipment that has made our irrigation more efficient thereby reducing the number of gallons pumped. We have incorporated into our operation new production practices and new technology that has made us more efficient and, we had hoped, more profitable.

Agriculture has been, and always will be, highly unpredictable. With all of my investment in the best management practices I still can not control the

weather. I can soil sample for the right nutrients for the crop, I can choose the right seed genetics and the right pesticides but I still cannot make it rain. Even on our irrigated land, the water I apply is only supplemental to our typical annual rainfall.

Like many of my peers, when Freedom to Farm was first introduced, I was very excited about the possibilities that it held; to finally let the market work and allow me to produce according to what the market demand was. The 2002 farm bill changed some of the focus and was created in an environment where high yields and low prices were the norm. Since 2000, when the drought in my area started, we have seen low yields year after year. In order for the Farm Bill to work you have to have yields, in order for the insurance program to work you cannot have multi-year losses. For the last six years that is where I have been, low yields and multi-year losses.

With the drought that has been in place for the last six years our guaranteed insurance yields have been declining. For some the decline has been so drastic that purchasing the insurance no longer makes sense. I do not need to tell you that input prices have sharply increased in the last five years; you only need to look at the price of a gallon of gas to realize that. Most of my crop inputs are based on petroleum, not only diesel for the trucks and tractors, but also fertilizer and chemicals. We try to use what risk management tools are available to mitigate the risks that are involved.

One of the risk management tools that is available is crop insurance but, as the crop insurance structure exists today, it is inefficient and most of the time is out of step with what I as a producer need. Rulings come from RMA that are confusing and sometimes go just opposite of what best practices are for my farm. With the decline of my yields because of the drought and the increase in the cost of insurance, I can not justify the cost of buying up additional coverage. I can not get close to covering my production costs with crop insurance, but I can not get financing from my bank or participate in the government programs without being enrolled in the crop insurance program.

My greatest risk is not that I will lose 100% of my crop; it is that I will lose 40%. If I lose 100%, I do not have the additional cost to harvest. If I lose 40%, I still have the expense of harvesting the crop, I will not receive any

insurance indemnity and I will not have produced enough bushels to cover my actual production costs. I need an insurance product that I can choose the level of coverage that I require for my operation. For example, if I need \$400 per acre coverage for my irrigated corn, I would like to be able to purchase that amount of coverage. I would also like to be rated on what I can historically produce, not penalized for the freak storm or long term drought that has affected my yields.

An example of how crop insurance is not keeping in step with research is in the use of irrigation water and yields. Under current regulations there is either fully irrigated or dry land production, there is not an insurance product that I can purchase that will cover reduced irrigation. Research shows that by reducing my seeding rate by 25% on my irrigated corn I can increase my net return per acre. By cutting my plant population I reduce my water, fertilizer, pesticide and seed expense. This practice would be better for my bottom line and the environment. However, current crop insurance classifications do not take into consideration any of that and while I may have somewhat limited my potential to produce a high yield, I have decreased my chances for a low yield or crop failure. Presently, I can only insure at a dry land insurance rate; as if I never applied any water. Dry land insurance yields do not come close to covering the additional cost of reduced irrigation over my typical dryland corn program.

I told you that I was a fifth generation farmer in northwest Kansas. And at 4,500 acres I may seem like a large farm, but in fact, I am just above average in size for my region. The reality is that I am preparing to be the last generation on the farm. This winter, instead of talking about what crops I was going to grow and what kind of financing I needed, my banker and I talked a lot about how much longer I could stand to take the kind of losses that I have in the last five years. Instead of talking about expansion of the farm we talked a lot about how to get out of farming, what an exit plan would look like and how to implement it. I, like many farmers my age, am at point where I need to make a decision on how best to preserve what equity my family and I have left in the farm. Most of the decisions rest on the outcome of this year's crop.

What keeps me in farming is the hope of a new day when agriculture can be part of the solution for America's dependence on oil, a hope for a season when yields and prices are high at the same time. And a hope that some day it will rain.

Once again I would like to thank you for the opportunity to speak today. I hope I have given you some insight of what it is to be a farmer in western Kansas, the decisions that we are faced with everyday. We are not hobby farmers, we do not have jobs in the city; this is our business and our livelihoods. We take production agriculture seriously and the impact that it has on our lives and our country. There are no easy answers, but with leadership from this committee and input from producers, my hope is that we can create a stable and secure safety net for American agriculture. Thank you and I will answer any questions that you have.



**Mountain Plains
Farm Credit Services**

4505 29th St.
P.O. Box 336670
Greeley, CO 80633
(800) 799-6545
(970) 330-4071
www.ifeedtheworld.com

April 18, 2006

Bob Goodlatte, Chairman
Collin C. Peterson, Ranking Minority Member
U.S. House of Representatives
Committee on Agriculture

Gentlemen,

Colorado enjoys a very diverse agricultural economy. It requires a substantial capital investment and ongoing access to reliable financial resources. Farm Credit plays a critical role in ensuring that the farmers, ranchers, and agribusinesses in our state have the financial resources and expertise they need. However, as the global marketplace and agriculture change, so must our lenders.

Farm Credit recently issued a report from its HORIZONS Project which demonstrates areas where Farm Credit is restrained from fully meeting its mission of service to agriculture and rural communities. As a Colorado farmer and a Mountain Plains Farm Credit director, please allow me to share one local example.

A young couple with three children owns 2,700 acres of pasture and raises 100 cows. She has a job in town and he owns and operates a rural welding business that employs three local welders. This young couple needs both incomes to pay for their ranching operation. Farm Credit is their lender for the ranch. However, because their welding business does mostly non-agricultural welding, Farm Credit can't finance this business despite its positive impact on this family's financial health, and its positive impact on rural development and job creation in their local community.

I encourage the Committee to review the HORIZONS Project report and ensure that Farm Credit can continue to serve Colorado agriculture and agribusinesses in the future.

Sincerely,

James L. Cooksey
3208 Weld County Road 95
Roggen, CO 80652

May 7, 2006

The House Committee on Agriculture

Re: Farm Policy Issues for 2007

Dear Committee Members:

I have farmed and ranched in Oklahoma and Colorado for the past fifty years, raising cattle and a variety of crops including wheat, sugar beets, corn, and dry beans. I have worked closely with local and state legislators regarding agricultural issues and have been president of the United Farmers Dry Bean Company and was one of the founders and a past president of the Dry Bean Administrative Commission for the state of Colorado.

I have always been a proponent of international trade and increasing producers' opportunities through exports of surplus production. Two decades ago, producers were promised opportunities to improve their bottom lines through an increase in exports. Since enactment of the North American Free Trade Agreement in 1994, followed by subsequent bilateral and multi-lateral agreements, we have seen little movement in the overall volume of U.S. agricultural exports.

Agricultural producers are certainly no better off today than they were prior to implementation of these international trade agreements. In most cases, commodity prices in real dollars are lower than they were in the early 1990s. The U.S. agricultural sector's large net trade surplus was favorable to the overall U.S. economy for nearly half a century. As you know, the United States is now or will very soon become a net agricultural importer, a position we have not been in since 1959.

My neighbors and I, and most other producers I know, are very worried about the future of family farming and ranching in our country. I, like you, have a personal tie to farm ground and the farming tradition. I want my children and grandchildren to have an opportunity to make a living from farming if they so choose. Maintaining a network of stable family-run farming and ranching operations is good for our social fabric, good for environmental stewardship and good for the security of our nation. Therefore, I would like you to consider the following suggestions:

- We need to refocus U.S. farm policy away from exports to a renewed focus on supplying Americans. Let's be realistic in our view of trade and realize that it is important to agriculture, but that it is no panacea.
- We must acknowledge that there is no such thing as a level playing field. Producers from each country have their own set of input costs and regulations. Producers from New Zealand and Australia brag that they have no agricultural subsidies, yet their government provides all citizens—including their producers—with free health care. American producers who are self employed spend \$800 to \$1000 per month for health care, raising our cost of production from an area one wouldn't normally consider when making cost-of-production calculations.

- Congress needs to set U.S. farm policy and not allow that it be dictated by the WTO.
- We need to recognize that eliminating trade barriers, globalizing markets and erasing borders is highly profitable for multinational corporations, as these measures enable them to seek the lowest cost providers of the commodities they need and to sell their products for the highest possible return. This is good business on their part, but stripping farmers and other workers of the ability to earn a living—which is the downside of this trade approach—is poor policy.
- Instead of trying to increase grain exports, we should put our efforts (and federal spending) into developing a renewable energy program for domestic use. This will save us money, improve the environment, and most importantly, decrease U.S. dependence on foreign oil.
- We need to enact country-of-origin food labeling, which was included in the 2002 farm bill. This will give consumers a choice and enable farmers to compete in the domestic market, which has been flooded over the past two decades with imported food products.
- Part of the reason U.S. policy makers have pushed for increased exports is that American farmers produce more than our consumers need. Farmer-owned grain reserves, which enable farmers to control their excesses and sell them when prices increase, along with federal farm policies that discourage over-production, would go a long way toward decreasing this over-supply situation, while ensuring adequate reserves.
- Agriculture policy makers and trade representatives need to understand the realities of agricultural production. First, food is essential. Given that the United States has never experienced a severe food shortage, many forget the importance of maintaining our network of family farms and ranches. And, unlike manufacturing, agriculture is fairly inelastic in its ability to change production quickly or drastically. We can't send mother cows to Cancun for a holiday when beef production is higher than needed.
- Elimination of export subsidies is a good idea. This will keep countries with surplus commodities from lowering commodity prices, which harms subsistence farmers in developing and undeveloped countries.
- Elimination of domestic farm programs is a bad idea. The only impact of this would be to drive family producers out of business. Despite the opinion of some that this would reduce production and drive up commodity prices, a study by the International Food Policy Research Institute estimates that totally eliminating these farm supports on a worldwide basis over the next twenty years would only increase world corn prices by 2.9 percent and world wheat prices by .8 percent.
- Rather than eliminating domestic farm programs, the programs should be restructured to support family-sized operations. Those wishing to increase beyond this level would be welcome to do so, but without price supports. Such a policy would reduce federal farm spending in two ways. First, by capping support levels, the amount paid out would be reduced. Second, over-production would be discouraged and could result in higher commodity prices over time.

- Dry beans are the only commodity not in the commodity program. Dry beans should be considered equal to the other commodities such as corn, wheat and lentils, and the farmers that plant these dry beans should not be penalized for planting them due to the loss of direct payments.
- The existing 2002 farm program should be extended intact, or at a four percent increase, for the next six years. This will allow the United States agricultural policy makers and trade representatives the necessary leverage to negotiate a favorable trade policy for the American farmers.

Again, the European countries, which are now paying their farmers very high subsidies, have vowed that their people will never go hungry again, as in the world wars. This is a noble aspiration; however, by cutting subsidies given to American farmers, we are putting our own country in danger of facing this same tragedy. In addition, we will be putting our country at the mercy of foreign food producers, who will negotiate prices; much like the foreign oil-producers do today. American farmers have already been dealt a crucial blow with fuel and fertilizer costs that have increased three hundred percent over the last three years. New equipment has become prohibitive to buy. Every aspect of production has increased exponentially, yet commodity prices have stayed the same and even fallen.

Kit Carson County in Colorado has experienced a six-year drought. We have lost most of our insurance yields and we are now strictly on the county average for different crops to determine insurance payments for federal crop protection. Droughts and other disasters throughout the agricultural states including Colorado, Kansas and Oklahoma need to be protected by disaster payments just as Louisiana was protected. If we acknowledge the wisdom of the European countries, then we must realize that subsidies are necessary to protect our farmers so that Americans will always have food on their tables.

U.S. agricultural producers are very much in need of an advocate in these areas. We hope that you will do this for us.

Sincerely,

Norbert T. Pekarek
11430 Hwy 385
Burlington, CO 80807
(719)346-7565

REVIEW OF FEDERAL FARM POLICY

TUESDAY, MAY 9, 2006

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
San Angelo, TX.

The committee met, pursuant to call, at 8:30 a.m., at Angelo State University, San Angelo, TX, Hon. Bob Goodlatte (chairman of the committee) presiding.

Present: Representatives Moran, Musgrave, Neugebauer, Conaway, Sodrel, Peterson, Holden, Cuellar, Melancon, Salazar, and Pomeroy.

Staff present: Pamilyn Miller, Kevin Kramp, Bryan Dierlam, Tobin Ellison, Mike Dunlap, Alise Kowalski, Scott Martin, Lindsey Correa, April Demert, and Russell Middleton.

OPENING STATEMENT OF HON. BOB GOODLATTE, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF VIRGINIA

The CHAIRMAN. This hearing of the Committee on Agriculture of the U.S. House of Representatives to review Federal farm policy will come to order.

Good morning. I'm Bob Goodlatte, chairman of the committee from the Shenandoah Valley of Virginia. I'd like to thank all of you for joining us here today for the committee's sixth field hearing to review the 2002 farm bill. This hearing marks the halfway point for the committee in our field hearings process, as we plan to hold roughly a dozen hearings before beginning the farm bill debate early next year.

I will keep my opening remarks relatively brief to allow plenty of time for our witnesses to share their thoughts with our members.

The purpose of this hearing is to gather feedback from the producers on the 2002 farm bill, which is set to expire in September of next year. To ensure that American agriculture remains competitive and that our producers can continue to provide fellow Americans with a safe, affordable and wholesome food supply, we must make sure that our producers are equipped with an adequate safety net.

As we travel throughout the Nation, the feedback we receive from our producers will give us a good sense of how these policies work in practice and what improvements can be made within the budgetary constraints we face in Washington.

Today producers face higher input costs due to the rise in energy costs, more environmental regulation, as well as trade issues.

These challenges are further compounded by a misperception of farm programs in many areas of the country.

While my colleagues on the committee and I realize a vital role farm policy plays in sustaining American agriculture for our national economy, as well as our national security, many of our urban and suburban colleagues do not.

While you can be sure that we do our best to educate our colleagues, we need your help. I encourage you to voice your concerns to Members of Congress outside of the Agriculture Committee, media and local communities, and spread the message about the importance of U.S. agriculture beyond rural America.

I'd like to thank the Texas delegation on the committee, including Representative Mike Conaway, in whose district we are pleased to be holding this hearing, Congressman Randy Neugebauer and Congressman Henry Cuellar. I thank all of them for hosting today's hearing and thank them for their excellent representation on the committee following in the footsteps of two great Texans who played the leading roles on the House side in writing the farm bill that we are currently operating under, Congressman Larry Combest and Congressman Charlie Stenholm.

I'd like to thank Mike Conaway and his staff for all of their efforts in facilitating this hearing and, additionally, I would like to thank the witnesses who'll be testifying today. These witnesses are themselves producers with livestock, crops, fields, and we had "forests" here, but we use that in Colorado, but they've drawn a line through it here in West Texas, to tend and I appreciate the time they have taken out of their busy schedules to be here to speak with us today.

Yesterday at the hearing in Greeley, Colorado we announced a new Web form on the committee Web site that will allow producers throughout the Nation to provide their input about the future of farm policy. I want to extend an invitation to everyone here today, as well as your fellow producers around the country, to visit our Web site and tell us what you think about current farm policy and what you'd like to see for the future.

We do have cards available with more information about the Web form, which you can pick up on your way out today. Just visit www.agriculture.house.gov and click on the farm bill feedback box and fill in the form. While the information submitted on the Web site will not be part of the official hearing record, it will be valuable to our members as the farm bill debate gears up early next year. We look forward to receiving your input.

Speaking of input, I look forward to the testimony of the witnesses before us today.

I respectfully request Members to submit their opening statements for the record so that we may proceed with our first panel of witness.

There is, of course, one exception to that rule and that is our ranking member, whom I am pleased to work with. In the last Congress the ranking member was the Honorable Charles Stenholm from right here in Texas. He has been succeeded by a great representative from the State of Minnesota, Collin Peterson.

OPENING STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. PETERSON. Thank you, Mr. Chairman, and thank you for getting us out here in the real world and hearing from the real people that are effected by agriculture policy. And I also want to say that your Representatives from Texas do an outstanding job for you representing your interests, and we appreciate their involvement in the committee.

I represent about the western half of Minnesota. We grow just about every crop there is, but we do not grow cotton or peanuts, but Charlie Stenholm educated me very well about those crops and Texas agriculture.

He did not, however, teach me how to talk the way you do down here, but at least I'm conversant enough so I don't need a translator but we are pleased to be out here to hear what you think about the state of agriculture and how the 2002 bill is operating.

I reviewed some of your testimony and I can see that most of you agree with kind of where we're coming from in Minnesota, that you think the current bill has worked pretty good and you are concerned about rewriting the bill with the WTO hanging over us and some of the other issues.

So it looks like from what I've read in the testimony that there's a lot of commonality between Texas and my part of the world, and that's important because, if we're going to be able to move ahead with good farm policy, we've got to have something that works for all of us and we understand that and that's why we're getting out around the country so we can hear from all the different regions.

There are some immediate issues that I'm concerned about. One of the primary ones is getting a disaster bill through this Congress. The Senate added the provision to the supplemental bill, and we've been trying to get something done over on our side. It's been kind of an uphill battle. But as soon as the Senate added that language, I introduced a bill in the House with 13 Democrats and 13 Republicans with the exact same language that was in the Senate bill, and we've added about 20 cosponsors since then, and we are going to be doing what we can to hopefully end up with a supplemental that includes an ad hoc disaster bill for farmers.

I've also introduced, some time ago, a bill to create a permanent disaster program within the farm bill. I think that's the one area that we missed in 2002, and we may talk about that a little bit further down the line. So we have to work on some of those immediate things, I think, this year.

The other thing that I'm interested in hearing from the witnesses, I think one of the real great things for the future of agriculture is energy. And in Minnesota we've been leaders in developing a farmer-owned energy industry and it's been the most profitable thing that we're doing in agriculture and I think it's a real positive thing for the future in agriculture, so I'd be interested in hearing a little more about what's going on in Texas. I understand you're building some ethanol plants and doing some things.

But we are pleased to be here and we're looking forward to your testimony and looking forward to working with all of you as we move ahead with whatever we do with the farm bill next year.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

Any statements for the record will be accepted at this time.

[The prepared statement of Mr. Cuellar follows:]

PREPARED STATEMENT OF HON. HENRY CUELLAR, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF TEXAS

- Chairman Goodlatte, Ranking Member Peterson, Welcome to Texas and thank you for your decision to locate this hearing in Texas.
- It is important to hear from Texas producers because of the diversity of Texas agriculture.
- In my district, which stretches from south of Austin to Laredo, Texas farmers and ranchers grow a wide variety of products: beef cattle, cotton, corn, dairy cattle, hay, peanuts, potatoes, sorghum, vegetables and wheat.
- Nursery stock production, hunting and other recreational opportunities are strong contributors to my district's agricultural economy.
- Not only do we have diversity, we also have longevity.
- Onions were first planted in the community of Cotulla located in LaSalle County in 1896, 110 years ago.
- And ranching in South Texas dates from the 1730s, when herds grazed along the San Antonio River to feed missionaries, soldiers, and civilians in the San Antonio and Goliad areas.
- As the Committee holds this hearing today, Texas agriculture again finds itself confronted with promise and peril.
- The promise of new markets such as ethanol; the peril of old scourges such as drought and wildfire.
- Congress alone cannot maximize the promises and minimize the perils.
- That is why we are here today, to listen to the real experts and entrepreneurs so that we can craft future farm policy that works for Texas farmers and ranchers as they continue to lead the nation in the production of the world's safest and most abundant food supply.
- I look forward to hearing the comments from our distinguished panelists.
- Thank you, Mr. Chairman and again, welcome to Texas.

The CHAIRMAN. I'm very pleased that we have 12 members of the committee with us today. As the hearing progresses, I'll have the opportunity to introduce the rest of them to you. Most of them have had the opportunity to visit Texas before, but we all feel very welcome. This is, indeed, my sixth visit to Texas just since I became chairman of the committee. So we're here to listen now to you and, with that, I will introduce our panel of witnesses.

Mr. Al Spinks, cotton producer of Midland, Texas; Mr. Jack Norman, wheat, corn, soybean, hay, and cattle producer of Howe, Texas; Mr. Rickey Bearden, cotton, peanut, sorghum and wheat producer of Plains, Texas; Mr. Dee Vaughan, corn, cotton, wheat, soybean and seed sorghum producer of Domus, Texas; Mr. Dale Artho, sorghum, wheat and cotton producer and stocker of Wildorado, Texas; Mr. Daniel Berglund, a rice producer of Wharton, Texas; Mr. James Overstreet, peanut producer from Dilley, Texas.

And Mr. Spinks, when you are ready to begin, we welcome you.

I'll remind every member of the panel that their entire written statement will be made a part of the record and ask you to limit your remarks to 5 minutes.

STATEMENT OF AL SPINKS, COTTON PRODUCER, MIDLAND, TX

Mr. SPINKS. All right. Mr. Chairman and members of the committee, welcome to Texas and thank you for holding this hearing.

It's a real honor to have the opportunity to testify before the House Agriculture Committee.

For 20 years I have farmed cotton alongside my father until his death this last summer. During that time, we each had our own operations and farmed some land in partnership, about 3,000 acres in total.

My father and I employed two brothers who have each worked for us for more than 15 years. The additional help we hired during busy times nearly always came from their extended family. The operation we developed, and which is now consolidated, is the very definition of a family farm.

Until 5 years ago, all of my cotton was irrigated; however, because of persistent drought and rising fuel and fertilizer costs, I was unable financially to continue irrigating.

In 2002, the first year of the current farm bill, I saw the opportunity to cut costs and began dryland farming. Because the payments were decoupled from production, I was not penalized for producing less cotton. Instead, I was able to make business decisions based on the market price of cotton and my production costs.

The current farm bill has been and is the best farm bill for the family farmer period. The combination of the marketing loan, counter-cyclical payments when prices are low, and a direct payment for financial stability is a sound foundation and is working well.

The safety-net features of the farm bill are very important to me. Affordable, effective crop insurance is essential in our area, given the extraordinary risk of weather-related losses. The combination of the Federal Crop Insurance Program and protection from low prices provided by the loan and counter-cyclical payments have helped keep not only me, but most farmers in our region, in business despite a persistent and nearly devastating drought. I encourage you to look for ways to develop a permanent disaster program and to continue to encourage development of innovative new crop insurance products such as the Combination Policy developed by Representative Neugebauer.

This past July, my father died of prostate cancer. I am the only child and only heir and am now facing the prospect of our much consolidated operation not being eligible for Government support because of payment limits. I understand the rationale and political posturing that created the current payment limit structure, but it simply does not work on my farm. Some argue that payments limits penalize success. This may be true in many instances; however, on my farm I have been adversely impacted by payment limits, even though my farm has been barely large enough to provide the margins necessary to cover my families' living expenses. Therefore, I am very concerned by annual proposals to further tighten limitations on benefits or to limit eligibility for the loan.

To subsidize my farming operation, 10 years ago I began a small business that provides liquidity to farmers in need of cash. During the last couple of years of Freedom to Farm, farmers going through a divorce were regularly contacting me. I'm not saying a bad farm bill was the cause of these family problems, but financial stress must have exacerbated the problem because I've not been contacted by a farmer going through a divorce in more than 3 years. I say

this because much of the support for the farm bill comes from those that support rural development and rural communities. I believe that keeping families strong is a key to the future of rural areas.

Another part of the agriculture landscape that needs to be addressed is energy. Not that high-energy costs are a bad thing for my hometown of Midland, but, however, I highly recommend that alternative sources of energy not only be explored, but aggressively pursued. Wind energy is successfully being developed throughout much of west Texas; I hope that biofuels closely follow. Rural America will benefit from gains in these areas, as will all of America as we develop less reliance on foreign oil. The new farm bill should continue to push towards renewable energy.

Conservation programs such as EQIP and CRP are a vital part of the current farm bill. They are working well. I think it would be unwise to change them.

Other successful components of the farm bill are the cost share funds provided for boll weevil eradication and agriculture research and development.

Regarding the WTO, it's good to know that Congress, not the negotiators in Geneva, will write our next farm bill. I believe it will be difficult for you to write a new farm bill while others are simultaneously negotiating a far-reaching new trade agreement. I am also concerned that if Congress modifies current law before the WTO negotiations are complete, it could undermine U.S. negotiators' leverage to obtain concessions by our trading partners.

In conclusion, the history of the farm bill leads reads like a pendulum swinging from little or no support to a collection of effective support mechanisms working together. I think it would be a mistake to swing the pendulum again. As I said when I started, the current farm program is working. I believe that only small changes are needed to meet budget requirements and our WTO obligation.

Thank you for conducting this hearing and thank you for listening to farmers.

The CHAIRMAN. Thank you, Mr. Spinks.
Mr. Norman.

**STATEMENT OF JACK NORMAN, WHEAT, CORN, SOYBEAN, HAY
AND CATTLE PRODUCER, HOWE, TX**

Mr. NORMAN. My name is Jack Norman and I farm in a diversified family farming operation with my brother and my nephew. We have a diversified operation which includes wheat, corn, soybeans and a small cow/calf operation.

As I come before you today, I represent not only my personal farming operations, but as the current president of the Texas Wheat Producers Association, I also speak for other wheat producers across the State.

While I'm here to discuss primarily the 2007 farm bill, I would be remiss if I did not express the current crop devastation here in Texas. This year, wheat producers have suffered through the worst crop in history. Wheat conditions statewide are rated at 77 percent poor to very poor and the Texas Agriculture Statistic Services estimated our crop at 41 million bushels, which is 57 percent lower than last years' crop.

We, therefore, urge each of you to support Emergency Disaster Assistance and to rally the support of your colleagues in this important legislation. We need both disaster and economic assistance for the 2006 crop year.

While we're here to discuss the extension of the current farm bill, I will direct my comments to the development of the 2007 farm bill. I am not opposed to the extension, but I look toward to the future. I believe it is both urgent and imperative that Congress acts promptly and decisively to assure the income and economic stability of agriculture in rural America. The wheat producers want to play an active role in crafting the next farm bill based on the strengths of the 2002 farm bill.

The first two questions my banker always asks me when I go in to get a loan, "do you have crop insurance and are you enrolled in the farm program?" without the safety net of a solid farm bill, bankers or other lenders will not loan money to farmers in mine or any other area. We must have a farm bill that is able to be utilized by all producers.

As a whole, the 2002 farm bill has worked and worked well for most commodities. However, wheat farmers have not been able to take full advantage of the commodity title programs. Although the intent of the counter-cyclical and loan deficiency payment programs were designed to provide producers stability in times of low prices, the target price and loan rate for wheat were set too low for income stability. Wheat growers are now unsupported by price-triggered programs in times of crop failures when crop shortage leads to higher prices which precludes support.

These dynamics suggest a need to shift policy towards a program less tied to current market conditions, with producers having flexibility to use different programs for different crops. For example, the National Association of Wheat Growers is currently having FAPRI score various scenarios in which wheat growers would be given the opportunity to receive a higher direct payment in lieu of the participation in the counter-cyclical program. If the FAPRI results show that this is not a realistic option, then we urge that the target price of wheat be increased to \$4.40 per bushel.

My final comments will be brief and these represent the views of Texas wheat producers.

We support full preservation of domestic support within the commodity title at no less than the amount authorized in the 2002 farm bill.

Wheat producers support current conservation policies and would like to see more "farmer-friendly" solutions to the enrollment.

We, too, believe that successful farmers should be able to grow their businesses as they like without the fear of losing the safety net. Payment limitations should not be lowered in the current or any future farm bills.

And, in closing, I would like to also recommend that we could improve risk management opportunities for producers. Our wheat crop is a disaster this year in Texas and, even with this, with crop insurance, we still have a 35 percent gap in coverage.

In closing, I would say that we also support and urge the Foreign Agriculture Program, like the Market Access Program and the For-

eign Market Development Program, which are so vital to the wheat industry.

Thank you again for the opportunity to be here today. The wheat producers look forward to working and developing a new strong and viable farm bill. Thank you very much.

The CHAIRMAN. Thank you, Mr. Norman. Mr. Bearden. Welcome.

**STATEMENT OF RICKEY BEARDEN, COTTON, PEANUT,
SORGHUM AND WHEAT PRODUCER, PLAINS, TX**

Mr. BEARDEN. Mr. Chairman, and and members of the committee, thank you for allowing me the opportunity to present my thoughts today. My name is Rickey Bearden. I live in Plains, Texas and I've farmed since 1975. I'm a third generation of my family to farm in Yoakum County. My operation consists of 2,000 acres of irrigated and 4,000 acres of dryland. I grow cotton, peanuts, milo, wheat and black-eyed peas. I operate a family farm and am a full-time, commercial-sized farmer. My income is completely dependent on my farm operation.

I support the current farm bill that is composed of direct and counter-cyclical payments decoupled from production and the Marketing Loan Program that is coupled to what happens on my farm. The delicate balance between decoupled and coupled payments should be continued in the next farm bill. Production agriculture is what drives the economic engine called agriculture.

The current program has proven to be a dependable safety net and does not, contrary to popular belief, guarantee a profit. The cotton target price of 72 cents per pound and the loan rate of 52 cents per pound are essentially the same as in 1981. I would like for each of you to imagine that you still had the same salary you had in 1981.

We continually hear that 20 percent of the producers receive 80 percent of the payments. Let's examine this a little further, keeping in mind that USDA's only requirement to be considered a farmer is that it generate at least \$1,000 of gross sales in any one year.

USDA classifies 66 percent of farms as limited resource, retirement and lifestyle farms. The remaining 34 percent are commercial-sized operations like mine that rely on income generated by agriculture. These farms do receive 80 percent of the payments, but they also produce 90 percent of the commodities that receive Government support. U.S. farm programs are commodity support programs, not lifestyle support programs. I encourage you to maintain this principle. Commercial-sized family farms drive our local rural economies.

To limit the support provided to larger operations by limiting marketing loan benefits is virtually impossible to do. My county is an excellent example why limits will not work. Since 1977 Yoakum County cotton yields have ranged from 5 to 610 pounds on non-irrigated and 198 to 976 pounds on irrigated. During this time, the LDPs on my operation could have ranged from over 600,000 down to 25,000. This illustrates why an overly restrictive payment limit on LDPs is so detrimental.

Recently Senator Charles Grassley was quoted as saying that producers have no control over the prices they receive or the national loan rate; therefore, having no control over the LDP rate. My

lack of control as a producer over the rate of payment and the yield of a crop in any single year makes strict limits on LDPs impractical. All production must be eligible for marketing loan benefits.

Secretary of Agriculture Johanns recently hinted the Bush administration may call for an end to marketing loans because so many in the WTO are opposed to them. I'm deeply concerned over this suggestion as well as the recent U.S. proposal to cut 60 percent of our domestic support in return for market access. Doing away with marketing loans is out of the question, and the promise of market access gains very little benefit to U.S. producers who exported 70 percent of a record crop this year.

In 2005 this record crop of 23½ million bales were produced in the United States. U.S. consumers used over 24 million bales of cotton products. The U.S. cotton producers and importers have invested millions of our own dollars to develop this U.S. market, this year spending \$73 million on these efforts. U.S. cotton producers work to build this market and my question's, what's wrong with U.S. producers producing 23½ million bales if the U.S. consumer uses over 24 million bales?

It is clear to me that the WTO has accepted the argument that the U.S. cotton program is responsible for the poverty of African farmers. Allowing U.S. cotton to be singled out for early harvest of our domestic safety net through deeper and accelerated cuts is a precedent we cannot accept.

Mr. Chairman, you and other members of the House Agriculture Committee must not allow this to happen. It is imperative that the WTO agriculture trade policies be considered as a single undertaking and equally important that a compliance assurance provision be reinstated in any new WTO agreement.

In summary, key parts of a new farm bill should be marketing loans with all production eligible; direct and counter-cyclical payments; improved crop insurance; a permanent disaster program; conservation programs on a voluntary cost share basis; public and private marketing development programs; and agricultural research at all levels of our industry.

I trust as you write the next farm bill that you will work with producers like us to keep U.S. agriculture an important part of the U.S. economy. It is up to you to make sure that the next farm bill is written in Washington by Congress and not modified or dictated by those not directly involved in U.S. agriculture.

Again, thank you for the opportunity to testify today. I would be pleased to respond to any questions later.

The CHAIRMAN. Thank you, Mr. Bearden, for your well-taken comments. Mr. Vaughan. Welcome.

**STATEMENT OF DEE VAUGHAN, CORN, COTTON, WHEAT,
SOYBEAN AND SEED SORGHUM PRODUCER, DUMAS, TX**

Mr. VAUGHAN. Thank you, Mr. Chairman.

Good morning, Chairman Goodlatte, Ranking Member Peterson, members of the committee. Welcome to Texas. Thank you for this hearing which allows those of us involved with Texas agriculture an opportunity to comment on U.S. farm policy.

My farm is located 350 miles north of here in Moore County. My main crop is corn, but I also grow wheat, soybeans, sorghum and cotton.

The 2002 farm bill is very popular with farmers. I believe it has lived up to its design and what we must have, and that's a viable safety net. It has performed well for producers while saving tax dollars when prices are adequate. I support extending the farm bill and its budget baseline. When it becomes necessary to rewrite the farm bill, I hope that the major components of the commodity title will be retained.

Corn growers worked very hard to ensure farmers were able to update base acres and yields during the 2002 farm bill development. Because of this effort, farmers were able to update their counter-cyclical payment history. This was a major improvement, but it still left many of our producers with direct payment yields of as low as 27 bushels, while actual production is well over 200 bushels per acre.

This situation effects the producers of other crops as well. There's been talk of increasing the direct payments under a new WTO agreement since these payments may be designated as green box. If the direct payment yield and base acre history is not updated under that plan, then many producers and landowners will see their current disadvantage on the increase.

Another idea that has been advanced is to decouple the marketing loan by basing it on historical production. Many producers are changing their cropping patterns to adjust to local climatic and economic conditions. For example, producers in my area are adding cotton to their farms, but if they lose the marketing loan because they have no base history or no yield history, then they will be left to the extremes of the market place. Changing to historical production will deprive farmers of planting flexibility.

The past 5 years has seen dramatic increases in the cost of production, especially for those of us that must irrigate. Since 2001 we have seen the cost of irrigation and nitrogen fertilizer more than double and the cost of gasoline and diesel triple. It has made planning and marketing very difficult because at times we have not known until the last minute if we would even be able to grow a crop under irrigation. The farm bill and crop insurance currently do not address this huge risk. Perhaps the future farm bill or crop insurance product can address this issue.

Growers need conservation programs that help them resolve environmental problems on working lands. The expansion of the EQIP program has benefited crop and livestock producers. In Texas local grower involvement with the NRCS has led to conservation practices that are tailored to meet local needs.

The CSP program has been a disappointment in that too few watersheds have been included into the program and the rules have been very difficult and made entry into the program difficult. CSP or similar programs will replace the commodity title has been suggested as a means of complying with the future WTO agreement. Most growers, including myself, are suspicious of this plan. We believe conservation programs will continue to be cost share as opposed to income supporting.

The energy and research title should be expanded to resolve continuing production problems and to engage and enable agriculture to be a solution to problems faced by society.

I have touched the high points of farm policy, but I'd also like to comment on how USDA reports economic data about farming. This is relevant to the topic that we're discussing this morning because the data is often used in ways that undermine support for Federal farm programs. Specifically, combining non-farm income with farm income and reporting it all as farm household income distorts the true economic health of U.S. agriculture.

Many farms, as defined by USDA, are rural residence farms where the majority of income is from non-farm sources. Many commercial farmers are totally dependent upon the revenue from their farm for a living and they must also show a return on investment.

Another problem is that USDA considers any entity that sells a minimum of \$1,000 of agricultural product a farm. A thousand dollars does not constitute a commercially-viable farm, but that distinction is lost on the media and the public. This practice by some of creating winners and losers is counter-productive to producing good agricultural policy for the citizens of the United States.

We are dependent on the world for our energy; only sound farm policies will prevent us from following the same road in food and fiber.

Thank you for this opportunity to appear before you this morning.

The CHAIRMAN. Thank you, Mr. Vaughan. Mr. Artho. Welcome.

**STATEMENT OF DALE ARTHO, SORGHUM, WHEAT AND
COTTON PRODUCER, STOCKER, WILDORADO, TX**

Mr. ARTHO. Welcome to Texas, boss. I appreciate you coming. Ladies and gentlemen, in Texas we're a big old State; we've got a lot of adverse agriculture around. I really appreciate you coming.

Do you realize that this committee, that you're our champions in Congress for agriculture? It's what you take to your peers in Congress that will determine my viability and whether I survive as a farmer, and maybe we can help you. Everything these gentleman have said, I want to add a ditto to instead of covering that same ground again.

In my business there's some things that I do right or I'm out of business. I have guys that say you can cut fertility, that I can use poor quality seed. Well, in your business, there's things that you have to do right, too, and those are the things that are the good things for this country. And I'd encourage you, under the pressure that you have with budget cuts, to say, "wait a minute, guys, agriculture is an important component; it's one of the building blocks of our country and that we need to continue and stay the course." sometimes you just have to suck up and do things that you have to do.

The 2002 farm bill, I think, is a very important farm bill because it spends less than one percent of the Federal budget, it's responsible to the taxpayers because it kicks in when it needs to. When market prices are low, then we receive more payments from the Government. When they're high, we receive less.

I would support all the aspects of the direct and counter-cyclical programs and the loan program. I want you to understand that we in the sorghum business, we would encourage you to understand more of the conservation aspect of how important sorghum is to the utilization of water in this country and how important water will become in the future.

I would also like to see a credit program under the EQIP program in which producers, where we can capture rainwater and recharge aquifers. And that's a long-term program, but it's something that we need to be thinking about and it's something that's within the realm of probabilities these days.

I also agree with your permanent disaster contingency plan. We had Hurricane Rita in Texas and Hurricane Katrina in Louisiana and the Gulf Coast States. There's a lot of problems that come about because of disasters because of interagency relationships. When the fences burned down in the Panhandle from the fires and you want to move cattle because they don't have anything to eat and you want to put them over because there's grass here on the CRP, well, put them on there. We ought to have a 30-day clause in there. We ought to have the ability just to move the cattle in those type of emergency situations.

Now, I'd like to talk a little bit about ethanol. In the sorghum industry, sorghum offers you one of the best chances for ethanol production across the width and breadth of the United States. Forages can be grown. When that process is developed and we can introduce the sugars that come from the forage production, those can be used in existing ethanol plants.

The cellulose that remains can be used, by gosh, for energy production, for electricity. And I want you to think about how that industry will translate into the future in which we move to a hydrogen technology in which we use fuel cells. Ethanol, you cannot hydrogen off of that component so easily, and out of that you get pure water. So if you make that investment in the ethanol industry today, the payoffs will be there in the future.

And then, finally, I'm going to be kind of snotty here and talk a little bit about who subsidizes who. I work out here as a producer and I don't think that the taxpayer subsidizes me; I think I subsidize the rest of the country. I'm just a conduit for money from the Federal level back through the system.

The system uses me as a defense contractor for foreign policy development. Now, if you're going to use me as a tool for foreign policy development, pay me as a defense contractor. We've lost markets over history, you can go back and look, that when we lost those markets, we lost them for generations and they're hard to recover. And I do a lot of work for foreign market development.

And so when I go to these other countries, I understand that they say, "you know, I'm a grandma now; 40 years ago you took a market away. You didn't send us any food. We went hungry. What's wrong with you people?" you know, so we burned a lot of goodwill across the country or across the world.

I'd like you to consider that where we are as producers, we would rather you use our industry than to send our sons and daughters to shed blood. That's what we do in agriculture. We build infrastructure, we build this country, we love this country.

And, finally, the argument about land—whoop, I better hurry. The argument about land prices being too high, that's a bunch of bunk. That's what supports my school district and my hospital district. You devalue land, how are we going to take care of our kids? How are we going to educate them? How are we going to take care of our old people and their medical needs?

Thank you.

The CHAIRMAN. Thank you, Mr. Artho.

Mr. Berglund. Welcome.

**STATEMENT OF DANIEL BERGLUND, RICE PRODUCER,
WHARTON, TX**

Mr. BERGLUND. Good morning, Chairman Goodlatte and members of the committee. My name is Daniel Berglund. I'm a tenant rice farmer from Wharton County, Texas. I also produce corn, soybeans and grain sorghum.

I thank you, Mr. Chairman and the committee, for holding this hearing, and the State of Texas committee members, Congressmen Conaway, Cuellar and Neugebauer for their continued support.

For a typical family farm that produces rice, economical survival is dependent upon several key features. An effective farm program that provides basic support through marketing loan eligibility for all production; income support through counter-cyclical payments and direct payments; eligibility for farm program benefits for rice farms of all sizes; and the maintenance and expansion of global markets.

The 2002 farm act addresses the need to help support the market price of commodities. It does not address the significant increases we have had in our costs of production.

We estimate that over 75 percent of Texas rice producers are tenant farmers. In the face of rising production costs, many farmers, especially those who have to rent the majority of their land, can and do experience significant losses.

In Texas, rice producers also face unique challenges, such as the unintended consequences of decoupling farm programs from production. This has resulted in a drastic loss in Texas rice acres.

The U.S. rice industry would be severely impacted by any further reduction of payment limit levels provided under the current farm bill. Many Texas rice producers reach the current individual payment limits at 250 to 300 acres, which is not an economically-viable size farm.

When the issue of payment limits is brought up, oftentimes opponents of production agriculture attempt to use misleading statistics taken out of context for the purpose of making their argument. When statistics are given on net farm income, program crops should be examined individually, separate from other agricultural sectors and separate from farms where farming is not the primary occupation of the family. A healthy farm economy as a whole does not necessarily translate into all sectors of the farm economy being profitable.

The regional concentration of rice production makes an extremely important crop in key producing States. Given the high costs of producing rice compared to other agricultural commodities, the con-

tribution to the general economic activity from land devoted to rice production tends to be much higher than for other crops.

It's also important to note that in many regions, including my area of Texas, producers face few viable alternatives to producing rice. The adverse impact on the general economy if rice production becomes unsustainable would be severe. This effects all facets of our industry.

Rice farming is one of the few agriculture activities where a positive impact on the environment is largely undisputed. Modern rice cultural practices play a vital role in supporting common environmental goals, such as preserving water quality, promoting wildlife habitat and improving biological diversity.

These widely noted and viable benefits accrue not only to current and future generations of wildlife enthusiasts, but also produce economic benefits that support recreational industries and local economies.

The U.S. rice industry exports about 50 percent of its annual rice production; therefore, access to foreign markets is fundamental to the health of our industry. If the United States proposes to cut domestic support in a trade agreement, then the result of such an agreement must be additional market access that results in the comparable increase in the cash price received by producers.

Only such price increases can begin to make up for the price and income support we will be losing. In addition, we are concerned about the number of countries that will declare rice a sensitive product to block or delay imports from the United States.

The current farm bill is not perfect; however, in light of the issues I have discussed, we support an extension of the 2002 farm act in its current form until such time as the World Trade Organization provides a multi-level trade agreement approved by the U.S. Congress. Any changes at this time which inject uncertainty into this safety net will lead to financing difficulties.

Sometimes U.S. policies intend to punish foreign nations or encourage regime change disproportionately harm us rice producers. At various times within the past four decades, our No. 1 export markets were closed because of U.S. trade sanctions, Cuba, Iran and Iraq. These restrictions interfere with our industries opportunity to discover a market price structure that could reduce the need for Government support. U.S. farm policy must provide a stabilizing influence to balance markets and give a reliable planning horizon for producers and their lenders.

Rice producers call on Congress to continue these sound, fair agricultural policies in the next farm bill and, thereby, to continue to provide consumers with an abundant, affordable, safe and secure food supply.

This concludes my oral testimony, Mr. Chairman. I thank you again for holding this hearing. We appreciate your leadership.

The CHAIRMAN. Thank you, Mr. Berglund.

Mr. Overstreet, we're pleased to have your testimony.

**STATEMENT OF J.C. "JAMES" OVERSTREET, PEANUT
PRODUCER, DILLEY, TX**

Mr. OVERSTREET. Good morning, Chairman Goodlatte, Ranking Member Peterson, and members of the committee. I also want to

add my welcome to other producers and thank you for holding this hearing in Texas.

My name is James Overstreet. I am a farmer, rancher and peanut producer from south Texas. I am a full-time operator of a diversified 5,000-acre operation in Frio County. We produce approximately 1,200 acres of peanuts, 100 acres of vegetables and run about 225 mama cows. I have been growing peanuts and other crops for near 30 years.

While I am primarily here today to discuss the farm bill as it relates to peanuts, I do want to offer some general comments. First, the current farm bill works fairly well the way it is. We could do a whole lot worse, and that is what I'm concerned with. I am concerned that in these times of uncertainty with high fuel, fertilizer and other input costs, we will unilaterally disarm.

Good farm legislation should reflect the realities and the difficulty of U.S. farm products accessing foreign markets. We should extend the current farm bill until we know the outcome of the World Trade Organization negotiations.

Neither can we unilaterally disarm when it comes to research. If U.S. producers are going to be asked to compete with countries like China, Argentina and Brazil, we should maintain our competitive advantage by investing in research. We cannot compete if we cut our research funds.

While the peanut program should be continued, Congress should examine ways to improve it. The No. 1 place to improve is in the determination of the national posted price. Right now how USDA determines this price seems a mystery. The committee must send a clear message to USDA on how it administers the national posted price.

Greater transparency in the method of establishing the National Posted Price would allow the industry to improve decision-making for planning purposes. Simply put, we all need an approach that is easily understood and of use to the peanut industry.

In the 2002 farm bill, Congress directed the Secretary to set the national posted price at a rate that would allow peanuts produced in the United States to be marketed freely and competitively, both domestically and internationally. Although this language is stated clearly in the law, only a portion of this language is being implemented. We are freely and competitively competing in the domestic market, but because of USDA's price calculations, we have lost 54 percent of our export sales.

Peanuts are a semi-perishable crop and require storage and handling to protect producers and allow orderly marketing. Because of an unfortunate omission in the 2002 bill, Government payment of these costs expires at the end of 2007 peanut crop year, effective August 1, 2007.

I am concerned about and strongly support an extension of the authorization for the payment for peanut handling and storage costs. A provision to provide governmental payment for storage and handling costs should be a part of any future farm bill.

Finally, I want to address beginning farmers. I estimate that the average age of farmers in Frio County is 50 years of age and our numbers continue to decrease. Farmers are the true minority in this country. Despite all the good work by 4-H, FFA, Texas A&M,

Texas Tech and other colleges and universities, it is rare when a young person returns to the farm.

I am concerned about the decreasing of numbers of farmers and increasing difficulty of young people to have a reasonable chance at developing a new farm operation. I ask the committee to closely examine initiatives to assist beginning farmers so we can have a reasonable group of producers to take over in the future.

I know that a perfect farm bill, as is a perfect peanut crop, is impossible to produce, though I go to the field every day with that goal in mind. I feel that the farm bill should promote agriculture, not disintegrate it. A dollar distributed in the farming area turns to \$30 to \$40 by the time it reaches the urban community.

Mr. Chairman, thank you again for the opportunity to present my testimony. I would be happy to respond to your questions at any time.

The CHAIRMAN. Well, thank you, Mr. Overstreet.

Thank you to all members of this panel for a very outstanding presentation. You have raised a number of very good and valid issues. Some of those may find visions based on regions of the country. I'll tell you, personally, I am in agreement with your general views on payment limitations.

Let me speak to some of issues that are less controversial, though, I think, up here on the dais.

First of all, a number of you have mentioned the issue of our trade agreements. I will tell you that I was very dismayed by the cotton decision. I have no doubt that my predecessor Larry Combest, Mr. Peterson's predecessor, Charlie Stenholm, wrote the 2002 farm bill in full belief that they were in full compliance with the WTO, and I think it's nothing less than a bait and switch.

It's based upon a principal that I have a hard time saying without a smile calling it a principal. It's called constructive ambiguity. You put 150 countries around a table in order to construct a trade agreement and you keep it sufficiently ambiguous so that lots of people go home thinking that they got the agreement that they wanted. We certainly came home with that impression.

We've since found, much to our dismay, that ruling has gone largely against us and we have told our Trade Representative and the Secretary of Agriculture that future agreements in the WTO will have to be much more explicit in their terms.

We've also told them that any agreement is going to have to give much greater market access to the United States. We are an open trading market. Many, many, many other countries around the world are not. And we've told them not to bring back an agreement that does not have much greater market access. Frankly, I've not seen anything on the table from anybody that I think could pass the United States Congress today.

Second, we have reiterated to them in their negotiations that the next farm bill is going to be written in the United States Congress. It's not going to be written in Geneva, nor is it going to be written by the U.S. Department of Agriculture. This is the province of the representatives of the people and we will hold that very dearly. We certainly respect the administration. We respect their efforts to listen to producers around the country and we expect to work very

closely with them on the next farm bill, but we expect to write it in the Congress.

Finally, let me say that, with regard to your overall concerns about where you stand in your competitive position with countries around the world, as Mr. Overstreet expressed the concern, we will not write a farm bill that causes you to unilaterally disarm in that competition. We want to make sure that American agriculture remains competitive.

Having said all of that, there are many, many issues of many folks who are not at the table today who want to have consideration given to their type of agricultural commodity in other parts of the country. That will cause great difficulty for us in balancing all those interests when we write the next farm bill, but I want to assure you that your voices are heard.

In that regard, when the 2002 farm bill was written, we had large budget surpluses which allow the Congress to write the bill that we have. As we approach the 2007 farm bill, we're facing budget deficits. The situation could cause Congress to have to make difficult spending decisions, and I'd like to ask you basically one question, and we'll go down the row starting with Mr. Spinks.

How would the witnesses prioritize the programs of the farm bill generally and the commodity title specifically? And I'm particularly interested in how you'd rank the relative importance of the Direct Payment Program, the Marketing Loan Program and the Counter-Cyclical Payment Program.

Mr. Spinks.

We're putting you in our shoes for a brief moment.

Mr. SPINKS. Each of those have been very important to my farming operation. If I had to rank them in importance, the loan is indispensable, the counter-cyclical payments that protect me from low prices would probably be second, and then direct payment, you know, for financial stability would probably be third on that list if I was ranking the three.

The CHAIRMAN. Mr. Norman.

Mr. NORMAN. I think the wheat growers would probably rank first the direct payments. The counter-cyclical payment does not worked well for wheat. Certainly we would prefer the direct payment.

The CHAIRMAN. Thanks. Mr. Bearden.

Mr. BEARDEN. In my particular operation, I would favor first the marketing loan, and the reason is because I'm a production person. Much of my land is rented and those payments that were moved to more decoupled, I would see that there would be less need for me as a producer and more of those payments could be taken in and not actually produced.

That being said, production is what drives those local economies, that money turning over, and I don't think that money needs to be just given to us and not us do something for it. So I would rank marketing loan first. The direct and counter-cyclical payments, they're both decoupled. I would put them second.

The CHAIRMAN. Mr. Vaughan.

Mr. VAUGHAN. Far and away the commodity title is the most important to the bottom line of U.S. producers. And within that commodity title, the market loan would be the very most important to

our producers here in Texas, followed by the direct payment, and third, the counter-cyclical.

The CHAIRMAN. Mr. Artho.

Mr. ARTHO. The commodity title is what my banker looks at, so I'd have to agree with the marketing loan, direct payment, and then counter-cyclical.

The CHAIRMAN. Mr. Berglund.

Mr. BERGLUND. I would echo that. In the rice industry, the marketing loan is very, very important in stabilizing our financing. I would follow that up with a more effective counter-cyclical program than we have today in rice, and then a continuation of direct programs possibly tied to a baseline production cost.

The CHAIRMAN. Very good. Mr. Overstreet.

Mr. OVERSTREET. Yes. I would have to agree that the loan is probably the most important because without that we have no basis to start off with. Most of our crops are grown under contract and, without a contract, we don't grow crops because there's no basis that we'll make any money from growing them. And then the counter-cyclical and direct payments kind of benefit us during the year to keep us going so we don't run out of money before we end up with a crop at the end of the year.

The CHAIRMAN. Thank you. The gentleman from Minnesota is recognized, Mr. Peterson.

Mr. PETERSON. Thank you, Mr. Chairman.

I was struck about the unanimity of this panel. I think you guys are quite a distance apart, but you all are pretty much saying the same thing.

I just want to say that this budget talk irritates me a little bit because agriculture did not cause this budget problem and I do not agree that we ought to be the ones that have to pay the price because we've actually saved money. But I was struck, I guess, maybe the exception of wheat, you guys are all in favor of extending the current bill.

Mr. NORMAN. I wouldn't say wheat.

Mr. PETERSON. You are, too, but you've got a problem. We grow a lot wheat; I understand the problem.

You're also, all of you, in favor of a emergency disaster this year, and all of you willing to consider trying to get some kind of permanent disaster system. Am I right about that.

Mr. VAUGHAN. Yes, sir.

Mr. PETERSON. From what I can tell, that there's been this discussion into that by the administration that one of the things that they apparently want to look at is getting rid of the marketing loan. What I can tell, maybe with the exception of wheat again, that would be non-starter with most of you at the table here, right?

Mr. SPINKS. Yes, sir.

Mr. BEARDEN. Yes, sir.

Mr. PETERSON. We don't usually get seven people that agree with each as other much as you do so, hopefully, that's a message that will make an impression on the committee.

I will try not to take all of my time because I think we're going to call eight members, but the CRP, you've got a bunch of counties here that are over the cap and, apparently, they're going to try to impose that 25 percent cap. If you looked at the new rules, I think

there's probably some of this land in your area that's probably not going to get back in for maybe more than 2 years.

My question is: What do you think's going to happen with that land? And I guess I forgot, before I ask you that question, the other thing I'd like to have all of you do for me, if you would, one of the things that I'm interested in is can we shift these commodity programs to try to enhance biofuels? Is there a way that we can do this and fit it in with what we're doing here if do we have to write a new bill?

So I'd like each of you to give my staff some input from your part of the world and your commodities about what you think we could do that would be effective in developing the biofuels industry in your part of the world. I know about Minnesota, but it would be helpful to me if you could give me the Texas perspective on that.

But I was interested in what this CRP land, what do you think is going to happen to it? Is it going to stay in grass? Is it going to go into crops? What kind of crops would it be?

I don't know who's from the area. I guess that's on the western side over by New Mexico where most of this is, but, I don't know, who's from that area. Do you have some idea what might happen with that CRP land if it does come out?

Mr. OVERSTREET. In our area the CRP will probably stay that way.

Mr. PETERSON. It will stay in grass?

Mr. OVERSTREET. Yes.

Mr. PETERSON. Even if it doesn't get the payments?

Mr. OVERSTREET. Probably, or turn to mesquite. That's probably more than likely what's going to happen. That's in grass now. If you want to get the payments where—because it's very low production land and it'll just turn into mesquite.

Mr. PETERSON. You'll be raising cattle on it to whatever extent you've got on it?

Mr. OVERSTREET. Yes. If cattle are running on it, that would be better. But without it, it will just turn to brush and mesquite.

Mr. BEARDEN. I think some of it will come out of CRP, put back into farmland. Probably—grain sorghum was grown on a lot of it before time, if it was put in. One of the things it has done is it has allowed a generation of people in my area to retire. It's been a great tool for that. It hasn't been so great for young farmers wanting to find new land, and probably they start on the most marginal land that's in the county.

Whether some of it will come out, some of it will stay in. It was put in, basically, a grass that's not useful for grazing. Some of it was, but not very much. But I think that's what will happen with it.

Mr. PETERSON. Do you guys grow switchgrass?

Mr. BEARDEN. Some of it is, but I don't think it will yield enough tonnage.

Mr. PETERSON. Not enough water.

Mr. BEARDEN. No. There's not enough rain. We only have but about 18 inches of rain a year in that western area of the high plains and I don't think it will yield enough to make it feasible to try to harvest that forage grass.

Mr. VAUGHAN. I live in an area where there's a lot of CRP. The CRP land that has come out of the program and wasn't able to be re-enrolled, it's gone back into production agriculture. But what really drives that is the price of cattle.

Even though we planted some not very good grasses to get cover, if you put the right size of cattle on it and a nutritional program with it, you utilize that forage for larger sized cattle. And so as long as the cattle market's pretty good, it would stay in. But once that kind of shifts, I think it will go back into production agriculture.

Mr. PETERSON. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

It's now my pleasure to recognize a gentleman from Kansas, Congressman Jerry Moran, who is the chairman of our very important subcommittee dealing with general farm commodities that you all have a great deal of interest in, and risk management, so, Mr. Moran.

Mr. MORAN. Mr. Chairman, thank you very much. Thank you to you and Mr. Peterson for bringing us to this part of Texas and this part of the country. As a Kansan I feel at home. I didn't say "howdy" the way you-all did, I said "good morning," but I felt very comfortable here this morning. And the crops that you grow and the livestock sector is very similar to home.

I represent the western three-fourths of the State of Kansas. What I tell folks in Washington "if you've heard of it, it's not mine; if you haven't heard of it, that's where I come from." and the comments that you've heard are ones that I think I would hear from my farmers at home.

A couple of thoughts, and then a couple of questions. Our subcommittee is taking a look at the definition of farms as used by USDA, and a couple of you have mentioned that, and the light bulb that not gone off sufficiently in my mind as to that's where much of the criticism of farm spending comes from is the way that USDA defines—I just knew it wasn't right.

I hadn't really thought about the consequences for the Washington Post, the New York Times and the Wall Street Journal. And, as I sat here this morning, I think that's a new task for us is to try to convince USDA one more time to define farm income in a way that is much more realistic than the way they do today based upon income and off the farming cut. So the point that several of you made has certainly resonated with me.

And someone mentioned about crop insurance. I try never to admit that the subcommittee I chair has jurisdiction over crop insurance because it generates significant complaints from every farmer I ever talk to. They all have a problem with crop insurance.

But one of the two top priorities that we have at the moment as a subcommittee in dealing with changes in crop insurance I think would be important to you here in west Texas, and that is multi-year disasters, year after year of drought. The coverage goes down, the premium goes up. And we're expecting an announcement from USDA in the next few months in regard to a new product, a new proposal as to what crop insurance can take into account, multi-year disasters, so that crop insurance is much more viable.

The other one is irrigation. And this is particularly true for me with irrigation in the Ogallala Aquifer. It's either you're fully irrigated or you're non-irrigation and you cannot get crop insurance to cover something in between where you use less water, which is probably an incentive that we ought to try to incentivize using less water so that a farmer could make a choice, so we're working on those.

Two of the members of this panel from Texas, Mr. Neugebauer and Mr. Conaway, are members of that subcommittee. Mr. Neugebauer provides a constant reminder about the importance of improving crop insurance and has made a proposal that is seemingly very popular and one that we need to pursue.

A couple of questions. Grain sorghum. My district is a grain sorghum producing State. We worked hard in the last farm bill to equalize the loan rate with corn. That has not turned out to be quite as beneficial in its implementation as we had hoped, and I'd be glad to hear from anybody on the panel, your comments as to that.

Mr. Norman, my question is: your desire for a direct payment, and you are sounding just like the wheat producers in Kansas. Your testimony is very consistent about the desirability of the direct payment. I'm curious to know and interesting in knowing whether that is related specifically to the drought. You indicate that the farm bill in its current form has not treated wheat producers as well as is needed, and focus needs to be on the direct payment.

Is that simply because of the drought conditions that we've experienced on the High Plains for so long? And I would tell you that this House Agriculture Committee in the 2002 farm bill pushed for more emphasis on direct payments. We lost that battle with the Senate. The House version of the bill was much more oriented toward direct payments than the Senate version and kind of the Upper Plains got the upper hand on that issue. Is it related to drought?

Mr. NORMAN. Maybe so, but I think probably it's more related to the fact that most producers feel like, initially, in the 2002 farm bill, the target price was maybe not set at the level it should be and because—

Mr. MORAN. So that makes the direct payment more important because the target price is too low?

Mr. NORMAN. Yes. And the likelihood of getting a counter-cyclical payment is pretty remote the way it's structured now.

Mr. MORAN. I'm interested in your FAPRI results and I'm interested in ultimately learning whether we can treat wheat different than other commodities. As you know, there's a real disagreement as to where the focus should be. Mr. Goodlatte has asked this question of all of our panels about where you'd put your priority. This is, perhaps, the group of farmers who provided the most direct answer to his questions. Almost everyone else says "We like all three of them," which is the dilemma that we face.

And, Mr. Berglund, the consequences of decoupling payments. I was interested in your comment about how that's been disadvantageous to rice, and I thought maybe you could expand upon that, kind of set a contrast here with the wheat folks who are interested

in decoupling those payments more, the direct payment more advantageous. You're telling us it's been a problem in keeping acres in rice.

Mr. BERGLUND. Yes, sir, that's correct. What it has done is it's given the landowners an opportunity to utilize those funds for making their farms into either recreational producing properties or going into the aquaculture or turf grass production as being more lucrative and profitable with these funds available through the direct payments as opposed to continuing the production of rice.

Mr. MORAN. My time is expired. Maybe we can visit after the hearing and you can tell me why rice is unique, if it is in that regard, why that's more of a problem in the rice world than it is elsewhere.

Mr. BERGLUND. Yes.

Mr. MORAN. Mr. Chairman, thank you very much.

The CHAIRMAN. I thank the gentleman.

It's now my pleasure to recognize the gentleman from Pennsylvania, Mr. Holden, who is the ranking member on another important subcommittee, the Rural Development, Credit, Research, and Conservation Subcommittee.

Mr. HOLDEN. Thank you, Mr. Chairman.

Just following up on Mr. Peterson's question about energy production. We all know we're too dependent upon foreign oil in this country and, as the chairman mentioned in his comments, we're going to have a limited amount of money as we do this next farm bill.

I'm just curious, do you think it's possible to convince producers in Texas and across the country that they need to redirect our priorities to support crops that are going to be able to be turned into, of course, ethanol, which we've made some progress, or biodiesel?

Let's redirect our priorities. There's only going to be so much money on the table and we're just curious, as we try to write this bill. We're all for a more robust energy title, but where's the money going to come from? We're going to have to really set some priorities.

I think, Mr. Spinks, you mentioned in your testimony about the importance of renewable energy.

Mr. SPINKS. That's a tough question because I'm in an awkward situation because—

Mr. HOLDEN. That's what we're dealing with.

Mr. SPINKS. I'm strictly a cotton producer. And so when we start talking about shifting money to grain sorghum or renewable energy, it obviously is going to come from the Cotton Program.

Shifting land or shifting crops on land. If grain sorghum prices were up or if corn prices were up, land would go from cotton to corn. It would be switched. It hopefully would drag cotton prices back up. I want to produce cotton. That's all I can produce on my farm. It's a tough situation.

Mr. HOLDEN. I understand. These what we're dealing with.

Mr. SPINKS. I do believe that the production of biofuels and ethanol is vital to this country and what it takes to get there, I'm not certain. So, I'm sorry, I can't give you a better answer than that.

Mr. HOLDEN. That's all right. Anyone else care to comment?

Mr. ARTHO. If there's money in it, we'll move to it.

The CHAIRMAN. Build it and they will come.

Mr. ARTHO. If it's profitable, we'll be there. But in regard to the ethanol production and how that ties in WTO, do you realize how that minimizes the market access problem that they have through agriculture? Because if we shift crop acreage to energy production, that's going to move away from other commodities, the production will. And so how much more of a market access do we need if we're producing energy?

Mr. BEARDEN. biofuels are very important to the United States and as a corn producer, we've seen this market expand dramatically. It's been a huge success story. We've been historically providers of food and fiber to the United States and to the world. Now we've proven that we can provide fuel, renewable products in an environmentally sound manner. But we have to be very careful about shifting resources from the farm program safety net, the commodity title, over into that arena.

As good as it is and as worthwhile as the biofuels program is, I think it needs to be funded separately because we have to have a safety net for our producers. Not every producer is going to be able to invest in renewable fuels and receive a reward. And for those producers that are not able to, we have to maintain that safety net. But at the same time, I think as a Nation we need to be moving toward biofuels. It makes sense.

Mr. OVERSTREET. Texas can grow just about anything. In our area we can grow everything. We've grown everything. And we don't grow great crops, but we grow good crops. And any type of crop that would need to be grown for biofuel, I don't think we'd have any problem growing, as long as we don't cut out our other market. We'd still like to keep our other crops, but we can add to it because there are a lot of acres in Texas. We run a lot of acres and we'd be able to do that, we'd be able to run acreage just for biofuels.

Mr. BERGLUND. I believe it's a wonderful idea. The majority of rice producing land is not suitable to other crop productions. Now, I'm not saying that we couldn't develop a crop or find one that produces high amounts of oil plant matter that could be utilized in those industries, but it would take some research.

And I would also like to comment that, in my opinion, the energy independence that we're talking about here would take a complete commitment from the entire country and the population because it would be an expensive, long-term investment and we wouldn't be able to shadow and fall back in the event that fuel prices were to go down significantly through crude oil or petroleum products to compete with that.

Mr. BEARDEN. As we talk about that, I think there's some things that can be done. There's a lot of biomass that's in cotton that might could be used in trash and things that could be incorporated to make fuel.

But I think one thing that we want to be real careful is, is I don't think we want to shift—and my particular area is 3 million acres. I don't think we need to shift 3 million acres out of anything into one other thing until we get the price of it up. I think we need to really stress this is a safety net, not a profit organization because

I don't feel like it's your all's responsibility to guarantee me a profit.

What it is the responsibility of this committee, I feel, to do is to offer us opportunities to find those profits. Ethanol or production of energy through farming is a way of—if you put some starter money in it, maybe it can make it into a profitable deal, but also, if it takes acres away from cotton, it may make that more profitable. So all that needs to work together.

Mr. HOLDEN. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentlemen.

It is now my pleasure to recognize the gentlewoman from Colorado, Marilyn Musgrave, who we held a hearing in her district yesterday and we're very pleased she's come to Texas today.

Mrs. MUSGRAVE. Well, thank you, Mr. Chairman.

Now, we often hear, when we're discussing the farm bill that we're in, different budget times right now. And as I think about the Members of Congress and really how many have districts that have huge areas that are agriculture and how many people are in farming these days, I think there are certain issues that we need to keep before the Members of Congress and before the American people all the time.

And I kind of honed in on some of the things that you said, Mr. Artho, they're expressing your frustrations, but they're really expressing facts. And you talked about, if we cut the budget, where do we put the United States in regard to being able to compete with other countries, other countries that have lower taxes, they have less environmental and labor regulations that you refer to. What do we do to the American farmer?

And you talked about how that the U.S. is used as a too, when we deal with global stabilization and how you guys don't get to make the calls, but you are definitely effected. And I think probably one of the most poignant things that you had in your testimony was, we have an economic system in this country that has promoted a system of agriculture that is so abundant. Our food supply is so abundant. We've not had a famine in recent history in the United States. And so I think that gives people a sense of maybe false security. We don't realize how vulnerable we are.

But as I went on in your testimony, you spoke about your 27-year-old son; a son that has an education, but yet you're not recommending that he go into agriculture. And I would like you to tell us what it what we could do with the farm bill, what our policies could be that would give you some confidence that would make you want to encourage this young man to get into your line of work.

Mr. ARTHO. When you deal with your kids, it's pretty emotional. So the average age of the farmers, irregardless of how you look at it, is pretty old. And I think that Joe Outlaws had some slides the other day at a meeting I was at, about 3 percent of the population is under 30 years of age that farmers.

The sad part about this is my son has the capability to produce. And he has that talent and that ability. But hen you see the yo-yo effect of legislation and policy, I thought a 7-year farm program was long. Maybe we need to increase that because, especially for

these young guys getting in—land's expensive, machinery's expensive.

What I would like to do is say, "you know, if you want to farm, here are the keys. I'll owner-finance you because you need to build your equity. You need to know how hard this business is."

I'll just tell you a story. He graduates with a degree in agronomy. He goes to work at Border Trade. He works at the corn pit. He goes and works for an elevator and he's working for the railroad now. So the other day he told me, he said, "Well, Dad," he said, "I learned how to grow it." He said, "I've learned how to market it." he said, "I know how to store it. I know how to transport it. Is there anything else you want me to learn?" and I told him, I said, "yes, how to make it profitable." and so when he figures that out, here's the keys.

Ms. MUSGRAVE. Thank you, Mr. Chairman.

Thank you very much, Mr. Artho.

The CHAIRMAN. I thank the gentlewoman.

We're now pleased to recognize our first of three very capable members of the committee from the State of Texas, the Honorable Henry Cuellar.

Mr. CUELLAR. Thank you, Mr. Chairman.

And I also want to follow up on that line of questioning dealing with beginning farmers, and I think, Mr. Overstreet, you talked about the average age in Texas and some of the difficulties that we're seeing. And I guess I do want to follow up on this particular issue because I know we've got some immediate issues that we've got to address here in Congress, but I still like to see the long-term; that is, where are we going to be at in the next 20 years, 25 years, and who's going to be running our farms and ranches at that particular time.

In Texas, when I was a member of the Texas House, I worked with Pete Patterson and we wrote the Young Farmers Loan Program because we thought it was important. This was back in the 1980's. But we still are seeing that we're still having a difficulty with attracting the younger folks who get into the farming and ranching industry. In fact, if you just look around the audience here, it tells you where we're at and what we need to do.

I think the U.S. Secretary Johanns also talked about the difficulty of new and young farmers having experience in obtaining land due to high land prices and other factors that come into play.

But my question, to follow up, is specifically, what can we do to get the young farmers and our young people to go into the industry? Any specific recommendations that we can work on? I know there's no magical solution out there, but any specific things that we can do?

James, we'll start off with you and go down the line.

Mr. OVERSTREET. I didn't grow up on a farm, but the people I farm with, I started back when farming was somewhat more profitable and we actually worked together to make me a future in farming and, because I love the work I'm in, I stuck to it. My son, he wants to know where his paycheck's coming from and he doesn't think he's going to get a paycheck out of farming.

So that's almost an impossible thing for you all to come up with, I think, because the only way to do that is for it to be profitable

and no one knows whether that's going to be profitable in the future.

The main thing, I guess, I would have to say is the ability anytime you have to pay over 6 percent interest, you're not going to pay money. If you can keep the interest rates low for land, for equipment, anything you need to farm with, that would be one of the biggest factors is to keep the interest rate low because that's the only way they'll be able to start farming is by getting a loan, unless they inherit the money.

Mr. CUELLAR. Mr. Berglund.

Mr. BERGLUND. Mr. Cuellar, what brought me into agriculture was I was raised on a farm, but it's a small farm, and my father also did shift work at an aluminum plant. But he always told me to get a degree in a marketable field and come home and farm because you want to, not because you had to. And I did. I came home and farmed because I wanted to.

And I tell my children the same thing. I've got a couple of my sons that are very, very much interested in farming, but they also see that it's a struggle year in and year out to make a profit, especially in the last 3 years with the market prices being stagnant low and the price of production increasing every year, every month.

And what draws most people into any industry is going to be the opportunity for a successful financial future. And if there's some way that we can develop future markets, develop a profitable environment for them to get into, I think it will bring the young producers back into the industry.

Mr. CUELLAR. Anybody else?

Mr. ARTHO. Probably transfer of ownership would help some of the tax liabilities that go with that. When we talk about being a person in an FSA community, sometimes I've got to treat my son at arms length, and that's not good. So if we relax some of those rules, it makes it easier to bring in a family member. That would help.

And there's just other things that we need to do in agriculture that take the restriction off of us and allow us to compete in a heads up manner in the economy.

Other restrictions on check-offs. If we'd been taking all the money that we'd been take anything in our check-off and partnering with Cargill, my gosh, where would we be. But we were restricted from doing that, being partners in the marketplace.

Mr. CUELLAR. And I know my time's about to finish, but I do ask you all to work with us on this because I think this is one of the biggest challenges that we have looking at the industry.

So thank you very much, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

Now, we have another very fine member of the committee, also representing the State of Texas just to the north of here, the gentleman from Lubbock, Randy Neugebauer.

Mr. NEUGEBAUER. Well, thank you, Mr. Chairman. I appreciate that, and I appreciate the panelist. I felt like we had some really good testimony and I want to kind of cover the many issues here.

First of all, I agree with what's been said here this morning about energy. I think it could be one of the most important issues that we address in this Congress from our national security stand-

point and from an economic security standpoint. And I think agriculture can contribute to that issue, but I'm not willing to support taking money away from agriculture to work on energy at the expense of many of our programs. And so I think it is a national issue and we should take resources from a number of places to make sure we have a focused energy policy in our country.

Mr. Bearden, you brought up an issue that I think is going to be at the core of what the next farm bill is about, and that is about what is a farm. And I think one of the things that you brought up was very interesting statistics about people that are engaged in agriculture for commercial purposes, and then people engaged in agriculture for a lifestyle.

Do you think farm programs in the next farm bill need to be more directed at the commercial farmer and possibly look at raising some of the qualifications of what is a commercially viable farm?

Mr. BEARDEN. Mr. Neugebauer and panel, I'd say that anytime you take away the incentive for those dollars that you all support our commodities with, our safety net, are taken away from production, I think you're talking about a problem. I may be one of the few that believe so strongly in production, but I was taught my whole life by my dad that if you produced, you was going to make a profit.

I've upped the yields on my farms. I also believe there needs to be safety nets there, through crop insurance and everything else. But as far as the eligibility part of it, we need to seriously look at making sure that these dollars that are invested in agriculture go into agriculture production. And I'm saying that because I think that those dollars are the dollars that turn over and come back to the U.S. Treasury.

I think if you did a study and you figured out how much money I got and how much money comes back by the time it goes through the whole complete cycle, I think you'd be really surprised at how much it really costs to run an agricultural program in the United States. It turns over a lot of times and a lot of taxes are paid over it. So yes, I do think it needs to make sure that all commodities produced needs to remain eligible.

Mr. NEUGEBAUER. Mr. Spinks, did you want to comment on that?

Mr. SPINKS. Oh, I'm sorry. I'm messing up.

Can I address that? The small farmer and the recreational farmer, I think you're making a good important. If 20 percent of our payments are going to recreational farmers, when we say 80 percent go to the big commercial farmers and 20 percent not, I know there's a lot a lot of people in our area that are buying land for recreational use, and they're for quail and dove hunting mainly.

And then they call me and say, "Al, I don't know anything about these Government payments. I get a check for that." and they get \$200 or \$500 or \$1,000 for land that was in production and is now a hunting lease. That's money we're losing from agriculture and the agricultural community and from rural areas.

I think that is something that needs to be looked at, and to describe a commercial farmer. A commercial farmer is not a farmer who sells \$1,000 in product. He's not making his living that way.

And so we're losing money from rural communities by not being more careful about how that's described.

Mr. NEUGEBAUER. Mr. Norman.

Mr. NORMAN. I would also like to comment the fact that in my area we've seen a tremendous consolidation of farms, but they're still family farms.

My personal operation, I had an experience. My son farmed with me for 14 years, and my nephew and my brother, and we were all trying to make a living. And we kept consolidating as people retired and we got bigger, we got more efficient, but still we could not make enough money for four families to survive.

And so now we have a large operation, it's an efficient operation, but yet we're still family farmers. And it's hard for a lot of people to realize that if you farm 10,000 acres, it's a family farm. But, basically, three of us, plus four employees, do all the work and we are a family farm. And it's sad. It burns my heart that my son's not farming. The bottom line, we couldn't all make a living doing it.

Mr. NEUGEBAUER. And I think you make a good point. And I think one of the things, and I think Mr. Artho was also talking about that along with Mr. Cuellar's questioning, is that we do make it difficult to make that generational pass to get to the young farmers in place because of the payment limitation rules and some of the program rules. And, certainly, I think, as we look at the next farm bill, that is going to be an area that we should look at.

My time's expired, but I do believe that we need to make sure that the farm program ought to be commodity driven and not entity driven. And I think what happens is, as you said, Mr. Norman, is we've got American agriculture to stay in the game, they've had to get more efficient and more productive, and certainly one of the ways that they've done that is to get larger. That's not just in agriculture, that's across the universe, and as we move into this global economy.

We don't have policy in our other areas of our country to tell—to tell Dell Computer “you need to get smaller,” yet we have agriculture policy that tells farmers to get smaller and I don't think that's good policy for America, I don't think it's good policy for our producers. So I look forward to having dialog in that area.

Mr. Chairman, I'll give you back the time that I don't have, it looks like.

The CHAIRMAN. I thank the gentleman for his generosity.

The next gentleman is a neighbor of Texas, but a long way from west Texas. Charlie Melancon from Louisiana. Please recognize him.

Mr. MELANCON. Thank you, Mr. Chairman. I appreciate it.

Gentlemen, I appreciate the testimony that you've given this morning and, to the people of San Angelo, thank you for the warm welcome and the hospitality you've shown to us.

Forty years ago my father had to sit down with me before I was going off to college and we were talking about what I was going to major in. And I said, “Well, you finished in agriculture. I'm going to go into agriculture.” he says, “do something else. Find something else. There won't be a sugar industry in the next few years because of our own Government. Move on.”

Well, ironically, I moved on, and then 29 years later I came back, got into the sugar business, kind of indirectly, but in the sugar business.

One of the frustrations I've always had and seen, and we talked about it here earlier, is every business has a business plan; a 5-year plan, a 10-year plan, a 15-, 20-year plan. Farmers can't do that because of legislation, because of their own Government. You can't plan. Your kids can't plan. You can't move them in until the time is right, and you don't know when that time's going to come.

So the difficulty in American agriculture has been one that America generally doesn't understand. I'm a Blue Dog Democrat. That makes me a fiscal conservative, I guess, and I think I'm in the top 10 people voting with the Republicans when I think they're right. I'll cross over.

When it comes to disaster assistance, which is very near and dear to my heart right now, it befuddles me that the people that I think should be helping seem to be against disaster assistance. And those people that are from other parts of the country need to put the shoes on of the people that are wearing them right now because you're next, or maybe you're next. We don't know. Mother Nature is dealing us those hands.

So if I've got to encourage you to do anything, it's stay active, very active, particularly on the Federal level, and don't come here and be modest and don't be kind to us. Express what your feeling are.

I think the best thing that can be done right now, in light of disaster assistance, not just for Louisiana, Mississippi, Texas, Alabama from the storm, is for your organizations and you person to start calling your Representatives and making sure that they understand the need for disaster assistance now and for the long-term. And if you disagree with that, I'd be happy to receive those responses. I didn't think I'd get any.

Agriculture is not controlled by the farmer in the sense that the weather, the soil conditions and the markets, which our Governments have a lot to do with, determine whether you're profitable or not. I have a concern because we are not energy dependent; we're not energy independent, we're energy dependent. And unless we, in agriculture, and unless we, as a Congress, do something and do something soon and put our money where our mouth is, we'll be food dependent, and I don't think that's good for a strong country.

Each of you have had an opportunity to express and say things and, of course, we've had questions, and there's always a part that comes after you've said something. So I'd like to offer any of you an opportunity, if you've got anything you want to add or comment on my feeling about the way I just expressed them.

Mr. Artho, I'd kind of liked some of your comments.

Mr. Berglund.

Mr. ARTHO. You will.

Mr. BERGLUND. Quick comment. I echo your need and my desire for a disaster program at this time, and possibly a full-time disaster program, a permanent one, in the next farm bill. We've had to utilize, in my part of Texas, our equities and our farms assets over

the last 3 years to continue to finance, and then keep current our production costs.

We are getting to a point now in our equity debt ratio that lending is becoming more and more difficult, and an influx of capital into our industry at this time, it would be very helpful; that way if we do have an average or below average this next year, we can still go on to 2007 and get financing based on our positions. But we need some type of that capital influx at this time to bolster up our asset debt ratio.

Mr. MELANCON. I experienced that with these last storms, Katrina and Rita both, and the farmers needed a nod or a wink or something from their Government right around Christmas, at the latest because their bankers were talking to them, wanted to know "how are you going to get out of this? How are you going to pull through?" because they've had the same experience.

In South Louisiana in 2002, we had two back to back storms and 45 inches of rain in a 3-month August period, which damaged the fields, damaged the stubble, sugarcane is my crop primarily. And it's been difficult.

The program wasn't administered to the best ability of the Department of Agriculture, which sustained lower prices and made it more and more difficult for people to stay in the business. Now, what I'm looking at is people having to walk away and go look for jobs, people that have been two, three, four generations in the sugar business and rice business and agriculture in general.

So I think that your Congress, your Government, can do a whole lot better job than it's been doing. I hope that everyone will start realizing we need to spend the money that we get from the taxpayers, including you, on America and on the taxpayers rather than giving it away or spending it in other countries.

Thank you, Mr. Chairman. I yield back my time, if I have any.

The CHAIRMAN. I thank the gentleman.

Before we recognize our hometown boy, I have neglected to thank our host. And we have been very well treated here at Angelo State University, both last night at dinner hosted by the Chamber of Commerce and by the University, and also here today at this excellent facility. So let's recognize and give a warm round of thanks to the president of Angelo State University, Mr. James Hindman.

And now it's my pleasure to recognize our other host, and that is the Congressman who does an outstanding job representing this congressional district, the Honorable Mike Conaway.

Mr. CONAWAY. I thank you, Mr. Chairman. I appreciate that. And I also want to thank you for your decision to bring this Texas hearing to west Texas and, in particular, to San Angelo. I had great confidence that we would have a terrific turnout of presenters, as well as folks who have just come to listen and watch your Government work, and they have done that. They've got come through with what I thought was going to be a terrific group.

I also want to thank Angelo State University and Mr. Hindman for your great generosity in hosting us last night at dinner, the Chamber of Commerce, thank you very much.

I also want to thank the people who have come. We had a long list of hosts who wanted to present today. The committee had to make some very tough choices as to who got to present and who

didn't. And those of you that wanted to present, I'll let you know the hearing record will remain open for 30 days and if you've got or have prepared or want to prepare written statements that you want to present to the committee, it will go into the record and will be considered just as if you were able to make an oral presentation.

I also want to thank the other 11 Members of the House who've come here today to listen to Texas producers. There are great demands on our schedules to be in a lot of different places. Most of us like to be in our own district, and I had the luxury today to be my own district and that's terrific, but the other 11 Members could be somewhere else and they're not. They're here today to listen to the presenters. And so thank you very much to each of my fellow members for coming and making this effort to come to Texas today.

I want to thank the presenters for your very poignant comments, very straightforward. I am particularly impressed that you were able to select among the three commodity pieces on that question because most other folks have tried to waffle and your panel just looked us in the eye and made a choice, which is helpful.

We do have hard choices ahead of us throughout this Government, not just in agriculture policy, but every single policy arena that you look at. There are great opportunities for us to do some terrific things. We have hard problems ahead of us, but we are a Nation of folks who solve problems. That's just what we do. As we talked about this morning, agriculture policy or the other social policies or anything else that we're talking about, there is no shortage of good things that we need to be about and to be about doing it.

I appreciate service on the Agriculture Committee because this has been one of the most bipartisan committees that I serve on and in the arena that we work in, partisanship rarely rears its ugly head, and that's a tribute to the member on the committee to not allow that to happen. You heard some of Charlie's comments, and he's correct. Henry Cuellar is another one of those who is great about not allowing the jerseys that we wear get involved in the discussions of what we want to do.

I don't have any questions for the panel. I thank you very much for coming in this morning. I'm looking forward to the second panel as well.

I appreciate each one of the audience members who've come today to listen to the presenters and to these comments. Thank you very much for taking time out of your day to be here, be with us.

And with that, Mr. Chairman, I will yield back the time.

The CHAIRMAN. The Chair gratefully accepts it.

We have to be back tonight for votes in the Congress, so we're going to keep to our schedule, but we want to encourage all the Members to ask the questions they want to.

And it's now my pleasure to recognize another valued member of the committee, a gentleman from Colorado, John Salazar.

Mr. SALAZAR. Thank you, Mr. Chairman, and thanks to all the folks from this great State of Texas. They say that things grow bigger in Texas; I'm not quite sure. I'd say that Colorado competes with you quite well.

As the only member of the panel here that is really a true believer in agriculture, I think all of us are believers in agriculture,

but I am a true farmer. My wife and I still farm 2,000 acres in Colorado. We're fifth generation Coloradans farming some of the same land that my great-great-grandfather settled back in the 1860's.

There are three things that, in my opinion, drive profits. Of course, one of them could be Government assistance; another one could be supply and demand; another one could be input costs.

I know that on my farm we've suffered from input costs because of the high prices of fuel. My fuel prices have gone up by 76 percent over the last couple of years, and I think probably yours are similar.

What would you think, and I'd like a comment from each one of you, if we were to start directing many of our commodity funding programs that actually, in my opinion, sometimes drive oversupply, which basically will drive the cost or the price our products down, if we were to try to direct some of those commodity price towards energy development, we could alleviate some of the pressures off the acres that are now producing food and fiber towards energy development, don't you think that would alleviate some of the problems as far as overproduction and input costs and would probably be better for you and your pocketbook and for America, in general?

Mr. Overstreet, go down the line.

Mr. OVERSTREET. Well, basically, I would that would be true because we've tried to grow every kind of crop there is, and the reason we're growing peanuts and spinach and cows right now is because they make money, a little money; but other crops we've produced, we just don't make a profit out of it.

So this would be something, if we were to switch some of our acres to biofuels, I don't think we'd have a problem with. It would be a good idea if there was an incentive to do it, if we had a market for it. But we need a plant close in the area, they say. They say this can't be shipped very far so maybe something in the way of having Government support of where someone would be able to put in a plant close to us where we could grow crops for this type of biofuel.

Mr. BERGLUND. I would agree. And in the rice industry, we would look forward to that opportunity. Now, how much it would effect the transition from rice to other crops in Texas, I don't believe it will be a big change because earlier I said the soil and the environment that we farm the rice isn't conducive to other crops. In other parts of the country, that's not true. They have alternatives that they can use to produce other crops that can be used in that industry.

And I also would warn, though, that rice brings so much into the economy per acre in cost of production and is a very regionalized production. Any reduction in those acres does effect the economy significantly by the cash flow going through as acres are reduced, and that's another balancing act we'll have to follow with that, if we start switching.

Mr. ARTHO. How long? How do I survive in the meantime? It takes a couple of years to build an ethanol plant. If we're going to take direct payments out to move it over to the energy side, then my income is less. I'm still going to be growing the same crops because I don't have the market for it. The research is not out there for all of the cellulosic, am I using the right word, kind of biomass

kind of stuff. Tell me how I'm going to survive in the meantime and I'm all for it.

Mr. VAUGHAN. Well, as I commented earlier, I think we have to be careful about shifting away from a farm program safety net. Our farmers have to pay the bank every year. And so as Dale was making his point that we can't just transition overnight; we have to maintain that farm program safety net.

I think another unintended consequence we have to be aware of, especially for those of us who produce feed grains, like sorghum and corn, our major customer is livestock. And we have to make sure that—we don't want to—the livestock industry to leave the United States. They're our best customer, our biggest customer, and we want to avoid any unintended consequence that would effect them.

Mr. SALAZAR. Let me just clarify a misnomer or a myth that's out there. A lot of people think that taking corn and producing ethanol will actually make the price of corn go up so that feeders can afford it. Well, basically, that same feed can actually be used in feed lots and so I don't think that it diminishes the amount of feed that there is out there.

Mr. VAUGHAN. That's absolutely true. The DDG comes back. And I believe we can do both. I think we can go biofuel—crops for biofuels and I believe we can feed the livestock industry, but we just have to be careful of unintended consequences.

Mr. BEARDEN. I think anything we can do to increase the prices of our commodities is very, very important. Being able to take my profit from the marketplace, I think, is what most of us as producers want to do.

I think it's very evident, from the answers we've given, you said this is the first time, all seven have given the same answer, I think that's because we're all commercial-size producers. We produce. And if you'll help us find a home for it, we'll produce it.

And I think no matter whether it's for energy or for clothes for consumption, livestock, we'd like to see the price to go up. And if the price goes up, our safety net becomes less of a deal and spending from the U.S. Government goes down. So I think that's a great win-win situation for all of us.

Mr. NORMAN. Certainly I'm interested in a robust energy title bill, also. I echo some of the comments here, though. I do think we need to move cautiously. I think that, as Dale has mentioned, what do we do in the interim? I don't see it as a panacea. I see it as a supplement to our income.

I personally am involved in a value added agriculture enterprise where we utilize wheat straw to make building panels. And it's not a really big deal for a large area, but for our county, it's important. But it's something that I think that we all will need—it's certainly interesting. I think the comments all reflect the fact that we're interested, but we want to move cautiously.

Mr. SPINKS. The question you're asking, if we start shifting acres, does that mean that other prices of other commodity prices are going to rise in response? That's essentially a supply curb question. I don't know the answer.

So if we start shifting monies away from the safety net to what you're talking about, I would be cautious without good clear evi-

dence that commodity prices will increase by shifting acres into energy production.

I am very much in favor of energy production from agriculture. But the shift, the focus of the program, I would be very cautious about.

The CHAIRMAN. I thank the gentleman from Colorado, and recognize the gentleman from Indiana, Mr. Sodrel.

Mr. SODREL. Thank you, Mr. Chairman.

By the time they get around to me, there's an old saying that everything that needs to be said has been said, just everybody hasn't said it yet. So I'd like to yield my time to each of you to make like a 30-second just kind of wrap-up, comments you might want to make.

But first, Mr. Overstreet, I just have to know, how many people live in Derby, Texas?

Mr. OVERSTREET. Five maybe, around the area, maybe 15.

Mr. SODREL. The reason I ask is my ancestral home is Derby, Indiana.

Mr. OVERSTREET. Oh yes?

Mr. SODREL. Derby must be an old Indian word for "not too many people live there" because there's only 50 people in Derby, Indiana and I can kind of do the same thing.

But we're going to begin here with Mr. Spinks, just kind of a 30-second wrap-up.

Mr. SPINKS. As I mentioned during my testimony that I was involved in another small business, a financial business, and I had producers who were going through divorce contact me regularly during Freedom to Farm.

Another disturbing trend during that time was that we were losing the best and the brightest from our communities. It wasn't just the marginal producers, the guys that are barely hanging on. The biggest and the best, the guys you read about in the farm magazines were quitting farming because there was no incentive there anymore. They were going to town. They had the education, they had other opportunities.

Freedom to Farm was a disaster. I think any step we go back toward that direction is a step in the wrong direction. We have a very good farm bill. I would like to see the farm bill that we have continued and in nearly every aspect of it.

Thank you.

Mr. NORMAN. I, too, would echo some of his sentiments. I think we need to build on the strengths of our 2002 farm bill. I think we need to tweak it somewhat in certain areas, but I don't think we need to make radical changes.

Thank you.

Mr. BEARDEN. I would agree that this farm bill is working. It is bringing some young people back to our area. I think that is something that we all need to look at. We need to be creative. We need to make sure that we keep this basic safety net in place, but yet at the same time, we need to look for new ideas and new ways to be profitable.

Energy is one of those things that we can serve—the agriculture industry can serve the United State's needs. That's something that's needed right now is energy. I don't know the answers to it.

All I know is that what I'm paying for it right now is more than I can afford.

We need to be careful with shifting funds from one part of a commodity title to another until we find out if it works. I do think we need a permanent disaster bill. I happen to farm, and I found out the other day, in one of the most volatile places. I've lived there for 48 years and I didn't realize that it was the most volatile county in the United States to grow cotton, but I have survived, is what one of the guys told me in response to that.

We need to make sure first and foremost that U.S. agriculture producers help write this farm bill, those who are directly dependent on agriculture for a way of life.

Mr. VAUGHAN. There was a question a little bit ago about what can we do to ensure young people come back to the farm, and I didn't get a chance to respond to that, but I would say it in one word, "stability." and we don't work in an industry where there's a lot of instability built in because of the weather, because of the markets.

But since 2001, the instability that's been in these energy markets, coupled with the fact that every year we see instability in the legislation that effects us because there's a budget reconciliation or a payment limit reduction proposal or there's, just go right on down the list.

And in my area we had a lot of young people come back to the farm about 10 or 15 years ago. Nearly every farmer had a son or, in some cases, daughters that came back to the farm. But in the last 5 years, we've seen a lot of those folks leave. And it wasn't because they had to economically, it's because they said, "we're tired of not knowing what we're going to be doing next year," and these vicious swings in profitability on their farms. And they just said, "this isn't for me. We're going back to town and get a job there whether there's some stability."

I think that is one thing that needs to be done. If it takes a 10-year farm bill, whatever, but these constant changes and constant proposals to change just drive everyone kind of over the edge.

Mr. ARTHO. We hadn't talked about if there is a shift to direct payments. If there is a shift to direct payments, you're going to have to raise pay limits. That's kind of just the way it's going to have to work.

And, Mr. Melancon, you were talking about a business plan. I assume you have a savings account? Just always remember, it's guys like me that's borrowing your money.

Mr. MELANCON. Are you the one that took all of my money in 2001?

Mr. ARTHO. Yes, but it was just one of those deals I farmed on.

The CHAIRMAN. Mr. Sodrel was very generous with his time, but, unfortunately, he didn't have as much time as the other folks so, we're going to—Mr. Overstreet, you're going to have to be very brief.

Mr. BERGLUND. Real briefly, again focus on the commercial-size farms, they're the ones that have the economy to scale that can provide this county with what it needs in the way of commodities.

And also continue to remember that it's a good investment, that it's not a welfare system based on a name, but based on production and efficiencies that it should support us in that way.

Thank you.

Mr. OVERSTREET. The only comment I have is for you all because you all are in a difficult position. It's America's way always help everybody else before we help ourselves. Your families probably don't get much of your attention because you're attending to other things all the time. So I can understand why you all are having a difficult time here.

The CHAIRMAN. Thank you.

Mr. SODREL. Thank you, Mr. Chairman.

The CHAIRMAN. Now, I would like to recognize our final committee member, last, but certainly not least, a gentleman who's come a long way to be here from the State of North Dakota, Earl Pomeroy. Welcome.

Mr. POMEROY. Thank you, Mr. Chairman.

And I'm feeling very at home here. If you get where farm country is, you feel at home anywhere, although I reckon my constituents have warmer coats in the closet than they do down here.

And I also, really, I want to commend this panel. You've been excellent. To a person, just excellent. I'd swap out a hearing room full of Washington lobbyists for the common sense we've heard in this ballroom in San Angelo any day.

I've also been impressed this morning, but in recent months about the consensus that's developed in farm country about where farm policy needs to go. If I've got this right, let's kind of go down the panel and, by shows of hands, see if you agree. I think I'm pulling this now from your statements and testimony.

How many think a market loan needs to be an important part of the new farm bill?

[Show of hands.]

Mr. POMEROY. Everybody. No. We could get a little better market loan value and you'd be happier, but everybody seems to agree on that one.

How many agrees that the existing farm bill ought to be continued, at least until the next WTO round is concluded, we know where we're at in terms of international trade negotiations?

[All panel members raised their hands.]

Mr. POMEROY. We haven't talked about it, but many of you have mentioned in your testimony agricultural research, and this has been pounded in the last several administration budgets. How many of you think that you cut agricultural research, you're basically eating your seed corn, you're diminishing your future prospects?

[A show of hands.]

Mr. POMEROY. All right. Very, very good. Now, I want to focus somewhat on the disaster bill. Here it looked like wheat was more impacted than other areas, but how many of you think there needs to be—there's a disaster bill. It's a very important legislative point in Congress. It's passed the Senate; the House Appropriations Committee rejected it on a party-line vote and now we've got to try and build support bipartisan. It's going to take bipartisan support in the House so that we go along with the Senate.

How many of you think an agriculture disaster response relating to the 2005 production year, maybe early 2006, is going to be necessary?

[A show of hands.]

Mr. POMEROY. Strong consensus once again.

The backdrop for all of this is, it's hard—I've been on the Agriculture Committee six of the last seven Congresses. It's easier to pass good farm legislation when the budget's in better shape. The Washington Post is reporting this morning that the budget talks are going to propose raising the national debt another \$653 billion and, by the way, we just voted to raise the national debt \$653 billion 2 months ago. Take the national debt to \$9.62 trillion.

Now, in this environment of out-of-control deficits, it's harder to get the kind of resources that you need for agriculture. Freedom to farm passed in a deficit time. Not as good as this farm bill passed in better financial circumstance. The next farm bill is going to be wrote in very difficult budget circumstances.

But let's now zero in on this disaster response because all of this is going to be moot to some of the people I represent that are right now engaging in the most expensive planting season they have ever encountered. In fact, it's the most expensive planting season in the history of U.S. agriculture.

I'd say, wheat, you made the strongest point about the need for a disaster response. The way I see it is, you've got guys that are barely trying to pencil out in terms of their operating loan given the high energy cost, and if they carry along the losses that they had from last year and the debt service on that, they're under water. You can't get rights. So they need to have some assistance on those disaster losses. I'd like to hear your talk on that.

Mr. NORMAN. I think you're exactly right. 2005 certainly was a disaster for wheat here in Texas, and in a lot of areas also, and we're looking at the same thing in 2006. And so without some type of assistance quickly, a lot of producers are really going to have difficulty getting refinanced and continuing on.

Mr. POMEROY. Yes, sir.

Mr. VAUGHAN. I'd like to make a statement that somebody made a while ago, one of you all did, is if you haven't had a disaster, just wait, it will. And us in agriculture all want to survive together. And I, for one producer, would like to see it be a permanent deal where it helps any producer that has trouble in any one year. And I think that needs to be a new part of the next farm bill.

Mr. POMEROY. I appreciate that comment. I think that's exactly what we need to do, even while we respond to the emergency with the disaster assistance this year. And, again, it's going to take bipartisan support. So the groups that you're representing, the difficulty we've had is in the House, so that's where we really need the pressure now.

Thank you very much.

The CHAIRMAN. I thank the gentleman, and I agree with his comment that this has been an excellent panel and I appreciate the contribution that each of you have made in preparing for today, but also in the very frank answers you have given to our questions.

And now we're going to kick you out. We're going to thank you and excuse you and ask you that you sort of move to the side, and

then find a place. If you'd like to stay, we'd love to have you, but we're going to immediately ask our next panel to come up because of the shortness of time. We're going to have less time for them than we had for the first panel, but, fortunately, there are fewer members of the second panel as well.

[Brief pause.]

The CHAIRMAN. The committee will be in order. We'd ask members of the audience to please be seated or, as we say in the Congress, take your conversations to the cloakroom, if you can find that, out in the hall, I guess.

It's now my pleasure to welcome our second panel to the table. Mr. Dale Smith is a cow-calf producer, stocker and feeder of Amarillo, Texas; Mr. Glen Fisher, a sheep, meat goat and cattle producer of Sonora, Texas; Mr. Brian Boehning, dairy producer of Muleshoe, Texas; and Mr. Dale Murden, a sugarcane, cotton, grain sorghum, corn, citrus and vegetable producer of Monte Alto, Texas.

I will remind all members of this panel that their entire written statement will be made a part of the record.

And, Mr. Smith, we'll start with you and ask you to limit your comments to 5 minutes, as the other panel members should as well, and we welcome you.

**STATEMENT OF DALE SMITH, COW-CALF PRODUCER,
STOCKER AND FEEDER, AMARILLO, TX**

Mr. SMITH. Thank you.

Chairman Goodlatte, Ranking Member Peterson and members of the committee, thank you for allowing me to appear before you today and provide the Texas cattle industry's perspective on the upcoming 2007 farm bill. I'd also like to take this opportunity to recognize Congressman Neugebauer, Congressman Conaway and Congressman Cuellar for their efforts on behalf of Texas agriculture.

My name is Dale Smith. I am a cow-calf producer, stocker, cattle operator and cattle feeder from Amarillo, Texas. I'm also a member of Texas and Southwestern Cattle Raisers Association, Texas Cattle Feeders Association, Panhandle Livestock Association and the National Cattleman's Beef Association.

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

As a cattle producer, my livelihood is tied to many other agricultural commodities. Livestock consumes three out of four bushels of the major feed grains harvested in the U.S. and beef cattle account for nearly 30 percent of the consumption.

As such, cattlemen support the continuation of reasonable, market-oriented programs for crops, but strongly oppose Government supply management programs. It is not in the farmers' and ranchers' best interest for Government to implement policy that sets prices, underwrites inefficient production or manipulates domestic supply, demand, cost or price.

Likewise, conservation programs and environmental regulations must be based on common sense and sound science. One such program that achieves this is the Environmental Quality and Incentive Program, or EQIP. Cattle producers across the country participate in this program, but arbitrarily setting numerical caps that render some producers ineligible limits the success of the program.

Addressing environmental solutions is not a large versus small issue. All producers have a responsibility to take care of the environment and their land and should have the ability to participate in the programs that help establish and attain environmental goals. Accordingly, cattle producers should be afforded equal access to cost share programs under such programs as EQIP.

Conservation and environmental programs must also be sufficiently supported to ensure participation. Resources must be allocated to maintain adequate NRCS personnel at the local level that can provide the technical assistance necessary to implement successful rangeland conservation programs.

The cattlemen need a dependable and recognized source of technical assistance in order to meet the state's rangeland conservation needs. We support efforts to increase our Nation's renewable fuel supplies; however, I reiterate that livestock consumes three out of four bushels of the major feed grains harvested. Government incentives to expand ethanol and other alternative fuel supplies should not function to the detriment of livestock producers.

The cattle industry also supports increasing Federal investment in agricultural research. One of our competitive advantages over foreign producers has been quality, research and development programs supported by the Government and the private sector. It is essential that the USDA maintain the scientific expertise to protect producers from erroneous claims of our opponents, both foreign and domestic.

One such recent claim is that manure should be regulated as a hazardous waste. There is neither scientific evidence nor congressional intent to support this ludicrous argument. While this may be outside the scope of the farm bill debate, cattle producers would appreciate any efforts by your committee to resolve this potentially disastrous situation.

U.S. cattlemen have been and continue to be strong believers in international trade. We support aggressive negotiating positions to open markets and remove unfair trade barriers to our product. We support Government programs such as the Market Access Program and the Foreign Market Development Program which help expand opportunities for U.S. beef, and I urge sustained funding for these long-term market development efforts. Foreign markets are key to the success of most, if not all, segments of production agriculture.

Cattlemen also support congressional and regulatory action to address unfair international trade barriers that hinder the exportation of U.S. beef, and I appreciate the committees's efforts the re-open foreign markets that were closed to U.S. beef after the discovery of BSE.

As you are aware, we continue to fight to get our product into several countries and have seen recent setbacks in places such as Korea, Russia and Japan. I ask you that you continue to support efforts to bring down these artificial trade barriers and ensure that

sound science is being followed. I also encourage the committee to continue its strong and vigilant oversight of the enforcement of any trade pact which American agriculture is a party.

Lastly, I want to touch on a few issues that should not be addressed in the farm bill. I strongly oppose efforts to limit marketing options available to cattle producers. Such proposals limit ownership of cattle, restrict marketing agreements and place the cattle industry in an unfair, competitive disadvantages with other suppliers of protein, both domestically and internationally.

Producers must be allowed to take advantage of new marketing opportunities designed to capture a larger share of the consumer food dollar. Having said this, I also support the role of Government to ensure a competitive market through strong oversight, including enforcement action against attempts at collusion, anti-trust and price-fixing.

The weakness identified in the recent OIG audit of GIPSA should and can be quickly resolved by the new agency management to improve enforcement of the Packers and Stockyards Act.

On another marketing issue, mandatory country of origin labeling should be replaced with a much less expensive market-based, voluntary program. And the USDA producers must also continue working to implement an animal identification and tracking program. Government should manage the premise I.D. database and the private sector should manage the individual animal I.D. database with a goal of a 48-hour trace back. Hopefully this issue can be resolved outside the farm bill.

Thank you for your opportunity to share my views with you today.

The CHAIRMAN. Thank you, Mr. Smith.
Mr. Fisher. Welcome.

STATEMENT OF GLEN FISHER, SHEEP, MEAT GOAT AND CATTLE PRODUCER, SONORA, TX

Mr. FISHER. Welcome to all of you, and I certainly appreciate the opportunity to do this. I want to give a special thanks to Mike Conaway for having this in San Angelo. You are in the sheep and goat capital of Texas, and Texas is the sheep and goat capital of the United States. We're No. 1 in both of those numbers.

It's a pleasure for me to report on behalf of the 6,000 sheep producers in Texas and 68,000 sheep producers in the United States. One of the things that we have in our industry right now is tremendous unification among all facets. I don't think you will hear a different voice than what I tell you today about what the sheep industry would like in the next farm bill.

I am from Sonora Texas, 65 miles away from here, and as we stated, I raise cattle, sheep and goats. I'm a first generation sheep rancher, but if I can live through estate taxes and droughts, my children, if they're fortunate to come back, which is difficult, as we've already discussed, will be fifth generation sheep producers.

My wife and I are currently in the process of buying half of the ranch from the Internal Revenue Service, and we're not expanding at all. That's a detriment that we have to bringing our children back in the future because it takes so much capital to purchase something that we feel we already own.

The sheep industry has a checkoff, a self-help program, which is \$2.2 million a year to promote land. That was passed with 80 percent approval of the sheep producers, which we're very proud of.

The American Wool Council, which has a budget of \$2¼ million a year, has had a tremendous job since 2001. We've lost most of our textile industry in the United States, so we've had to export most of our wool. The exports have doubled in that period of time and now they're 60 percent of our production.

We've worked very hard and we're very proud to provide the military of the United States with clothing and blankets and other wool products. We are in the process of developing some very exciting new products. We think we are going to be more vital to the military.

You talk about energy a lot, and I didn't have that in my presentation. We produce a renewable fiber, as opposed to synthetics that come from oil and they burn in the military in the oil industry. Wool does not. We're very proud of that and we're working on new products that should apply for that.

We were out of the farm bill from 1995 until 2002 when we were able to get our foot back in. During that period of time we lost quite a few numbers of producers in sheep, but in the last 2 years, in 2004 and 2005, we have increased our numbers here in the United States each year. We hope to do that again this year.

I encourage this committee to include and reauthorize the Marketing Loan Program for wool and mohair in the new farm bill. FAPRI scored that in 2001 in a comparison of cost production to cotton at \$1.20. The House put it in at a \$1.20, but the Senate put it in at \$1, and to compromise, that's where it went. We encourage that you increase that to where it should have been in 2001 to \$1.20 and \$0.60 a pound on the ungraded portion.

We support the inclusion of the Mohair Marketing Loan and the LDP program in the new farm bill at a rate of \$4.20 per pound. Both of the those programs help stabilize the industries. The payments were scored to be \$20 million per year and the highest was \$12 million, and then this last year they were \$7 million. Currently mohair prices are high enough where there are no payments at all, and that should continue for a while. That has worked perfectly. When we needed it with lower prices, it helped us; and now that the mohair industry is at sufficient prices, there's no payments from the Government at all.

The FSA part of that program will tell you, if you ask, that it was designed very well and is very easy to administer for them without any problems. We also support FMD, FAS programs and MAP and Quality Samples. Wool is 60 percent export. We use that program a lot. Mohair is 100 percent export, and so they also use that. It's very important to our industries.

The other thing that we asked for in the farm bill is re-authorization of the National Sheep Industry Improvement Center. It was created in the 1996 farm bill and authorized \$50 million to help the infrastructure. We have currently received about \$30 million. Examples is a meat lab that was funded by a grant here at Angelo State University and a wool scouring plant that's state of the art for the world here in San Angelo that received a loan.

Those are the two things that we ask for. I thank you for your time and will be glad to answer questions later.

The CHAIRMAN. I thank you, Mr. Fisher.

Mr. Boehning. Welcome.

**STATEMENT OF BRIAN BOEHNING, DAIRY PRODUCER,
MULESHOE, TX**

Mr. BOEHNING. Thank you. My name is Brian Boehning and my wife and I own and operate a dairy operation near Muleshoe Texas. I believe my opinions are generally reflective of the views of most dairy farmers in the southwestern United States.

I was born and raised in west Texas. I've been at my current location near Muleshoe since 1993. I operate a 3,500 cow dairy and farm 3,000 acres of irrigated land to grow feed for the cows and their replacement heifers.

My compliments to the committee for calling this hearing to review the Federal farm policy.

The livestock EQUIP program has been a success. The program continues to help dairy farmers protect the environment and deal with increasing Government regulation. I would like to see this program continue in the 2007 farm bill.

The Dairy Price Support Program, I also feel, has been a very important program. The price support target price of \$9.90 a hundred weight is low enough not to stimulate production, but does provide a safety net for dairy farmers.

If the World Trade Organization negotiates to reduce subsidies fairly and evenly across all countries, the Dairy Price Support program would not be as important. But if subsidies are reduced unevenly, then the Dairy Price Support program will be very important to the U.S. dairy farmers in the next farm bill.

The Federal Milk Marketing Order system need to be examined to see if it is serving the purpose that it was intended to serve. The largest and fifth largest milk producing States, California and Idaho, are not in the Federal Milk Marketing Order system at this time, and also the upper Midwest only partially participates in the system; therefore, I feel like one set of marketing rules should be followed by everyone.

While the Government can play a critical role in the stabilization of milk prices in the dairy economy, that role should be limited.

The Milk Income Loss Contract program is a poorly designed and costly program. In spite of warnings from dairy farm representatives that the MILC Program would greatly exceed cost estimates and depress prices on all producer milk, we were told that it was a necessary evil to reach a consensus on the 2002 farm bill.

One problem with the MILC program is the payment cap. Payments are only eligible on 2.4 million pounds of production per year. The average dairy in the United States produces about 2.4 million pounds annually; therefore, this program puts the entire burden of reduced prices caused by overproduction on the shoulders of producers with above-average production. Their response, in order to maintain cash flow and profitability, will be to increase production and efficiency.

The MILC Program sends signals to overproduce, while the Dairy Price Support program requires the Government to buy the overproduction; therefore, the two cannot co-exist.

Nearly \$3 billion has been spent on MILC payments prior to the recent extension. This far exceeds the program's budget. The recent extension of MILC program for 2 years, according to estimates, will increase CCC spending by \$1.2 to \$1.34.

The MILC program is cost prohibitive to the Government and stimulates overproduction, which causes lower prices to producers; therefore, I feel like the MILC program was not a success and should not be continued.

The MILC program did not slow the exit of smaller dairy farmers. Today approximately 3,000 farmers supply half of the Nation's milk; about 60,000 farmer supply the other half. By the time the 2007 farm bill will take effect, the trend will only accelerate. As a result, the policies must be designed to meet the needs of these farmers who will be providing the milk going forward, not based on historical conditions that will limit our ability to compete in a world economy.

The United States has a great dairy industry. The industry does not need programs that promote inefficiency and turn small and large farms against each other or different regions of the county against each other.

In conclusion, I would like to reiterate that the livestock EQUIP program should be continued in the next farm bill. The price support program is a viable program that serves as a safety net for U.S. dairy farmers. Federal Milk Marketing Orders should be reexamined to see if they're doing what they intended to do, and the MILC program is costly to the Government, encourages overproduction and inefficiency and disturbs unity between dairy farmers in a time when we should be working together. And World Trade Negotiations, if handled correctly, could help the United States become the leader in world dairy exports.

I would also like to thank the 37 members of the House Agriculture Committee who are co-sponsors on H.R. 4341 to clarify animal waste is not a hazardous material and should not be regulated as such.

Thank you for giving me the time to share my views.

The CHAIRMAN. Thank you, Mr. Boehning.

Mr. Murden. Welcome.

**STATEMENT OF DALE MURDEN, SUGARCANE, COTTON, GRAIN
SORGHUM, CORN, CITRUS AND VEGETABLE PRODUCER,
MONTE ALTO, TX**

Mr. MURDEN. Thank you.

Mr. Chairman, members of the House Agriculture Committee, thanks for coming to Texas today. I'd really like to thank you Mr. Pomeroy and Mr. Cuellar for staying awake. I think we got in about midnight last night, something like that.

My family raises sugarcane on a little over a thousand acres. We also produce cotton, sorghum, corn, citrus and vegetables. Sadly, my son Ryan wonders if agriculture will even have a future here.

Being a farmer for 25 years, I've been active in several farm organizations. As current president elect for National Sorghum Producers, I'd like to thank Mr. Artho for his testimony today.

I'm currently a director for the Rio Grande Valley Sugar Growers. This a sugarcane cooperative that's fully owned by the growers.

Why is sugar policy so important to Texas? Simply put, stability.

Farming is kind of like bull riding. That was a lot of fun when I was a kid, but a lot can go wrong. Just like a rider can't control a bucking bull, farmers can't control Mother Nature, commodity markets or subsidized foreign competitors.

Look no further than this year. Hurricanes, flooding and drought challenged us like never before, but this country's sugar farmers passed that test and our no-cost Sugar Program is one of the main reasons why. The U.S. Sugar Program works, even under the most uncontrollable of situations.

Immediately following Katrina, sugar policy gave the USDA the flexibility it needed to address supply interruptions. Surplus domestic sugar was quickly released from an industry-funded reserve to address short-term supply challenges.

For more long-term issues, the policy helped the USDA bring in imports, and because U.S. prices are more fair than prices on the world dump market, foreign suppliers put America first. Amazingly, we have more sugar on the U.S. market today than we had before the hurricanes.

For proof of how well the program worked, visit any grocery store. Shoppers didn't face a run up in retail sugar prices last fall because of the stability our policy provided. I wish I could say the same for gas prices.

Other countries aren't so lucky and don't have this kind of control when disaster strikes. Thailand experienced its worst drought in years this year and went from being one of the world's largest sugar exporters to actually having to ration sugar at home.

Countries that depend on Brazilian sugar are now feeling the squeeze because Brazil is turning more sugar into ethanol in the face of high oil prices. Consumers looking to Australia for supplies are finding shortages after Australian cane fields were battered by storms, causing losses on an unprecedented scale.

It doesn't take an economist to figure out that these events have had a dramatic effect on the world sugar market, and it doesn't take a genius to see that America cannot become dependent on such unreliable foreign sugar supplies. This country needs home-grown sugar, and America's sugar farmers need a strong sugar policy.

We are gravely concerned about talks of buying out the U.S. Sugar Program and converting it to a traditional row crop program. Such talks are illogical and ill informed.

In times of tight Federal budgets, should Congress really ask the taxpayers to take on the extra burden of converting the current no-cost program to a taxpayer-funded subsidy program? The yearly cost of such a conversion would be in addition to the billions of dollars that a buy-out itself would cost.

Additionally, funding for the new farm bill is going to be tighter than ever. Are other crops doing to give up portions of their pro-

gram funding so that sugar can have an income support? It seems pretty unlikely to me.

Another major concern for us is the ongoing debate over the WTO legality of income support programs. We don't think it is in our interest to consider converting the Sugar Program to a row crop loan style program because we fear we could be setting ourselves up for international challenges.

Sugar is not like other crops. We grow cane, but we sell sugar. All of the other traditional programs set a loan rate based on the raw bulk commodity. We have to mill our cane to produce raw sugar in order to have a product. Furthermore, that raw sugar has to be refined in order for it to have value for the sugar users. Also, because many of our growers also produce cotton and other row crops, payment limits would come into effect and make a traditional program unworkable for sugar.

Some have mentioned a different payment limit for sugar or even suggested that sugar could be exempt from limits in this case. Because the payment limit discussion is such a divisive one that trends toward decreasing payments, this does not seem a realistic solution to me.

The current Sugar Program is working well. It has kept prices low and stable for grocery shoppers in times of a national emergency. It is not costing American taxpayers anything. It makes sure that we're not dependent on foreign supplies and it helps support thousands of sugar farmers and factory workers across the country.

As Congress looks to re-authorize a new farm bill, we humbly ask that the current program be extended.

Thank you.

The CHAIRMAN. Thank you, Mr. Murden.

Unlike the previous panel, what I'm going to do is recognize members who seek recognition to ask questions of this panel, and I'll start by recognizing myself.

Three or four times I've had panels of primarily livestock producers and I've asked them if there's anybody participating in the EPA's Clean Air Act Monitoring program under the recently signed consent agreement. I've not had anybody raise their hand and tell me yes. Is there anybody on this panel participating in that?

Mr. BOEHNING. I signed the agreement.

The CHAIRMAN. Yes, you're participating in it, in other words. All right. Well, I'll target this one to you and see if your colleagues want to join in.

Looking ahead a few years, do you believe the current conservation program, such as EQIP, will be adequate to meet your and other producers' needs to comply with any EPA orders that may be forthcoming from the results of the agreement?

Mr. BOEHNING. I feel EQIP is essential, especially with the increasing regulations and that kind of thing. And a lot of it will depend on what these studies find, which is why I thanked you all for hopefully clarifying that some of this is not hazardous material, some of the emissions from feeding operations. So I guess a lot of it depends on what the studies find and where we go from here.

The CHAIRMAN. Mr. Fisher, Mr. Smith, you want to comment on that.

Mr. FISHER. Well, I'll make a comment on EQIP. It is a very important program. I come from an area where we have juniper and mesquite, prickly pear. Ranching will not produce enough income for me to control those species and it's important for the environment. It's also very important to me because it reduces my productive ability in the pastures, so it's a very important program.

The CHAIRMAN. Let me ask our livestock witnesses another question. I've heard from and I'm in great agreement with you on your positions on some of those issues. One thing I'm very curious about, though, since animal agriculture is the largest single consumer of our program crops, and you heard the testimony of our first panel, I'm curious about your views on Federal programs relating to feed grains.

Mr. Smith.

Mr. SMITH. I think you have to be careful that the USDA or the farm bill doesn't get into a supply management program that arbitrarily hurts the consumer or their product, or a big percentage of the product, which is the livestock, especially the cattle industry. So I think you've got to be careful that there's not any unintended consequences to the detriment of the largest agricultural segment, which would be cattle production.

The CHAIRMAN. Mr. Fisher and Mr. Boehning.

Mr. FISHER. Well, the same thing goes with on for sheep industry, obviously, to a certain extent. If the Federal programs decrease the prices, then that inputs to us and so that's a problem to us.

The CHAIRMAN. Mr. Boehning.

Mr. BOEHNING. I have a little different view. I feel like if grain prices were increased, and our cost would increase, well, then as long as our end product didn't increase too we could stand a little—usually it's passed on in livestock and dairy, I feel like as long as it's not a substantial it usually kind of levels itself out as far as input costs, you know, in passing through all the way to the consumer, but that's just my view on it.

The CHAIRMAN. Thank you very much.

The gentleman from Minnesota.

Mr. PETERSON. Thank you, Mr. Chairman.

I'm not sure if I have a question, but I need to say this. On this animal I.D. thing, Mr. Smith, I've been working on this for some time and I really think that we've got our head in the sand on this deal, and I think you probably know that, and that they're making this thing worse the more we go along.

I have to tell you that this new idea they've got, from what I can see, is going to make the concerned people I've had, which I share on this FOIA situation where people can get access to the database and some of our opposition might use that against us.

I think with what they're doing right now, it's going to make it almost impossible not to be in that situation because my staff tells me that the way they're developing this, unless every State passed a lot of protective database, it's going to be open. I just would encourage you folks to help us get to a place where we've got a national system because, in my judgment, we're not going to have access to these foreign markets unless we get an I.D. system that these other countries are going to trust, so if you'd send that message back, I'd appreciate it.

Mr. Fisher, I want to commend your industry. There was a while ago some of us weren't including some of your industry, weren't sure you guys were going to survive, but you've hung in there and we'll be there to help you. I think your requests are reasonable and we look forward to working with you.

Mr. FISHER. Thank you.

Mr. PETERSON. I want to commend your industry, Mr. Boehning, for what you're doing with the CWT. I think that is a very helpful, positive thing and I encourage your industry to keep doing that.

Mr. Murden, being from the biggest sugar district in the United States, I'm with you a hundred percent. I always have been. But one message I want for you to send back to your folks is that if you guys decide to get in the ethanol business, that's the first time I will not be with you because we have studied the economics of this, it does not work without a lot of Government support, and I've got enough trouble defending the no-cost Sugar Program. I don't need to be in the position of having to defend something that costs money that doesn't make any economic sense.

So we appreciate very much all your testimony. I think you guys did a great job representing your various commodities. I yield back.

The CHAIRMAN. I thank the gentleman.

The gentleman from Indiana, Mr. Sodrel, is recognized.

Mr. SODREL. Thank you, Mr. Chairman.

Mr. Fisher, you raised one issue that we haven't talked about much, and it's not directly related to the farm bill, but it is directly related to getting young people to come back to the farm and trying to carry on the farming business, and that's the death tax.

I'm amazed when I read through the Constitution. The fifth amendment says you will not be denied life, liberty or property without due process nor will private property be taken for public use without just compensation. To me, if the death tax is not taking private property for public use, I don't know what is.

We couldn't build a road across your farm and not compensate you for it. We couldn't take 55 percent of your farm, the Government couldn't, for some public use to build an arena and not pay you for it. But if you die, we can take 55 percent of your farm. Death is now a taxable event.

So it's something I'm really passionate about because it is killing the family farm and it is discouraging the next generation from trying to come to the farm, if you have to pay, as you point out, for property that you thought you already owned. So I just think it's important that everybody think about that when you're talking about the family farm disappearing. Part of the reason it disappears is the death tax. It's really a discouragement to young farmers to have to pay the taxes.

It's not levied on the dead, folks; it's levied on the living. Even the IRS can't tax the dead. It's levied on the next generation, not the last generation.

So I thank you for bringing that up and putting it in the record. I yield back, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

The gentleman from Pennsylvania is recognized.

Mr. HOLDEN. Thank you, Mr. Chairman.

I don't have a question, I just have a brief comment on Mr. Boehning on your testimony. You have reflected the debate and struggle that this committee has faced and that Congress has faced over dairy policy.

The chairman was gracious enough to allow a subcommittee of this to meet in my district in Harrisburg, Pennsylvania last week and the panel was made up of predominantly dairy farmers; dairy being the largest agricultural industry in the continental Pennsylvania, and they unanimously had their priority to have the MILC program extended permanently because it benefits them.

And that's the regional struggle that we have to meet, although the average dairy farm in Pennsylvania is about 100 head. And the \$2.4 million cap that you mentioned, I believe that would be about 150 head production would be met by that.

So for us to try to understand a 3,500 head operation, that I believe is what you said, is very, very difficult. So that are the challenges that we face as we try to move dairy policy in the next farm bill. And I agree with a lot of the other recommendations you've made, but we're going to have to respectfully agree to disagree on this one, on the MILC program.

But putting that in perspective, if you look at when the payments kicked in in 2003 and 2005, dairy farmers in Texas received about \$45 million while dairy farmers in Pennsylvania received \$181 million, and New York and Wisconsin were higher than Pennsylvania.

So I appreciate your comments, but it's one that you'd understand the struggles that we face and what we'll be trying to iron out.

Mr. BOEHNING. Can I comment a little more?

We've heard from farmers that farm 2,000, 8,000, 10,000 acres of land here. The payment cap on this MILC in an extremely depressed milk price year is about \$20,000.

That's 10 days. I would receive that on 10 days worth of my 365 days of production. And prior to the MILC program, there wasn't anything in its place prior to that, so it was kind of an abrupt—my whole life everybody's told me to get bigger and expand, or you're not going to make it. Get bigger and expand, or you're not going to make it.

And so now this is a total reverse saying, you know, if you stay under 150 cows, you're going to be subsidized up to \$13.50 a hundredweight, or whatever it comes out to. For young farmers that have grown and built a business, to me it's just the way politics get all jumbled up and it got thrown in there at the last minute on the 2002 farm bill and now we have paid the price for the last 5 years.

Mr. HOLDEN. Well, it wasn't at the last minute, sir. We worked on it for a long time. But it's just the regional differences that we're facing and I understand and respect your opinion. I wish we could make the cap higher, but we've talked about budget limitations several times with these two panels today.

Mr. BOEHNING. But it's not cost effective—it'd to come out to \$600,000 or \$800,000. I don't want it. You can give it to somebody else. And that's the reason it's not cost effective. It don't make any sense. It's like we were talking about the sugar and ethanol, Some

things you can't make them work because they just economically don't work.

Mr. HOLDEN. Thank you, sir.

The CHAIRMAN. I thank the gentleman.

The gentleman from Texas, Mr. Conaway, is recognized.

Mr. CONAWAY. Thank you, Mr. Chairman.

Mr. Smith, you, in your testimony, said that it's not in the farmers' and ranchers' best interest for Government to implement policy that sets prices, underwrites inefficient production or manipulates domestic supply, demand, cost or prices.

Can you put some meat on the bones of that statement for us?

Mr. SMITH. I don't think it's the Government's role to set the prices of what farmers receive for their commodities, especially if it's to the detriment of livestock producers.

What I want from Government and from the farm bill is the opportunity to succeed. And also, what comes with that opportunity to succeed, is the opportunity to fail. And if you have an operator that's an inefficient producer, that's not a good business person, why should the Government continue to subsidize that person? It should probably step aside and let a younger person—you keep talking about how people want younger people involved in agriculture, well, that could possibly be a way for a young person, like myself, that's aggressive, that's hard working and wants to step in and take the place of that inefficient producer. That would be an opportunity for them to do that. So I don't want the Government to just set the prices and subsidize inefficiency.

Mr. CONAWAY. Are there some specific examples where you've seen that happen, without naming names?

Mr. SMITH. Get myself in trouble. Probably not so much with this most recent farm bill, but I think in the farm bills in the past where you had the Land Set Aside Program, and the farm bill was saying you can object plant X number of acres or wheat or only X number of acres of corn. It sent a bad signal to the market. And I believe in free markets and think free markets work.

And that's what probably my biggest disagreement with high subsidies in crop a production is that it skews that free market.

Mr. CONAWAY. Any of the other panels want to respond to that general inquiry?

Thank you, Mr. Chairman. Yield back.

The CHAIRMAN. I thank the gentleman.

The gentleman from Texas, Mr. Cuellar, is recognized.

Mr. CUELLAR. Thank you.

Mr. Murden, thank you again for your testimony, and it's good to seeing you again, along with late last night coming in. Let's go back to ethanol and sugar. My understanding is that the Rio Grande Valley sugar growers are considering constructing a ethanol plant adjacent to its sugar mill in Santa Rosa; is that correct?

Mr. MURDEN. In the middle of a feasibility study to determine that. I think down in the valley sorghum would probably be a good match for that. But for the sugar growers, the bottom line is, without the sugar policy, we can't do much.

Mr. CUELLAR. OK.

Mr. MURDEN. It may be a good match with grain sorghum.

Mr. CUELLAR. Yes. Well, can you just expand on that just briefly?

Mr. MURDEN. We estimate it would take about 200,000 acres of grain sorghum to go with a 40 million gallon plant. Sugar would be a small component of that. I think Mr. Peterson, he's certainly right in his argument, but sugar would be a small component of that.

Mr. CUELLAR. OK.

Mr. MURDEN. I think it's obviously it's worth looking into, that's why we're looking into it.

Mr. CUELLAR. Could you let us know when that feasibility—

Mr. MURDEN. We'll get you down there.

Mr. CUELLAR. Send me a copy of that whenever you get that.

Thank you, Mr. Chairman. Thank you very much. Thanks.

The CHAIRMAN. I thank the gentleman.

The gentleman from Texas, Mr. Neugebauer is recognized.

Mr. NEUGEBAUER. Thank you, Mr. Chairman.

Mr. Boehning and Mr. Smith, you both mentioned the EQIP program, and that your producers are able to utilize that for various environmental programs. Can you elaborate just a little bit on how your members and in your industry are you're using EQIP and why it's important?

Mr. SMITH. OK. We use EQIP quite a bit—like Mr. Fisher, for brush control and for water development and for cross-fencing for us to better manage our rangelands.

And what I like about EQIP and why I think what's so important that it should be included in the farm bill and with at least the existing funding, if not more, is that not only is it helping producers like myself on their individual operations, but there's a societal benefit, too, of these EQIP contracts because they are helping improve our rangeland resources, our farmland resources.

So I think, for example, if you're an Iowa corn farmer and you get EQIP funds to plant grass, field buffers or wooded field buffers that catch runoff from the fields and produce the amount of sediment or nitrogen that's going into the Mississippi River, therefore going out in the Gulf of Mexico, that's a societal benefit. And that's one thing I think—not only with EQIP you're helping the individual producers manage their operations, improve their operations and be good environmental stewards, but you get a societal benefit, also.

Mr. NEUGEBAUER. Mr. Boehning.

Mr. BOEHNING. Yes. I'll just kind of say more of the same. On dairy, on a concentrated feeding operation, and it'd be similar on feed yards also in our area, it's just helping producers to comply more with, for instance, to take wastewater to other fields with pipeline and that kind of thing and just, help do what we're supposed to do.

A lot of producers, if they were on the verge of needing to build a lagoon or do something different, it gave them the money to go ahead and do what they needed to do as opposed to having to quit or struggle with it, it really helped.

Mr. NEUGEBAUER. And I think one of you in your testimony mentioned it phases out, though, and some of the limitations on the program. You want to address kind of what those are and maybe recommended changes to that?

Mr. SMITH. Well, EQIP's changed some over the last few years, but when I first started participating in EQIP contracts and part of ranking system is that basically it penalized large producers which, to me, it took away from the societal benefits of it. Because if you are a large producer and you're able to do work on a larger scale; therefore, the Government and the USDA's getting a bigger bang—and the taxpayer's are getting a bigger bang for their buck.

And there's been some kind of arbitrary caps on that that I think have not only hurt some successful producers, but also has been a detriment to the overall goal of the program, which is environmental quality.

Mr. NEUGEBAUER. Mr. Boehning, I want to go back to the Dairy Price Support Program and the MILC and you were kind of talking about those. And, basically, what I think I heard you saying is they really conflict in some ways with each other. Can you elaborate just a little bit more on that and why you think that the price support program is a better long-term program for dairy?

Mr. BOEHNING. Well, in this last duration of this last farm bill, I think maybe \$500 million was spent on the Dairy Price Support program for our safety net that benefits every dairy producer in the United States. It looks like with milk prices as low as they are now, we're going to end up spending over four billion through this farm bill on the Milk Income Loss Contract.

And when prices are depressed like right now, we're real lucky right now. We don't have very much product in Government warehouses, and I'm real optimistic about that. But with milk prices depressed right now, you're going to be paying producers to produce milk that's going to have to be bought by the Government and put in storage and, to me, that just makes no sense.

Mr. NEUGEBAUER. So you're basically, from a cost standpoint, but also you're saying the Dairy Price Support Program makes for a more efficient market for the commodity on a long-term basis?

Mr. BOEHNING. Yes. And it's the Dairy Price Support program is a safety net. And unlike some other safety nets, it's actually probably \$2 to \$3 a hundredweight below break even cost. So without any direct payments going to dairy farmers, it don't have to sit on that price for very long before economics correct it. So it's set at a price where it's just the worse case scenario and it's not used very often.

Mr. NEUGEBAUER. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

The gentleman from North Dakota, Mr. Pomeroy, is recognized.

Mr. POMEROY. I thank the chairman.

Part of the problem in Washington, we kind of wrestle with these issues. There's an old saying that we're all entitled to our own opinion, but we're not entitled to our own facts. And we don't agree on what the facts are and that's kind of a problem. I'm interested in my colleague's comments that the estate tax is the biggest problem facing family farmers.

The proposal before the House is, basically, a repeal to cost the next decade \$700 billion, or reform so no estate \$6 million and below for a joint couple, \$7 million in the year 2009 and forward would have any estate tax at all. That costs about one quarter, or \$230 billion on that, compared to \$700 billion per total repeal.

Now, you consider a farm with net assets \$7 million—in this case until 2009 \$6 million and below, we've tried to look, and looked hard, to try and find those farms that would be lost where heirship would be disrupted by application of an estate tax. Can't find any.

About 99.7 percent of the estates in this country are taken care of, let alone the farm set of it. So I'm tired of family farmers being held out there to carry Bill Gates' tax problem. It's a very different situation, but I'll tell you what this would do. You lose \$700 billion to the Treasury next decade, you've got some other things going on.

Seventy-eight million Americans are going to turn 65. They're going to start drawing Social Security. They're going to start drawing Medicare. I got a trustee's report last week that shows that Social Security is going to start paying out more than it takes in in 2018. Medicare is earlier; in 2012 it pays out more than it takes there. That means Congress isn't going to have those surpluses to squander anymore.

Now, you know what's going to happen under that circumstance. If the \$700 billion facing tax cuts to the wealthiest fuel in this country is enacted, the middle class is going to pay more and the pressure on farm program funding is going to be insurmountable.

The farm program is going to go away as we know them today under that kind of budget pressure. And I suggest that that is the biggest problem facing our family farmers, not the estate tax.

I'd also have a little discussion from Mr. Smith relative to whether farm programs protect inefficient operators. There are a couple of risks that you cannot, I don't care how good you are. You've got drought, your production fails; that's a risk. You produce a crop and the price collapses; that's a risk. It's not inefficiency, it's just an unavoidable risk of family farming.

So I there's an entirely appropriate role for the Federal Government to work in partnership with family farmers to offset that risk. Got a good crop insurance. We're always striving for a new crop insurance program to offset production failure, and sometimes you've got to top it off, like this year, with a disaster bill, and then a marketing loan program that undergirds price collapse.

And if you don't have an ability for family farmers to protect their risks against forces outside of their control, you're inevitably going to force more and more of them out of business.

Now, I don't think a banker's going to lend to a beginning farmer when you've had established farmers washed out because of either of these unavoidable risks. What you're going to have is rapid continued consolidation of production agriculture into a corporate scale of agriculture we've not had in this country.

I maintain family farming agriculture with diversified production has produced the highest quality, greatest abundance, lowest prices in the western world, and this is a system that's working. Just look around. There's pretty healthy folks walking around this county. We need to continue, I think, this backstop, the family farming backbone of the nation's food supply. But, Mr. Smith, I should let you respond to that.

Mr. SMITH. OK. I'll address your two points. First on the estate taxes. And I do believe, as an individual, there should be a cap, whether that's \$7 million or \$10 million or maybe \$20 million. I don't think Bill Gates' grandchildren's grandchildren's grand-

children should have an enormous amount of wealth that, to me, you'd start creating a class of people that would never have to work a day in their life and I don't think that's very good for society and for the United States period.

But on the flip side, I think that cap needs to be high enough, and I think seven million is too low actually, but I think it needs to be high enough that it does enable those family farmers, especially the farmers that are close to metropolitan areas, and those are the ones that are getting hammered. It's the ranch outside of Denver, Colorado or outside of Atlanta, GA that as an agricultural value, it's worth, from a Colorado perspective, it's worth \$150 an acre. But from a real estate value, a development value, might be worth \$150 a foot.

That's an extreme example, but if you want to continue to see suburban sprawl, then keep the death tax the way it is and you'll be forcing these people around outside of Denver, Colorado to have to sell their land, or their heirs to have to sell their land because it's worth a gigantic amount of value just to be able to pay the inheritance tax.

So what that limit is, whether it's \$10 million, \$20 million, I don't know. That's for you all to hash out. But I think \$7 million is too low. I personally I do believe that there should be some type of inheritance tax, and that might be heresy from a lot of the people I hang out with, but that's my personal opinion.

And then on the farm support payments. I do believe there should be a minimum baseline farm support, but if it gets to a—and I stress the part “minimum” because I think if it gets much higher than that, you do start creating support for inefficiency.

There are perils that are in extreme circumstances; hurricanes, droughts to some extent, and wildfires. We had a kind of a hundred year fire in the Texas Panhandle in March and April, and I appreciate the Government's support when they step in and help producers in those extreme situations.

Drought, though, as a manager of rangeland, is not an uncommon occurrence. You have as many dry years as you have good years. So as a good manager, you should be preparing for the dry years. You should have your stocking rights set at at the absolute average or better than average rainfall. You should be able to be prepared for the droughts when you're managing your rangeland. It's going to happen. So good management will prepare you for that.

The CHAIRMAN. I thank the gentleman.

The gentleman from Kansas, Mr. Moran is recognized.

Mr. MORAN. Mr. Chairman, thank you.

Just a couple of questions. As I indicated earlier, our subcommittee has jurisdiction over crop insurance. Mr. Smith's been talking about the role for the Federal Government in regard to drought and disaster. Crop insurance working for any of you in your operations, maybe Mr. Murden, rice? Are there suggestions of how crop insurance can become a viable tool for you?

Mr. MURDEN. No real suggestions, just some complaints, as usual. I don't grow rice, but we do insure most everything else. It's like any Government program, sometimes it's aggravating, but it's there for us. It's somewhat of a safety net.

In regard to drought, though, down in south Texas we haven't had any rain in 2 years so germinating the seed has been near impossible. You can't manage that. And so our ground should be lush green right now and it's as brown as this carpet, as a train wreck. Probably 70 percent of the land down there has been zeroed out, so to speak.

But I think disaster programs are important when you need them.

Mr. MORAN. I didn't mean to confuse sugar with rice. Excuse me.

Mr. MURDEN. Right.

Mr. MORAN. Anyone else on the panel?

Mr. FISHER. I don't have the opportunity to participate in a risk program, although we're trying to get a pilot program and having problems with that, with the staff of RMA.

Mr. MORAN. And if we can be of help—Mr. Neugebauer and I were visiting this morning about bringing a product to fruition and the RMA setting is about a 7-year process and the private sector, you would never survive the 7 years of analysis and study, and so our ability to respond quickly is limited, although there are a number of pilot programs in regard to livestock production that are coming into play.

Mr. Smith, in regard to livestock, I have indicated from my perspective that the No. 1 trade issue we face in this country, at least for me as Kansan, and I smile because the Texas Cattle Feeders president is a Kansan. I appreciate the irony of that a lot, but—

Mr. SMITH. He's a good man.

Mr. MORAN. He is a good man. Thank you. The No. 1 trade issue we face from a Kansas perspective is lack of market access in Japan. And we have beaten this issue, with the help of Mr. Goodlatte and most members of this committee, introduced legislation last year that would impose retaliatory trade sanctions against Japanese products coming to the United States should they fail to abide by their agreement.

It's my opinion that that legislation made a difference, that we actually got more attention with the Japanese government when the threat was economic. It's one of the problems we face in trade agreements. I was in Geneva last month and the credibility of the Europeans in regard to market access is very minimal, in my mind. They'll find some other excuse, be it hormones, GMO, genetically modified issue to keep our products out.

My question is: What do you, as a cattleman, or you on behalf of the associations that you belong to, what really is the next step that we can take in regard to a country like Japan that simply does not abide by sound science, doesn't really take into account the lack of consumer risk and simply, for reasons beyond our control, does not want to import our products, despite agreements to the contrary? Suggestions?

Mr. SMITH. I'm not a trade expert so I can't help you much. But whatever can be done needs to be done. And maybe when you're negotiating with these WTO agreements that's been negotiated now is to make sure that the processes are in place that when you do have one of these just arbitrary non-scientific trade barrier, that they can be addressed in a reasonable way. And that's a little bit beyond by expertise, but Japan is kind of the poster child for keep-

ing beef out of their country, but there's also Korea, Russia, a whole host of other countries, including the European union on the hormone issue that's been ruled scientifically unsound, but they still continue to have their barriers. It's extremely frustrating.

Mr. MORAN. It does seem to me that the difficulty is not necessarily reaching an agreement in regard to trade; the difficulty is enforcing an agreement, as the Chairman indicated, that has meaningful words that can be enforced in a way that is not detrimental to the U.S. producer. And it is a role, I think you would admit the government has a role to play in your business in regard to negotiating trade agreements, enforcing trade agreement and, unfortunately, it seems to me we have an obligation to respond when we fail to provide that opportunity.

Many Kansas farmers, some Kansas farmers would tell me "let's just feed ourselves, let's just clothe ourselves and quit worrying about foreign markets." the reality is that 40 percent of what we produce at home is exported someplace else and, absent those markets, people are not going to be farming in the western three-fourths of Kansas, at least to the numbers that we are now.

I was trying to share my frustration with you and others that we have got to figure out that—from an administration's perspective, from their point of view, what can be done to enforce agreements once they're entered into.

My time has expired. I appreciate the chance to visit with you and mostly give you the opportunity to point out that a Kansan chairs your organization.

Thank you.

Mr. SMITH. Yes.

The CHAIRMAN. I thank the gentleman.

The gentleman from Louisiana, Mr. Melancon, is recognized.

Mr. MELANCON. Thank you, Mr. Chairman. I appreciate the opportunity.

Mr. Smith, I appreciate your comments on free markets. I believe in free markets, but I don't believe in having to compete against other people's governments, and that's what happens to most American farmers in most instances.

The ethanol thing, Dale, tread lightly. Keep your eye on the ball. The concern I have, and I think that's where Collin's coming from, if you want a renewable Sugar Program and you're looking for an option or an opportunity to have some additional revenue for somewhere on ethanol, you may end up coming up empty handed in the end.

Mr. MURDEN. I agree.

Mr. MELANCON. So I've told my guys at home, tread lightly. Decide whether you're in the sugar business or you're going to be in the energy business.

I'm new to Congress. Don't ask me something if you don't want the honest truth, at least the way I see it. I'm pro-life, I'm pro-gun, and I believe that marriage is between a man and a woman.

Now that that's on the side, you better start paying attention to what the real issues is, and that's your pocketbook, and that's where government can really hurt you. So I'm telling my farmers, that's fine, those issues are important, they're personal, but we need to make sure that we keep America strong and that we con-

concentrate and focus on what raises our children and what makes life good for us.

But other than that, gentlemen, thank you so much. The people of San Angelo and west Texas, thank you so much. It's been good to be out here and maybe I'll get a chance to come back again and, instead of just being in hearing rooms, get a chance to see the country. It looks very beautiful from the hotel window.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

Does any other member of the committee seek recognition to ask questions of this panel? If not, we are nearing our conclusion and at this time it's my pleasure to recognize the gentleman from Minnesota for some concluding remarks.

Mr. PETERSON. Thank you, Mr. Chairman, and I just want to thank and thank our Texas members for getting us down here and all of the witnesses. You guys did an outstanding job, this panel and the previous panel, and I'm just pleased to see that there's as much unanimity between Texas and Minnesota as I heard here today and that argues well for the future, I think.

Thank you.

The CHAIRMAN. I thank the gentleman.

I'd like to thank all the witnesses who have testified here today on this panel and the previous panel. I appreciate their careful consideration in preparing for today's hearing.

I'd also like to thank David Rosenthal and all of the staff here at the C.J. Davidson Conference Center that worked so hard to make this hearing possible, and I'd like to thank the committee staff on both sides of the aisle for their hard work as well. Let's give them all a round of applause.

The information that the witnesses provided here today will be very helpful to us as we begin this review process. We look forward to maintaining an open dialog with you and your fellow producers around the country as we consider the next farm bill.

As I stated in my opening statement, I want to encourage you to share your thoughts with members that don't sit on the Agriculture Committee. The record of the hearing will remain open for 30 days. Anyone who'd like to submit a written statement for our consideration is welcome to do so. Please see Lindsey Correa, our clerk, for more information on submitting a statement, if you wish to do so.

And I want to remind you again about the opportunity to go online and provide us with feedback. These cards are available on the table over to my left there. It has the address on our Web site where you can submit your comments about current and future farm bill at your own convenience. We will value those submissions as well.

So, again, thank you all for taking the time to join us today. I have some magic language I have to read to get us out of here.

Without objections, the record of today's hearing will remain open for 30 days to receive additional material and supplementary written responses from witnesses to any question posed by a member of the panel.

This hearing of the Committee on Agriculture is adjourned.

[Whereupon, at 11:42 a.m., the committee was adjourned.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF DALE SMITH

Chairman Goodlatte, Ranking Member Peterson, and members of the committee; thank you for allowing me to appear before you today and provide the Texas cattle industry's perspective on the upcoming 2007 farm bill. I would also like to take this opportunity to recognize Congressman Neugebauer, Congressman Conaway, and Congressman Cuellar for their efforts on behalf of Texas agriculture.

My name is Dale Smith, and I am a cow-calf producer, stocker cattle operator and a cattle feeder from Amarillo, Texas. I am also a member of Texas and Southwestern Cattle Raisers, Texas Cattle Feeders, Panhandle Livestock Association and the National Cattleman's Beef Association.

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

As a cattle producer, my livelihood is tied to many other agricultural commodities. Livestock consume three out of four bushels of the major feed grains and all beef cattle account for nearly 30 percent. As such, we support the continuation of reasonable, market-oriented programs for crops, but strongly oppose government supply management programs. It is not in farmers' and ranchers' best interests for the government to implement policy that sets prices; underwrites inefficient production; or manipulates domestic supply, demand, cost, or price. Likewise, conservation programs and environmental regulations must be based on common sense and sound science. One such program that achieves this is the Environmental Quality Incentive Program or EQIP. Cattle producers across the country participate in this program, but arbitrarily setting numerical caps that render some producers ineligible limits the success of the program. Addressing environmental solutions is not a large versus small issue. All producers have a responsibility to take care of the environment and their land and should have the ability to participate in programs that help establish and attain environmental goals. Accordingly, all producers should be afforded equal access to cost share dollars under programs such as EQIP.

Conservation and environmental programs must also be sufficiently supported to ensure participation. Resources must be allocated to maintain adequate NRCS personnel at the local level that can provide the technical assistance necessary to implement successful rangeland conservation programs. Cattlemen need a dependable and recognized source of technical assistance in order to meet the state's rangeland conservation needs. One other environmental issue is our support of renewable fuel supplies for the nation. However, we reiterate that livestock consume 3 of 4 bushels of feed grains in the nation. Governmental incentives to expand ethanol and other alternative fuel supplies should not function to the detriment of livestock producers.

The cattle industry also supports increasing Federal investment in agricultural research. One of our competitive advantages over foreign producers has been quality research and development programs supported by the government and the private sector. It is essential that USDA maintain the scientific expertise to protect producers from the erroneous claims of our opponents—both foreign and domestic. One such recent claim is that manure should be regulated as a hazardous waste. There is no scientific evidence nor congressional intent to support this ludicrous argument. While this may be outside the scope of the farm bill debate, cattle producers would appreciate any efforts by your committee to resolve this potentially disastrous situation.

U.S. cattlemen have been and continue to be strong believers in international trade. We support aggressive negotiating positions to open markets and to remove unfair trade barriers to our product. We support government programs such as the Market Access Program and the Foreign Market Development Program, which help expand opportunities for U.S. beef, and we urge sustained funding for these long-term market development efforts. I believe foreign markets are key to the success to most of, if not all, segments of production agriculture.

We also support congressional and regulatory action to address unfair international trade barriers that hinder the exportation of U.S. beef. We appreciate the Committee's help in working to reopen foreign markets that were closed to U.S. beef after the discovery of BSE. As you are aware, we continue to fight to get our product into several countries and have seen recent setbacks in places such as Korea and Japan. We ask that you continue to support the effort to see that sound science is being followed in bringing down these artificial trade barriers. We encourage the

Committee's continued strong and vigilant oversight of the enforcement of any trade pact to which American agriculture is a party.

Lastly, I want to touch on a few issues that should not be addressed in the farm bill. We strongly oppose efforts to limit marketing options available to cattle producers. Such proposals limit ownership of cattle, restrict marketing agreements and place the cattle industry at an unfair, competitive disadvantage with other suppliers of protein both domestically and internationally. Producers must be allowed to take advantage of new marketing opportunities designed to capture a larger share of the consumer food dollar. Having said this, we also support the role of government to ensure a competitive market through strong oversight, including enforcement action against attempts at collusion, anti-trust and price-fixing. We believe weaknesses identified in the recent OIG audit of GIPSA should, and can be, quickly resolved by new agency management to improve enforcement of the Packers and Stockyards Act. On another marketing issue, mandatory country of origin labeling should be replaced with a much less expensive market-based, voluntary program.

USDA and producers should continue working to implement an animal identification and tracing program. Government should manage the premise i.d. data base and the private sector should manage the animal i.d. database with the goal of 48-hour traceback. Hopefully this issue can be resolved outside the farm bill.

Thank you for the opportunity to share my views with you today.

STATEMENT OF DALE MURDEN

U.S. SUGAR POLICY IN THE NEXT FARM BILL

Mr. Chairman, members of the House Agriculture Committee, thanks for coming to Texas to hold an "outside the beltway" discussion on American agriculture.

My family raises sugarcane and my son Ryan wonders what the future holds for agriculture in general. We also produce cotton, grain sorghum, corn, citrus and vegetables.

Being a farmer for 25 years, I have been active in several farm organizations and currently sit on the board of the Rio Grande Valley Sugar Growers, Inc. This is a sugarcane cooperative that's fully owned by the growers.

Why is sugar policy so important to Texas? Simply put, stability.

Farming is kinda like bull riding. It's a lot of fun, but a lot can go wrong. Just like a rider can't control the bucking bull, farmers can't control Mother Nature, or commodity markets, or subsidized foreign competitors.

Look no further than this year. Hurricanes, flooding and drought challenged us like never before. But this country's sugar farmers passed that test, and our no-cost sugar program is one of the main reasons why. The U.S. sugar program works even under the most uncontrollable of situations.

Immediately following Katrina, sugar policy gave the USDA the flexibility it needed to address supply interruptions. Surplus domestic sugar was quickly released from an industry-funded reserve to address short-term supply challenges.

For more long-term issues, the policy helped the USDA bring in imports. And because U.S. prices are more fair than prices on the world dump market, foreign suppliers put America first. Amazingly, we have more sugar on the U.S. market today than we had before the hurricanes.

For proof of how well the program worked, visit any grocery store. Shoppers didn't face a run up in retail sugar prices last fall because of the stability our policy provided. I wish I could say the same for gas prices.

Other countries aren't so lucky and don't have this kind of control when disaster strikes.

Thailand experienced its worst drought in years this year and went from being one of the world's largest sugar exporters to actually having to ration sugar at home.

Countries that depend on Brazilian sugar are now feeling the squeeze because Brazil is turning more sugar into ethanol in the face of high oil prices. Consumers looking to Australia for supplies are finding shortages after Australian cane fields were battered by storms, causing losses on an unprecedented scale.

It doesn't take an economist to figure out that these events have had a dramatic effect on the world sugar market. And it doesn't take a genius to see that America cannot become dependent on such unreliable foreign sugar supplies. This country needs homegrown sugar, and America's sugar farmers need a strong sugar policy.

We are gravely concerned about talks of buying out the U.S. sugar program and converting it to a traditional row crop program. Such talks are illogical and ill informed.

In times of tight Federal budgets, should Congress really ask the taxpayers to take on the extra burden of converting the current no-cost program to a taxpayer-funded subsidy program? The yearly cost of such a conversion would be in addition to the billions of dollars that a buy-out itself would cost.

Additionally, funding for the new farm bill is going to be tighter than ever. Are other crops going to give up portions of their program funding so that sugar can have an income support? It seems highly unlikely that they would.

Another major concern for us is the ongoing debate over the WTO legality of income support programs. We don't think it is in our interest to consider converting the sugar program to a row crop loan style program, because we fear we could be setting ourselves up for international challenges.

Sugar is not like other crops. We grow cane but we sell sugar. All of the other traditional programs set a loan rate based on the raw bulk commodity. We have to mill our cane to produce raw sugar in order to have a product. Furthermore, that raw sugar has to be refined in order for it to have value for the sugar users.

Also, because many of our growers also produce cotton and other row crops, payment limits would come into effect and make a traditional program unworkable for sugar.

Some have mentioned a different payment limit for sugar or even suggested that sugar could be exempt from limits in this case. Because the payment limit discussion is such a divisive one that trends toward decreasing payments, this does not seem a realistic solution to me.

The current sugar program is working well. It has kept prices low and stable for grocery shoppers in times of a national emergency. It is not costing America's taxpayers anything. It makes sure that we're not dependent on foreign supplies. And, it helps support thousands of sugar farmers and factory workers across the country.

As Congress looks to re-authorize a new farm bill, we humbly ask that the current program be extended.

STATEMENT OF GLEN FISHER

On behalf of the 6,000 sheep producers in Texas, I am very appreciative of this opportunity to discuss our Nation's agricultural policy with the agriculture leadership of the U.S. House of Representatives.

I am Glen Fisher, partner and manager of Askew-Fisher Ranch in Sutton County, Texas. The ranch is comprised of 18,000 acres and normally has about 2,000 head of ewes, 400 head of cattle, and 200 head of meat goats. Our livestock numbers are currently less because of many years of drought. I have been in the ranching industry for nearly 30 years. I also have been in the wool and mohair business for about 20 of those 30 years and served 5 years as an Extension Economist for Texas Agricultural Extension Service. I have served as President of the Texas Sheep and Goat Raisers', Chairman of the American Wool Council, Director of the National Sheep Industry Improvement Center, and currently serve as Secretary-Treasurer of the American Sheep Industry Association.

I am pleased to provide my thoughts on the priorities in the next farm bill that will assist the sheep business. I can report to the Committee, as well Mr. Chairman, that these priorities are shared by my fellow producers in the Texas Sheep and Goat Raisers' Association and the American Sheep Industry Association.

The sheep industry of the United States is comprised of 68,000 farm and ranch families producing lamb and wool in every State of the country. The industry provides half a billion dollars to the American economy and is a mainstay of many rural communities in which sheep grazing is a key use of grazing and pasture land.

Sheep producers have been aggressive and creative in their approach to national initiatives that strengthen the domestic industry.

In 2005, the sheep industry approved a national referendum to continue our American Lamb Board checkoff program. This lamb promotion program is entirely funded by the industry and I am pleased to say that of those who voted, 80 percent voted in favor of the referendum. We collect over \$2 million annually from sheep sales with producers, feeders and lamb companies all paying a share of the checkoff.

The American Wool Council launched a wool production, information and marketing program for American wool in early 2001. Our national initiatives have improved competition for American wool. International marketing programs have exposed U.S. wools to the world and exports have grown rapidly to over 60 percent of our annual production today. Total exports represented less than a third of production prior to our programs. We now sell into eight or more international markets each year. In addition to expanding market opportunities for producers, the Wool Council has developed new fabrics and treatments for textiles with U.S. companies

and America's armed services. We are proud to help provide clothing and uniforms for the men and women of our military. Fully one fourth of our wool production is consumed by the U.S. military.

2004 marked the first growth in U.S. sheep inventory since 1990. We grew our industry again in 2005, the first year on year increase in sheep numbers since 1987-88. Industry growth improves competitiveness for all segments of the industry from lamb feeders to lamb meat companies, wool warehouses to wool mills, feed suppliers, trucking firms and shearing companies.

The Marketing Loan and LDP programs for wool and mohair that were included in the 2002 farm bill have been helpful in stabilizing wool and mohair production.

The Wool Loan Deficiency (LDP) program provides the only safety net for producers in our business. I encourage the Committee to re-authorize the wool LDP and at a base loan rate of \$1.20 per pound in order to provide the benefit of the program as intended. While nine loan rates are available, essentially all wool LDP applications are in one non-graded rate category. The research and industry testimony provided in 2002 supported a \$1.20 per pound base loan rate and authorization of the wool LDP at this rate should provide opportunity for all producers to participate in the program as intended.

Industry research by Food and Agriculture Policy Research Institute (FAPRI) and testimony by the American Sheep Industry Association documented a base loan rate of \$1.20 per pound; however, the legislation lowered the base to \$1.00 a pound with a cost score of \$20 million annually. The total payments for each of the 2002 through 2005 crop years is \$7.8 million, \$7 million, \$7.3 million, and \$6.1 million respectively. The significant difference between the annual cost estimate and the actual payment total each year combined with the fact that nearly all participation has been in only one loan category out of nine total categories, supports the request that the program be authorized at the base rate of \$1.20 per pound rather than \$1.00 in the current legislation.

While I am not a mohair producer, I know many producers that are and, as stated earlier, I have been involved with that industry. Having both wool and mohair producers help keep shearers in business, which has become a problem. I encourage the re-authorization of the Mohair Marketing Loan and LDP at a base of \$4.20 per pound. Under the 2002 farm bill, payments were made on mohair, the production stabilized and for the past several months mohair prices are above the \$4.20 and no payments have been necessary.

These programs have been reasonably simple for FSA to administer and have worked as a safety net that producers can plan on.

Additionally, on the international wool marketing efforts, ASI and the Mohair Council of America (MCA) actively participate in the USDA Foreign Market Development, Market Access Program and Quality Samples Program and encourage inclusion of these in the farm bill. These export programs are very important to the sheep and goat industries.

I urge the Committee to support re-authorization of the National Sheep Industry Improvement Center.

As established in the 1996 farm bill in the Rural Development program of USDA, the National Sheep Industry Improvement Center provides loans and grants to business ventures for financing programs which normal commercial credit or funds were not available. This program does not provide funds for individual producers nor purchase of sheep or land, but rather for projects to strengthen the sheep business including loans to wool warehouses, lamb slaughter and processing ventures, and wool processors. An excellent example of the Sheep Center here in San Angelo is Bowman Wool Scouring which obtained a loan to purchase and install a state of the art scouring train.

The Center has provided 56 loans to 38 entities in 21 states. The total volume of dollars that have been loaned since 2000 totals approximately \$15.5 million. The Center has also made 58 grants equaling \$20,754,529.

The United States has no barriers to lamb meat imports and as such has become the market of choice for lamb exporters from around the world. Lamb was never part of the Meat Import Law so other than the brief period of temporary restrictions in late 1999-2001, lamb meat has and is freely traded. However, the playing field is not equitable for U.S. sheep producers. The European Union continues to provide over \$2 billion annually in government price support and subsidies to their sheep producers. The European Union maintains strict and effective tariff rate quotas on lamb imports. Our industry looks to both the Agriculture Committee's role in industry programs in the next farm bill and the Committee's role in pushing for aggressive reform of Europe's agriculture programs and barriers to assist the domestic sheep business.

As evident in the listening sessions on the farm bill that Secretary Johanns conducted last year, a number of comments were provided by producers in support of a retained ewe lamb program in the next farm bill. The growth of the U.S. sheep industry can in part be credited to the USDA retained ewe lamb program that was in effect for 2002–04. The incentive payment to producers to keep ewe lambs in their breeding herd rather than sell them for slaughter encouraged producers to expand breeding herds which, in the longer term, will provide increased market lambs to help U.S. producers maintain and increase their share of the American meat case.

Texas is currently in a seven month drought with very little rainfall. While I realize this is not an issue for the next farm bill, it is certainly something that House and Senate Ag Committees should be aware of and consider disaster assistance for all parts of Texas agricultural production.

STATEMENT OF JACK NORMAN

Let me begin by thanking our Texas Members of the House Committee on Agriculture, the Honorable Mike Conaway, the Honorable Randy Neugebauer, and the Honorable Henry Cuellar for conducting this important field hearing right here in Texas.

My name is Jack Norman. I live in Howe, Texas, about 65 miles North of Dallas, and farm in Grayson and Fannin Counties in partnership with my brother and nephew. Our diversified, family-farming business includes 3,500 acres of wheat, 5,600 acres of corn, 900 acres of soybeans, 150 acres of hay and a small cattle operation.

As I come before you today, I represent not only my personal farming operation, but as the current President of the Texas Wheat Producers Association, I also speak for other wheat farmers across the State. While I'm here to discuss the 2007 farm bill, I would be remiss if I did not express the current crop devastation here in Texas. This year, wheat producers have suffered through the worst crop in history. Wheat conditions state-wide are rated at 77 percent poor to very poor and the Texas Agricultural Statistics Service is estimating our crop at 41 million bushels, which is 57 percent lower than last years' crop.

The direct and indirect impact of this crop failure is leaving its mark on the rural landscape. In essence, wheat producers have lost two major sources of income this year—cattle grazing and grain production. Producers in my area and across the State are facing rising costs associated with their industry. Diesel fuel is up 36 percent from last year and natural gas and fertilizer prices have risen drastically over the last few years. Fertilizer costs have increased an average of almost thirty percent from this time last year. We urge each of you to support Emergency Disaster Assistance and to rally the support of your colleagues for this important legislation. We need both disaster and economic assistance for the 2006 crop year without delay.

Farming has changed dramatically over the last ten years. Producers in my area are now using minimum till, planting round-up ready corn and soybeans and using Global Positioning Satellite (GPS) technology for precision planting and spraying operations. These improvements in technology have allowed us to plow and spray less and still produce more crops per acre. Also, this technology has allowed farmers to plant more acres efficiently and use fewer people. For example, in my personal operation, my brother, nephew and I and four employees do all the work on our 10,000 acre farm. We hire no custom work or harvesting.

However, these improvements have not allowed us to enjoy a fair profit margin because of increased input costs and equipment costs. Despite these gains in efficiency, it has continued to be difficult to remain profitable and some farmers have gone out of business. Although consolidation of farms has taken place in the counties where I farm and the Northern Texas area, I do not know of any so called "corporate farms". Farms may be larger than 10 years ago, but the typical farm still has one or two family members doing most of the work and is truly a family farm.

While many have discussed the extension of the current farm bill, I will direct my comments to the development of the 2007 farm bill. I am not opposed to an extension, but I am here to look toward the future. I believe it is both urgent and imperative that Congress acts promptly and decisively to assure the income and economic stability of Agriculture and Rural America. I want to play an active role in crafting the next farm bill based on the strengths of the 2002 farm bill. The first two questions my banker asks when I go to him to secure a loan for my operation are "do you have crop insurance and are you enrolled in the farm program?" Without the safety net of a solid farm bill, bankers will not loan money to farmers in

mine or any other area. We must have a farm bill that is able to be utilized by all producers.

The 2002 farm bill has worked, and worked well for most commodities. However, wheat farmers have not been able to take full advantage of the Commodity title programs. Although the intent of the Counter Cyclical and Loan Deficiency payment programs were designed to provide producers stability in times of low prices, the loan rate for wheat was set too low for income stability. Wheat growers are now unsupported by price-triggered programs in times of crop failure when crop shortages lead to higher prices which preclude support. These dynamics suggest a need to shift policy towards programs less tied to current market conditions, with producers having flexibility to use different programs for different crops. For example, the National Association of Wheat Growers is currently having FAPRI score various scenarios in which wheat growers would be given the opportunity to receive a higher direct payment in lieu of participation in the Counter-Cyclical program. If the FAPRI results show this is not a realistic option, then we hope to see the loan rate for wheat increased to \$4.40 per bushel.

In addition to the loan rate being too low for wheat, I have personally experienced another loan rate issue—the loan rate differential between Soft Red Winter and Hard Red Winter Wheat. Loan rates for SRWW were drastically reduced following the implementation of the 2002 farm bill, which caused many producers in my area to plant a variety of HRWW. Given the climate and rainfall in our region, planting HRWW is not a sound agronomic decision, but it is a sound financial decision when loan rates vary by anywhere from .20 to .60 cents per bushel. The large change in loan rates was unexpected by producers, therefore, we hope to resolve the loan rate differential among wheat classes in the next farm bill.

My final comments will be brief in lieu of time and represent the views of Texas wheat producers.

- We support full preservation of domestic support within the commodity title at no less than the amount authorized in the 2002 farm bill, while recognizing the importance of all countries moving toward fewer trade distorting policies.
- Wheat producers support current conservation policy, and would like to see more “farmer-friendly” solutions to enrollment. We believe that simplified, streamlined environmental programs would allow for greater efficiencies.
- We believe successful farmers should be able grow their businesses as they like, without the fear of losing the safety net. Payment limitations should not be lowered in the current or any future farm bills.
- We would like to see improved risk management opportunities for agricultural producers. Our wheat crop is a disaster, and even with crop insurance, we still have a 35 percent gap in coverage. Year after year, wheat producers cannot survive a 35 percent or greater loss. We need to find a better solution than emergency disaster assistance programs, as you and I both know how difficult the Federal budget situation is.
- We believe trade must continue, and support for Foreign Agriculture Service (FAS) programs, like the Market Access Program and Foreign Market Development program, are vital to the wheat industry.
- In the same breath, we cannot afford to trade away our domestic support in the name of market access. Visible market access and reduced trade barriers must be seen before we can “stomach” a reduction in our domestic support.
- And finally, we are interested in having a robust Energy title in the farm bill to promote biofuels and cellulosic ethanol. There is a world of opportunity for “growing” our fuels, and we want to see this industry flourish.

Thank you again for the opportunity to be here today. The wheat producers of Texas look forward to the challenge of writing a strong and viable farm bill for the future of American Agriculture.

STATEMENT OF DALE ARTHO

Mr. Chairman, members of the House Agriculture Committee, welcome to Texas, and I thank you for this opportunity to testify. The gravity and weight of today's hearing on the future of my business does not escape me. Your leadership and jurisdiction to represent the interest of U.S. agriculture in the Federal Government will be critical as to whether I and many of my fellow producers will survive.

The Federal Government is under tremendous pressures to balance the Federal budget, and I understand that Agriculture Committee members are being urged to consider deep cuts to domestic agriculture support to help the Administration balance its budget. As a sorghum producer in rural Texas, at times it seems that agriculture is an industry that is being singled out by those with little understanding

of how agriculture contributes to the stability of this nation. I ask that you do not balance the budget on the backs of rural America. My neighbors and I read and hear reports regarding the Federal Government's involvement in many other industries that are important to the economy. If Congress is to significantly reform farm policy under the guise of budget cuts, I ask that the package moves ahead as a government and industry wide effort. I ask that you do not put the agricultural industry in a competitively disadvantaged position in our domestic or global economy. I hope that you consider agriculture's impact on the counties like mine that are truly agriculture dependent.

Your jurisdiction is agriculture, your leadership drives the policy-making for America's economic health and the nation's food and natural resource national security. You understand the economic impact of regulations developed by other House Committees and placed upon agriculture and how they affect agriculture's ability to compete in a global economy. Not only are you our champions to Congress, but you are also champions for all Americans who need to meet their needs for food, energy and clothing.

I am a partner in Dale & Kathy Artho Farms which operates in Deaf Smith, Randall and Oldham Counties of the Texas Panhandle. Our farming operation consists of 4200 acres of farmland of which one-third is irrigated and two-thirds is non-irrigated. Historical crop production background includes sorghum for grain and forage, forage sorghum seed production, corn, cotton, wheat, sugar beets, soybeans and dry edible beans. In conjunction, we integrate animal husbandry into our farm operation with 1300 acres of native grass on which we background approximately 600 head of steers with origins from Mexico. These cattle are then placed in area feedlots under retained ownership for the fat cattle market or sold and marketed as feeders. We also operate a 3000-acre custom farming operation that is targeted to the production of forage for cattle. Due to our geographical location and agronomic capabilities, we are equivalent to a typical 2500 acre Midwest operation.

While the agricultural industry is dynamic and there are numerous issues I would like to discuss, I want to focus my testimony on the Commodity title, the Conservation title, and the Energy title. But first, I think it is necessary to discuss the current state of the industry competitiveness in agriculture, the world agricultural trade situation, and the stability that the 2002 farm bill has provided to me during this time of increasing costs.

BACKGROUND OF THE COMPETITIVENESS OF AGRICULTURE

I think it is important to point out to Committee members that many agriculture-producers view our efforts to provide a safe-abundant food and fiber supply for this nation as a partnership with the Federal Government and that the 2002 farm bill represents the good will and good work of that partnership.

I would like to salute you and the previous statesmen of this nation whose guidance and forethought allowed the United States to develop the most dynamic and diverse economy in the world. We should not forget that agriculture was the primary tool used by these statesmen to create a partnership that allowed for the development of the various segments of our economy like commerce, transportation, and educational systems. Our economic system has promoted an agricultural system so abundant that the U.S. has not had a famine in recent history. At times, I feel that the system that has provided a safe food supply and the commitment needed to keep it in place is taken for granted by many of those not involved in the agriculture and food industry.

In addition, I ask members of the Agriculture Committee to keep in mind additional costs to my farming business such as the cost of complying with Federal and State environmental regulations, funding workmen's compensation, and supporting a local school system and hospital district. Also, my neighbors and I feel that U.S. agriculture is often used as a bargaining tool in promoting global stability. Efforts to liberalize world trading rules through the WTO do not look to lighten this load. All together, these put my farming operation and the U.S. agriculture industry at a significant competitive disadvantage to countries with lower taxes, fewer environmental and labor regulations and higher tariffs for U.S. products. Speaking for myself, I am happy to share my portion of those costs, up to the point that it puts me out of business, and I don't think anyone here wants those costs to make U.S. agriculture less competitive.

Trade Comments. I serve on the Cotton, Tobacco, Peanuts and Planting Seeds Agricultural Technical Advisory Committee for Trade. In that capacity, I have been involved in three of the past four Ministerial meetings to rewrite trade rules. I also serve as an officer of the U.S. Grains Council, which is the foreign market development arm for sorghum, corn, and barley. I have had the unique opportunity to meet

producers on a one-on-one basis around the world. This has led to many discussions on the benefits and consequences of agriculture and trade.

In the WTO Doha Round negotiations, the U.S. has offered to cut domestic support by 60 percent in return for greater market access around the world. The U.S. must secure significant market access in return for the support of U.S. agriculture industry. U.S. producers must receive meaningful market access, if we are to be asked to give up 60 percent of our domestic safety net. Our negotiations need to concentrate on significant cuts to the Bound Rates for tariffs to open new markets, since WTO rules mandate that cuts to tariffs be figured from the Bound Rate. In addition, there must be an agreement among WTO participants to abide by the new rules of the agreement and if a country is abiding by the rules, it would not be challenged in WTO court.

After meeting with farmers around the world, I understand the difficulties that trade negotiators have with wrapping up the Doha Round. For example, India limits the size of its farms. The following chart shows the acreage limits:

Suggested in National Guidelines of 1972:

Irrigated with two crops: 4.05 to 7.28

Irrigated with one crop: 10.93

Dry land 21.85

This makes it difficult for the Indian farmer to compete in the world market, and the Indian government supports keeping sustainable farmers on the land. This makes it difficult for the Indian government to open markets. For example, the U.S. sorghum industry has spent the past 2 years trying to export sorghum to India, only for it to be rejected for phyto-sanitary reasons.

In my meetings with South African farmers, government efforts to reform land ownership has caused significant indecisiveness about investing in the livestock and poultry industries but farmers believe that South Africa will become the point of insertion for technology to the African continent.

The 500-pound gorilla in all of the farm production talks seems to be Brazil. The Brazilian government has made a commitment to be energy self-sufficient by producing ethanol from sugarcane. Biodiesel development will be the next energy production frontier to be pursued in Brazil, because soybean farmers can make more money producing for the domestic fuel market.

Finally, because China operates under a centrally planned economy, it is easier for financial resources to be allocated to increase the production of protein for the local diet. The Chinese government and agriculture officials left me with the impression that they will do everything in their power to enhance their domestic production capabilities with limited desire to import products to feed their growing populations. One advantage that their farmers will have over U.S. and international competition is the lack of environmental rules and regulations.

CURRENT AGRICULTURAL PROGRAM

I feel that the 2002 farm bill is truly a unique farm bill. It is designed, and works as is designed, to be responsible and accountable to both taxpayers and agriculture sectors through the use of market signals. My neighboring farmers and I consider this an incredible strategic and cheap investment for the consumers of this nation, because it provides a safe, abundant, affordable food supply at a cost of less than 1 percent of the Federal budget. While at the same time, it provides stability to our nation's farmers, ranchers, bankers, and agriculture-dependent communities.

Because of the previously mentioned facts, I ask that you give serious consideration to extending current farm laws to provide stability to our rural communities, rural bankers, producers and consumers, especially if we do not have a WTO agreement. Current world events, such as Iraq and the instability in Iran, are having an impact on the world and domestic economy and are contributing to increasing costs of our inputs.

The current farm bill provides an essential safety net against the uncertainty of an economy that is more and more impacted by world events, provides the flexibility to plant for the marketplace, and recognizes that corn and sorghum are equal starch substitutes by equalizing the sorghum loan rate with corn. Many of my fellow producers and I want that concept continued in any new farm legislation. Also, becoming increasingly important to the farm economy is the renewable fuel capability of sorghum and other commodities. The Energy Policy Act of 2005 includes a Renewable Fuels Standard that doubles the use of ethanol and biodiesel by 2012. This will increase the market-driven fuel demand for grain starches, vegetable oils, and forages for biomass, which should translate into an increase in the local prices of our products.

I would encourage the Committee to include a strong Energy title that supports research and development to increase the role of agricultural products in renewable fuels; provides adequate funding for conservation programs, especially programs that recognize sorghum's water-sipping characteristics; provides for a crop insurance program that is free of fraud and recognizes sorghum's water-sipping qualities; provides for efficient delivery of farm programs by USDA; extends CRP; and continues programs that promotes the exports of U.S. agricultural products.

In addition, we feel that the agriculture economy could be improved by creating a permanent disaster contingency plan that would provide funding for natural disasters around the country. Also, the industry could benefit through expanding rail capacity in anticipation of increased ethanol transportation bottlenecks, and upgrading the transportation system of the Mississippi River.

TITLE I—COMMODITY TITLE

We support a commodity title that is based upon direct, loan and counter-cyclical payments. If a WTO agreement requires a change to our farm programs, the direct payments and loan rates are most important to my farm safety net. In my area of the country, direct payments are significant since we would receive a payment if we had a crop failure. As you know, crop failures in Panhandle of Texas happen fairly regularly. If WTO does require the scaling back of domestic support, we would ask that the Committee preserve the current relation in farm program payments and payment rates for feed grains.

In preparation for the reauthorizing of farm laws, there has been a lot of discussion about what a Green Box farm proposal would look like and how it would operate. This task has been more difficult than we anticipated since the program cannot be based on price or production. Because of that fact, we ask that any new programs that may be developed or discussed to replace the current Commodity title be thoroughly vetted with the agriculture industry after we fully understand any potential WTO agreement.

If revenue assurance becomes part of serious policy debate, then it will be important for Members of the Agriculture Committee to understand that drought can impact the baseline period for certain regions like mine. Seventy percent of a zero yield is still zero revenue—no matter how high the price. This method of delivering farm benefits is not “bankable” to my lender.

TITLE II—CONSERVATION

Sorghum has been called a “water-sipping” rather than “water-guzzling” crop. University studies have compared water savings through alternative cropping patterns and the use of crops that require less water, such as grain sorghum. A Regional Water Plan prepared for the Texas Panhandle Water Planning Group in Amarillo, Texas, has found that the water savings over 50 years for 524,243 acres spread over 21 counties in the Texas Panhandle would amount to 7,360,000 acre-feet of water if irrigated corn acreage were converted to irrigated sorghum. That's on average, 147,200 acre-feet saved per year. An acre-foot of water equals 325,850 gallons—roughly enough to supply two, four-person homes with water for a year. On average, water saved over 50 years in these 21 Texas Panhandle counties alone would amount to 147,200 acre-feet per year—enough to supply water to 294,400 four-person homes in a year. For reference, the city of Austin, Texas, has 276,842 housing units and a population of 656,562, according to the U.S. Census Bureau's 2000 census.

Taking this to a wider scope, economic impact from water savings on irrigated higher water use acreage converted to grain sorghum could be astounding when looking at total irrigated plantings in Kansas, Nebraska and Texas combined. These numbers do not take into account the potential savings in other inputs, such as less pesticides and fertilizer use.

From a conservation standpoint, the question is simple: How can a limited resource, like water, be most efficiently used? The number one priority of any farm bill should be to promote policies that result in less water being used. I would also be supportive of a credit program that encourages producers to capture rainwater for the recharge of aquifers.

TITLE IX—ENERGY

Sorghum can, and does, play an important role as a feedstock in the renewable fuels industry. The sorghum industry fully supports the President's call to replace 75 percent of our imported petroleum products with domestic energy sources, like ethanol, by 2025. The sorghum industry believes that the Federal Government

should provide significant research resources, as stated by the President, to the development of cutting-edge methodology for producing renewable biofuels. These technologies must be both economically competitive and feasible in order to meet the stated goal of reducing our "addiction" to fossil fuel by 2025.

The sorghum industry encourages the Agriculture Committees of both the House and Senate to present bold energy concepts and ideas when it re-authorizes the Energy title of our nation's farm laws.

Background on Sorghum in the Ethanol industry

Currently, 15 percent of the grain sorghum crop is used by the ethanol industry to make ethanol. That production provides a source of both ethanol and jobs outside of the traditional Corn Belt. Ethanol processing plants routinely mix corn and sorghum together in the production of ethanol. Expanding ethanol production outside of the traditional Corn Belt is a priority for the sorghum industry. Sorghum producers are working to expand their role in the renewable fuels industry.

Sorghum is an extremely versatile crop that evolved in a wide range of diverse environments in Africa. It can thrive in such extremes as flooded farm lands to land impacted by severe drought and, in fact, is one of the most drought tolerant crops currently grown in the United States. The crop is used worldwide in food production, building material, animal feeds, industrial products, and in biofuels.

Biofuels production in the United States has been fairly limited to the use of grain for production of ethanol. Research efforts within the United States have focused on improving efficiencies of the use of grains through optimization of enzyme technologies and feedstock improvements. Worldwide, sugar to ethanol has been the predominant source of ethanol production in countries such as Brazil and India. In fact, 61 percent of the total world production of ethanol is sugar-based, from crops such as sugarcane, sugar beets, and sweet sorghum. Brazil has said publicly that it will be self-sufficient in its energy needs based on their production of ethanol. The USDA and the Department of Energy have been investigating the use of biomass for production of biofuels. That research should translate into any crop that produces high biomass yields.

Sorghum has a unique role in bioenergy since it can and does fit into all three schemes for production of biofuels: grain, sugar-based, and biomass feed stocks. Hybrid grain sorghum is routinely used as a grain feedstock in the U.S., sweet sorghum is used widely as a sugar feedstock in India, and the potential to produce high tonnage biomass from sorghum silages is well documented in our forage industry in the United States

STARCH TO ETHANOL PRODUCTION

In the U.S., almost all of the current ethanol production is based on starch conversion, using primarily corn and sorghum grain, to produce ethanol. To the ethanol production process, starch is starch; it does not matter if the starch comes from corn or sorghum. Both starch sources yield identical amounts of ethanol from a bushel, and the distiller's grain has almost identical nutritional value when it is fed to livestock.

Ethanol production from a starch-based commodity, like corn and sorghum, will always play a vital role in our renewable fuels supply. Sorghum producers believe that the ethanol industry will need to utilize all of the technologies currently available, grain based and sugar based, and some in the development stage, like cellulosic technology, to reach the goal of replacing 75 percent of imported oil by 2025. We use approximately 400 million gallons of gasoline per day, which translates into approximately 146 billion gallons annually. If the U.S. were to rely totally on a starch-based conversion from grains, production of feedstocks would have to increase from 11.5 billion bushels in 2005 to almost 55 billion bushels. Last year, 11.5 billion bushels came from 87 million planted acres, so this would require an additional 391 million acres of production to meet this goal. That is a four-fold increase in feed grain acres.

SUGAR-BASED CONVERSION TO ETHANOL

Brazil has become self-sufficient in ethanol through its use of sugarcane as a sugar feedstock. France has been producing sugar beets for use in conversion to ethanol. An additional world and U.S. player as a sugar-based feedstock for ethanol production is sweet sorghum.

Most Americans know of sweet sorghum as the type that is used to make syrup or molasses. In addition, it is also used worldwide in the production of ethanol. India is producing ethanol from sweet sorghum. South American countries that have limited or no fossil fuels and cannot raise sugarcane are making serious efforts to utilize sweet sorghum to produce ethanol. Southern Africa and several states in the

U.S. are exploring the potential of sweet sorghums as a sugar feedstock for ethanol production.

Under current systems, the sweet sorghum is harvested, and then the stems are crushed and juice extracted at a mill, similar to sugarcane. Some harvesters, though not economically viable at this time, are being developed to extract the juice in one operation and leave the residue, called bagasse, in the field to be gathered at a later time. Once the juice is extracted, it is fermented and ethanol is produced. This ethanol is then distilled and dehydrated using the same equipment that is being used in ethanol production from starch sources.

Very little sugar from sweet sorghum, sugar beets, or sugarcane is used in the U.S. as a feedstock for a renewable fuel. Sweet sorghum would complement both sugarcane and sugar beets as a feedstock in a renewable fuels plant. In comparison to sugarcane, sweet sorghum has similar sugar content (9–11 percent for sweet sorghum, 12–14 percent for sugarcane, 15–20 percent for sugar beets). Sugarcane takes approximately 11 months to mature to harvest, while sweet sorghums take 90–120 days and can be harvested multiple times throughout the year. Since sweet sorghum's production cycles are on a different timeline than sugarcane, it would be available as a feedstock to an ethanol plant until its supply of sugarcane comes online.

Research data from India shows the production yields of ethanol from sugarcane and sweet sorghum as almost identical. Production figures estimate roughly 1,150 gallons of ethanol per acre from either crop. In order to produce enough renewable energy replace our need for fossil fuels, 131 million acres of sugar production would be needed. That would be a 70-fold increase from the current production of 2 million acres of sugarcane and sugar beets and 25,000 to 30,000 sweet sorghum acres produced in the southeastern United States.

FORAGE SORGHUMS ROLE IN BIOMASS

Forage sorghums can play a significant role in both cellulosic and lignocellulosic technologies that produce ethanol from biomass. Biomass production is based on utilizing the whole plant (or other organic waste) by breaking down most of the plant's major biological components to produce ethanol. In most cases, tons per acre of convertible biomass would drive the feedstock equation in the conversion to ethanol.

The Federal Government has been conducting research on the role of switchgrass in biomass production. Switchgrass and sorghum are both from the family Poaceae and probably diverged from each other sometime before the divergence between sorghum and corn. Switchgrass is a perennial plant that can spread by both seed and rhizomes. Though sorghum is thought to be primarily an annual plant, there are related species that are also rhizomatous and perennial. Both plants have open panicles and can be tall and very leafy. Both plants, grown under ideal conditions, can produce tremendous amounts of tonnage on a per acre basis with limited water, herbicide, insecticide, and fertilizer needs.

From cellulosic research estimates, production of ethanol from biomass is estimated to be approximately 1,500 gallons per acre. This would require 106 million acres. Lignocellulosic conversion of biomass to ethanol is estimated to produce approximately 1,800 gallons per acre. This would require 89 million acres to supply the feedstock.

Closing Thoughts

Finally, I would like to address some of the arguments that the media and groups inside the Beltway have been using against farmers and farm programs. I think they don't understand the impact of their arguments on my generation of farmers and on the agriculture industry. For example, high land values are not preventing younger farmers from entering the industry. Rather, it is a lack of profit preventing a positive cash flow that deters them. I have a 27-year-old son with a degree in agronomy whom I am not encouraging to enter into agriculture because of the increased price risk and increasing costs to produce a crop. Farm payments help manage that risk, but my business remains high-risk with low margins.

Also, I am not sure that policy makers appreciate that I have been working all my life to fund my retirement plan, which is my land, not a 401K. Significantly changing farm policy to impact the price of land has a significant impact on my retirement plans and future security. I feel it is unfair to change the rules of the farm retirement plan when I, and so many of the nation's farmers, are so close to relying on that retirement plan. In addition, all of our local school and health districts are supported by taxes paid based on the price of that land. Who is going to educate my grandchildren and take care of my parents and me if there is not tax base in rural America? On a related matter, I believe that farm spending has contributed

to a strong agriculture economy and slashing agriculture's portion of the budget will hurt our farm economy.

Finally, I oppose any further reduction in the payment limit levels provided under the current farm bill. If payment limits are effective, why have the number of farmers decreased? I also oppose any government policies that attempt to "target" payments or apply a means test for agricultural production payments. Payment limits have the negative effect of hurting commercially viable family farms the most when crop prices are the lowest and support is the most critical. It is essential that Texas producers maintain eligibility for all production to the non-recourse loan program. Arbitrarily limiting payments results in farm sizes too small to be economically viable, particularly for Texas farms across the Sunbelt.

Thank you for your interest in traveling to Texas for this farm bill hearing, and I appreciate the opportunity to be here.

STATEMENT OF BRIAN BOEHNING

My name is Brian Boehning and my wife, Tiffany, and I own and operate a family dairy operation near Muleshoe, Texas. I believe my opinions are generally reflective of the views of most dairy farmers in the Southwestern United States.

I was born and raised in west Texas. I have been at my current location near Muleshoe, Texas, since 1993. I operate a 3,500 cow dairy and farm 3,000 acres of irrigated land to grow feed for the cows and their replacement heifers.

My compliments to the committee for calling this hearing to review Federal farm policy.

The livestock EQUIP program has been a success. The program continues to help dairy farmers protect the environment and deal with increasing government regulations. I would like to see this program continued in the 2007 farm bill.

The dairy price support program I also feel has been a very important program. The price support target price of \$9.90 cwt is a low enough target to not stimulate production, but does provide a safety net for dairy farmers.

If the World Trade Organization negotiates to reduce subsidies fairly and evenly across all countries the dairy price support program would not be as important, but if subsidies are reduced unevenly the dairy price support program will be very important to U.S. dairy farmers in the 2007 farm bill.

The Federal Milk Marketing Order system needs to be examined to see if it is serving the purpose that it was intended to serve. Currently almost half of the milk in the U.S. is now marketed outside of the system. The largest and 5th largest milk producing states (California and Idaho) are not in the Federal Milk Marketing Order system. Also the upper Midwest only partially participates in the system. There should be one set of marketing rules for everyone to follow.

While government can play a critical role in the stabilization of milk prices and the dairy economy, that role should be limited.

The MILC program is a poorly designed and costly program put in place largely to replace the Northeast Interstate Dairy Compact, which was also an unfair program. In spite of warning from some dairy farm representatives that the MILC program would greatly exceed cost estimates and depress prices on all producer milk, we were told the program's adoption was a necessary evil to reach a consensus on the 2002 farm bill.

One problem with the MILC program is the payment cap. Payments are only eligible on 2.4 million pounds of production per year. The average dairy in the United States produces about 2.4 million pounds annually, therefore, this program puts the entire burden of reduced prices caused by overproduction on the shoulders of producers with above average production. Their response, in order to maintain cash flow and profitability will be to increase production and efficiency.

The MILC program sends signals to overproduce, while the dairy price support program requires the government to buy the product that is overproduced.

The MILC program and dairy price support program cannot coexist.

Nearly three billion dollars has been spent on the MILC payments, prior to the recent extension. This far exceeded the program's budget. The recent extension of the MILC program for 2 years, according to OMB, CBO and FAPRI estimates, will increase CCC spending by 1.2 to 1.34 billion dollars for this program.

The MILC program is cost prohibitive to the government, and stimulates overproduction which causes lower prices to producers, therefore, I feel like the MILC program was not a successful program and should be eliminated from the 2007 farm bill.

The MILC program has not slowed the exit of smaller dairy farms. Today approximately 3,000 farmers supply half of the nation's milk, about 60,000 farmers supply

the other half. By the time the 2007 farm bill will take effect the trend will only accelerate. As a result the policies must be designed to meet the needs of these farmers who will be providing the milk going forward, not based on historical conditions that will limit our ability to compete in a world economy.

If World Trade Organization negotiations are successful the United States has the potential to become a leader in world dairy exports.

The United States has a great dairy industry. This industry does not need programs that promote inefficiency, turn small and large farms against each other, or different regions of the country against each other.

In conclusion, I would like to reiterate that (1) The livestock EQIP program should be continued in the next farm bill; (2) The price support program is a viable program that serves as a safety net for U.S. dairy farmers and should be in the next farm bill; (3) The FMMO should be examined to see if they are doing what they were intended to do; (4) The MILC program is costly to the government, encourages overproduction and inefficiency, disturbs unity between dairy farmers in a time when we should be working together, and should not be included in the 2007 farm bill. (5) World Trade Organization negotiations (if handled correctly) could help the United States become the leader in the world for dairy production.

Thank you for giving me this time to share my views.

STATEMENT OF J.C. "JAMES" OVERSTREET

Good morning, Chairman Goodlatte, Ranking Member Peterson, and members of the Committee. I also want to add my welcome to the other producers and to Thank You for holding this hearing in Texas.

My name is James Overstreet. I am a farmer, rancher, and peanut producer from south Texas. I am a full time operator of a diversified 5,000 acre operation in Frio County. We produce approximately 1,200 acres of peanuts, one hundred acres of vegetables, and run about 225 momma cows. I have been growing peanuts and other crops for near 30 years.

While I am primarily here today to discuss the farm bill as it relates to peanuts, I do want to offer some general comments. First, the current farm bill works fairly well the way it is. We could do a whole lot worse. And that is what I am concerned with. I am concerned that in these times of uncertainty with high fuel, fertilizer and other input costs, we will unilaterally disarm. Good farm legislation should reflect the realities in the difficulty of U.S. farm products accessing foreign markets. We should extend the current farm bill until we know the outcome of the World Trade Organization negotiations.

Neither can we unilaterally disarm when it come to research. If U.S. producers are going to be asked to compete with countries like China, Argentina, and Brazil, we should maintain our competitive advantage by investing in research. We cannot compete if we cut our research funds.

While the peanut program should be continued, Congress should examine ways to improve it. The number one place to improve is in the determination of the National Posted Price. Right now how USDA determines this price seems a mystery. The Committee must send a clear message to USDA on how it administers the National Posted Price. Greater transparency in the method of establishing the National Posted Price would allow the industry to improve decision-making for planning purposes. Simply put, we all need an approach that is easily understood and of use to the peanut industry.

In the 2002 farm bill, Congress directed the Secretary to set the National Posted Price at a rate that would "allow peanuts produced in the United States to be marketed freely and competitively, both domestically and internationally". Although this language is stated clearly in the law, only a portion of this language is being implemented. We are freely and competitively competing in the domestic market, but, because of USDA's price calculations, we have lost 54 percent of our export sales.

Peanuts are a semi-perishable crop and require storage and handling to protect producers and allow orderly marketing. Because of an unfortunate omission in the 2002 bill, government payment of these costs expires at the end of the 2007 peanut crop year, effective August 1, 2007. I am concerned about and strongly support an extension of the authorization for the payment for peanut handling and storage costs. A provision to provide government payment for storage and handling costs should be a part of any future farm bill.

Finally, I want to address beginning farmers. I estimate that the average age of farmers in Frio County is fifty years of age and our numbers continue to decrease. Farmers are the true minority in this country. Despite all the good work by 4-H, FFA, Texas A&M, Texas Tech, and other colleges and universities, it is rare when

a young person returns to the farm. I am concerned about the decreasing numbers of farmers and the increasing difficulty of young people to have a reasonable chance in developing a new farm operation. I ask the Committee to closely examine initiatives to assist beginning farmers so we can have a reasonable group of producers to take over in the future.

I know that a perfect farm bill, as is a perfect peanut crop, is impossible to produce. Though, I go to the field every day with that goal in mind. I feel that the farm bill should promote agriculture, not disintegrate it. A dollar distributed in the farming area turns to thirty to forty dollars by the time it reaches the urban community.

Mr. Chairman, thank you again for the opportunity to present my testimony. I would be happy to respond to your questions at any time.

STATEMENT OF DEE VAUGHAN

Good morning Chairman Goodlatte, Ranking Member Collin Peterson and Members of the committee. Welcome to Texas. Thank you for holding this hearing today to allow those of us involved in Texas agriculture an opportunity to offer our views on U.S. farm policy.

My farm is located about 350 miles north of San Angelo in Moore County. My main crop is corn but I, like many Texas producers grow multiple crops. I produce wheat, soybeans, sorghum, cotton, and various crops for seed production.

The 2002 farm bill is very popular with farmers. I believe it has lived up to what it was designed to do and what farmers must have, a safety net during times of low prices. I support extending the 2002 farm bill and its budget baseline. Preserving the budget base line is very important. To write a new farm bill in the midst of an ongoing WTO negotiation will put our farmers and negotiators at a disadvantage. If a WTO agreement is reached and U.S. farm programs need to be restructured, the present budget baseline needs to be available so that no net loss of farm support occurs. When it becomes necessary to re-write the farm bill I hope that many of the basic concepts of the 2002 farm bill will be included. The system of direct payments and countercyclical payments, combined with the marketing loan, has provided the level of support growers need during times of low prices while saving tax payer's money when prices are adequate.

Corn growers worked very hard to ensure farmers were able to update base acres and yields during the 2002 farm bill development. Because of this effort farmers were able to update their counter cyclical payment yields and base acres. This was a major improvement but it still left many of our producers stuck with very low direct payment yields. Farm program rules in the 1980's and 90's placed caps on how crop yields could be updated. In my area many producers were forced to continue using non-irrigated county yields for sorghum even though they were growing irrigated corn. Consequently today you see many farms, including one of mine, with direct payment yields of 27 bushels while actual production is well over 200 bushels per acre, about one-eighth of actual. A similar farm right across the road may have a 175 bushel direct payment yield which is substantially better but still far short of actual production. This situation affects corn farmers in many areas of the country but it also affects the producers of other crops too.

There has been a lot of talk about increasing direct payments under a new WTO agreement since these payments can be designated green box. If the direct payment yield is not adjusted then many producers and land owners will be disadvantaged under this plan. Of course the fruit and vegetable planting exclusion issue raised in the Brazilian cotton case will have to be resolved as well.

Another idea that has been advanced is to decouple the marketing loan by making it based on historical production. The marketing loan is the foundation of the farm program safety net providing direct support when prices fall. Many producers are taking advantage of new crop technology to change cropping patterns to adjust to local climatic and economic conditions. For example, producers in my area are adding cotton to their farms but if they lose the marketing loan because they have no base acre or yield history they will be left completely to the extremes of the global market. Other commodities face the same problem in other areas of the country. The marketing loan program should be maintained on actual production, changing to historical production will deprive many producers of the planting flexibility started in the 1996 farm bill.

The 2002 farm bill (and its predecessors) does not address the significant challenge of rapidly inflating energy prices and other expenses of production. Since 2001 we have seen the cost of irrigation double, the cost of diesel and gasoline triple, and the price of nitrogen fertilizer more than double. The volatility of these markets has

made planning and marketing difficult. Often we are afraid to contract grain for future delivery when prices are favorable because we are afraid that if one of these extraordinary energy spikes comes during the growing season we may not be able to irrigate and produce the bushels for delivery. As recently as 3 weeks ago, with planters rolling, we saw natural gas spike to levels where it was doubtful we could recover cost of production. A terrorist act, war, or hurricane at just the wrong time will be catastrophic. Obtaining even a modest direct payment in the form of disaster legislation to help farmers recoup a small percentage of their increased financial outlay has been impossible. The farm bill or crop insurance should look at the production expense risk associated with modern agriculture. Due to where I live I am not too worried about my home or vehicle being destroyed by a terrorist act but I can lose a life time of work if natural gas were to reach levels where it could not be used during the summer crop production months.

The commodity title has the most affect on the farmer's bottom line but I do not want to imply that I am not interested in the other titles.

Growers need conservation programs that help them to resolve environmental problems on working lands. The livestock sector, my largest customer, also needs conservation programs to help them remain competitive with global competition like Brazil. The EQIP program was expanded in the 2002 farm bill and the results have been very positive, not only for agriculture, but for all of society. One direct result from my area is that farmers have been able to implement water saving technology helping producers to maintain production while saving a precious natural resource. Here in Texas the NRCS has sought input from growers and other stakeholders within the local conservation district to determine what conservation practices will provide the most benefit per dollar expended under the EQIP program. This local involvement has led to approval of practices that are solving problems. Prior to this local effort, growers were provided a list of approved practices for a region or even the entire State and if it did not fit their conservation need there was no recourse. This has been a great improvement. The CSP program has been a disappointment in that too few water sheds have been allowed into the program and the rules have made entry into the program very complicated. Some have argued that CSP and similar programs will replace the commodity title as a means of complying with future WTO agreements. Most farmers including myself are very suspicious of this plan because it will not be a program that responds to low prices. Most producers believe that conservation programs will remain to be cost share rather than income producing or supporting.

I believe the Research title must be structured and funded at levels to ensure the continuation of basic and applied agricultural research. Research, performed by USDA's Agricultural Research Service and land grant institutions like Texas A&M has enabled the United States to have the most efficient farms in the world. We still have problems like drought tolerance and mycotoxins to resolve but also new opportunities for U.S. agriculture. Agriculture has always provided food and fiber but today we know we can also provide renewable fuels and products in an environmentally sound manner.

Research has enabled this and only additional research will allow us to continue into the future. With global competition increasing, now is not the time to cut back on research.

The 2002 farm bill for the first time included an Energy title. I believe that this title should be expanded to encourage faster development of renewable energy from crops and bio-mass. Often farms and ranches lie within the trade territories of rural electric co-operatives. These co-operatives have done an outstanding job over the years making sure farmsteads and rural residences had electric power. Today these same co-operatives could be providing assistance in developing value added agriculture and renewable energy in rural areas. Some are active supporters, some are complacent about getting involved and even worse, some are impediments to development. Perhaps economic incentives could be added to the Energy or Rural Development titles to encourage the electric co-operatives to be more supportive. Allowing other power companies access to the co-operative's trade territory when the co-operative displays no interest in meeting local needs would also be appropriate.

I also support keeping the Nutrition title in the farm bill to maintain the linkage between agriculture and nutrition; the linkage between rural and urban stakeholders.

I have just touched on the high points of farm policy but I want to switch gears now just a bit from the actual farm bill and its various titles to how USDA compiles and reports economic data about farming. This discussion is relevant to our topic this morning because the data is used in ways that undermine support for the farm program, both in the public at large and even among farmers.

Specifically, combining non-farm income with farm income and reporting it all as farm household income distorts the true economic health of U.S. agriculture and its profitability. Many farms, as defined by USDA, are rural residence farms where the farmer's major source of income is from non-farm sources. Farm household income, as figured by USDA, recently has been said to be higher than the average city cousin's household income with the implication that therefore, there must be room to cut the farm program budget. Many commercial farmers do not have the ability to take off farm jobs and are totally dependent on their farm's income. Farm income must also allow for return on investment for the large capital outlay farmers have in land and equipment.

Another example is that USDA considers any entity that sells a minimum of \$1,000 of agricultural product a farm. We all know that these are not commercial operations but that distinction is lost on the media and public when someone states that the majority of U.S. farmers do not receive program benefits or the majority of benefits go to the largest operations that need it least. This practice by some, of creating winners and losers, haves and have nots, is counter productive to producing good agricultural policy for the people of the United States.

We are dependent on the world for our energy; only sound agricultural policy will prevent us from following the same road in food and fiber. Thank you for this opportunity to comment.

STATEMENT OF RAY PREWETT

I am Ray Prewett, president of Texas Citrus Mutual and Executive vice-president of Texas Vegetable Association. TCM and TVA are trade associations for these respective commodities. State, regional and national fruit and vegetable trade associations have been active in developing recommendations for the 2007 farm bill and we have been part of this extensive effort.

Fruit, vegetable and tree nut production in the United States accounts for \$34 billion in farm gate value, or 30 percent of cash receipts for crops. With the addition of other specialty crops including nursery, greenhouse production and wine, these crops account for over 50 percent of farm gate value for all crops.

Specialty crops are a critical and growing component of U.S. agriculture and deserve full and equal consideration in the farm bill along with other sectors. However, the specialty crop industry would not be well served by direct program payments to growers. Rather our emphasis is on building long-term competitiveness and sustainability of specialty crops.

As sources of produce become more and more global, as Federal and State regulations increase, and as trade barriers continue to block access to foreign markets, our sector finds it increasingly difficult to compete against heavily foreign producers who pay much lower wages and are burdened with far fewer regulations.

Here are a few of our priorities for the next farm bill.

- **Restrictions on planting flexibility.** We support this long-standing provision as a fundamental matter of equity among farmers. As long as some farmers receive direct payments from the government, they should not be able to plant crops on that subsidized land that competes with unsubsidized farmers.

- **Nutrition Programs.** We support a strong new focus within the 2007 farm bill on increasing access and availability of fruits and vegetables, particularly to children. Specific recommendations for our industry include expansion of the fruit and vegetable snack program, and increased funding for the Department of Defense Fresh program for schools. In past farm bills, food stamp advocates have provided an important "urban connection" for agriculture. In the next farm bill a much broader group of nutrition advocates will be important in the farm bill debate.

- **State Block Grants.** We support an expansion of the State Block Grants for Specialty Crops originally authorized in the Specialty Crop Competitiveness Act of 2004, funded through the 2006 fiscal year appropriations and pending in the 2007 appropriation process.

- **International Trade.** We support an increase in funding for foreign market access programs including the Technical Assistance for Specialty Crops in FAS and creating a new Export Division within APHIS.

- **Invasive Pests and Diseases.** We support significant new investment in prevention of the introduction of plant pests and diseases. Investment in prevention is more cost-effective than mitigation. This area strikes very close to home for the Texas citrus industry as we are at great risk of citrus canker and citrus greening spreading from Florida and other areas where in many cases these diseases are causing complete havoc in their citrus industries.

- Research. We support new investment in research for specialty crops through the National Research Initiative, Cooperative State Research, Education and Extension Service and the ARS. Research is needed, for example, to increase the efficiency of our labor resources particularly in view of the issues surrounding immigration reform.

- Conservation Programs. Specialty crops have not been receiving their proportionate share of EQIP and we support a mandatory allocation of 25 percent to the specialty crop industry. We also support an overall increase in funding for conservation programs.

Finally, Mr. Chairman and committee members I would like to touch on the immigration issue even though it is not within the jurisdiction of the Agriculture Committee. Simply stated, the produce industry needs comprehensive immigration reform that not only considers much greater enforcement and border security, as important as they are, but also includes a meaningful guest worker program designed to address the particular needs of agriculture.

Thank you for having this hearing and for this opportunity to present the views of the produce industry in Texas.

STATEMENT OF EDDIE SMITH

Mr. Chairman and members of the committee, thank you for accepting this written testimony for inclusion with the official transcript of your San Angelo, Texas, Field Hearing on May 9, 2006. My name is Eddie Smith, and I farm in Floyd County on the High Plains of Texas.

I started farming in 1973 upon graduation from Texas Tech University with a bachelor's degree in agricultural economics. Today, our farming enterprise consists of 3,200 acres of cotton, 600 acres of wheat and a cow/calf operation that includes 250 mother cows. These operations are incorporated into Floyd County Farms, E & B Farm Enterprises and Triple S Cattle Company. Contrary to what some may believe, these are not corporate farms. The only stockholders and directors are myself, my wife Jennifer, our son Eric and his wife Leigh, our grandson Ethan, and my mother and father. In other words, ours is a family farm in the truest sense of the phrase, and since cotton accounts for a large part of our farming operation, most of my comments will be related to cotton provisions of U.S. farm policy.

In addition to farming, I spend as much time as possible serving my community and my industry. I am a director and past chairman of Cotton Incorporated, a delegate to the National Cotton Council where I have served on the Environmental Task Force, and I am a director of Floydada Cooperative Gin. I am also the current chairman of Plains Cotton Cooperative Association (PCCA), a vertically integrated, farmer-owned cotton marketing cooperative. In addition to marketing our cotton, PCCA maintains cotton warehouse facilities at Sweetwater, Texas; Altus, Oklahoma; Memphis, Texas; and Liberal, Kansas. PCCA also manufactures denim at its American Cotton Growers mill in Littlefield, Texas, providing 650 jobs for area residents. PCCA has approximately 37,500 equity holders who live in 9,494 zip codes in 49 states. Of these, almost 10,000 are active cotton producers.

I cannot stress enough the importance of maintaining consistent farm policy in today's global economy. It is consistency that enables us to make the necessary farming and marketing decisions as each new season arrives. Cotton producers know, as well as anyone else, the impact of a global economy on their farming operations. The Farm Security and Rural Investment Act of 2002 effectively addressed this global economic impact, and I support its continuation in the next farm bill. I particularly support the continuation of the marketing loan coupled to actual production along with the decoupled counter-cyclical and direct payments as they were designed and written 4 years ago.

Furthermore, it is crucial that all cotton production remain eligible for the marketing loan so we can make important decisions related to growing and marketing our crop and so it will be competitive in foreign markets. The fact that approximately 73 percent of the 2005-06 U.S. cotton crop must enter the international marketplace dramatically underscores the importance of competitiveness.

Likewise, the use of marketing certificates to redeem cotton from the loan must be maintained. Any disruption in this provision would be in direct opposition to the intent of Congress when it passed the 2002 farm bill to, in part, "provide for the orderly movement of commodities into world markets."

At present, final numbers for the 2005-06 marketing year are not complete. However, according to data from PCCA, 3,500 of our members (more than one-third of our active producers) would have faced payment limitation problems in 2004-05

under the current law if marketing certificates were not available to redeem cotton from the loan. Furthermore, PCCA would have found it necessary to hire dozens of additional employees just to monitor payment limits for our members. Obviously, this expensive and time-consuming process would negatively impact the marketing and movement of cotton. In the 2004–05 marketing year, PCCA processed 70 percent of total cotton received, more than 3 million bales, into the CCC loan, and all of that cotton was redeemed with marketing certificates.

I also support continuation of current payment limits and eligibility requirements along with planting flexibility and the Market Access Program to help promote exports of U.S. agricultural commodities. It has been reported by one farm publication that agricultural commodities such as cotton, grains, feeds, and oilseeds have accounted for approximately 50 percent of U.S. agricultural exports in each of the last five years, and these exports continue to exceed agricultural imports. Thus, agriculture is one of the few sectors of our economy that contributes positively to the U.S. balance of trade.

Exports also play an important role in the economic well-being of rural communities throughout this country; therefore, I can conclude that the best foundation for rural development programs is a good farm program. Yet, the agriculture budget is about one-half of one percent of the Federal budget, and it sustains an industry that accounts for 15 percent of our nation's GDP, 25 million jobs and the most abundant, safe and affordable food and fiber in the entire world. When all things are considered, the agriculture budget is a small investment for U.S. consumers, and any change in the baseline for agriculture could negatively impact many segments of the U.S. economy.

Finally, we should remember the 2002 Congress was deeply divided on many matters. However, it listened to its constituents while keeping in mind budget limitations and in a bipartisan effort crafted one of the most fair farm bills ever written. As I read and hear reports today, it appears there continue to be differing opinions on many issues in Congress. However, I hope you will agree with me when I say partisan politics stop at the farm gate. Our country's economy and security depend on it. Thank you.

STATEMENT OF NEAL NEWSOM

Mr. Chairman and members of the committee, my name is Neal Newsom and I was a third generation cotton farmer, having also grown peanuts, melons and small grains over the years. Today I am a grape grower and am representing the Texas Wine and Grape Growers Association as the president-elect of the board of directors.

The Texas wine industry is the fifth largest in the Nation, bottling over 2 million gallons of wine in 2005, supported by roughly 3,500 acres of planted vineyard and contributing nearly \$300 million of economic impact to our State. Our industry deserves your attention because of its growth potential and its potential role in sustaining family farms without government program payments.

The Texas Wine and Grape Growers Association has a board of directors elected democratically by dues paying member (over 85 percent of all winemakers and grape growers around the State), although the daily operations of the organization reach out to all known winemakers and grape growers. The Association is the only statewide organization representing the industry in Texas. Our mission is to promote the production of quality wine and premium grapes around the State through marketing, education and grass roots advocacy.

My family's vineyard is located in Plains, Texas just southwest of Lubbock. In 1986 I decided to experiment with grape growing because of its profitability due to strong market demand for the crop, diversification for the total farm and comparatively lower irrigation demands. During the premium growing conditions of 2005, our 90 acre vineyard produced maximum profits. The 2006 weather has been less cooperative and I want to thank you for crop insurance programs that will replace a small portion of my family's loss this year. Our industry supports the expansion of pilot programs to help specialty agriculture, putting a structure in place for premium payments and incentives to allow more adequate coverage at higher levels and premium discounts for good performance.

Thank you also for current funding of research in Texas specifically related to Pierce's Disease (PD) in grapevines that poses a threat to the further development of the Texas grape industry and moreover the national grape industry. PD is a bacterial infection affecting the vascular system of grapevines and is transmitted by several insects, one of which is indigenous to our State (glassy winged sharp shooter). The disease initially reduces crop load and ultimately kills vines.

The \$1.2 million for research funded through the Animal Plant Health Inspection Service, administered by Texas A&M University is a small portion of the total research dollars allocated for Pierce's disease research around the nation, but provides significant information that protects the growth potential of the Texas grape industry and the national grape industry. Your continued support of funding for Pierce's disease research around the nation is vital to the national grape industry.

Each growing season (February to October in Texas) our vineyard employs 30 people. Due to the intensive hand labor required by most vineyards, we ask you to support comprehensive immigration reform that considers enforcement measures and includes a meaningful guest worker program. The time-sensitive nature of winegrape harvest—a couple hours can make the difference in having a premium product that will make premium wine resulting in maximum price per ton—means our industry cannot survive a labor shortage. Like most agricultural industries, vineyard work is not something appealing to most American citizens. In my vineyard, we tried to use local workers in the early days, but due to the extreme conditions of vineyard work, they were at best unreliable and ultimately unwilling to do the work.

As evidence of the wine and grape industries growth potential in Texas, the State legislature has committed funding to the development of the industry for marketing, education and research dollars to be administered through the Texas Department of Agriculture. Already these dollars are at work to provide more educational opportunities to the industry, heighten consumer awareness and find the most effective methods of production specific to the State. On the federal level, your support would be most appreciated for the continuation and expansion of State block grants for specialty crops authorized in the Specialty Crop Competitiveness Act.

Thanks so much for the work you do on behalf of the agriculture industry. Please don't hesitate to contact me through the Texas Wine and Grape Growers Association Executive Director, Dacota Julson at 817/424-0570 if I can be of further assistance.

STATEMENT OF JOE DAVID ROSS

Where do we go from here? "Slow down; look around the world to try to get a basic over-all plan and technology that is properly funded." "Affordable and workable." (John Cargile) "But be flexible enough to take in account the differences for the various species, management, and operation size." "At the speed of commerce." "Do not put small producers and operators in the marketing and processing of our animals and food out of business." (John Cargile) All of these statements and needs are still true today 3 to 4 years later after the establishment and actions of the various livestock, poultry and wildlife species ID working groups (WG). Unfortunately the WG's were "charged" to primarily focus on their particular species, RFID electronic and tagging and pilot projects in case NAIS became mandatory instead of looking at the big realistic expectations, and other possible alternatives more owner-friendly for any initial start-up. Some pilot tagging and tracking projects have been funded and carried out. The USDA has certainly reached out to work with numerous concerned producers, industry leaders and national organizations. Those of us who have been involved with the "work in progress" have spent many days studying, listening, planning and reporting back to our groups, legislators and the USDA. The media, State agencies and USDA have certainly worked hard to get out news releases, short articles, and some standard guidelines.

But as we have recently witnessed in the last 6 months, there has been a grass roots uprising from a wide range of producers and organizations. "We did not know about NAIS." "Hey this is not constitutional." "We cannot afford to do it and pay extra vet office call fees and higher commission fees at the markets." "We did not think that NAIS would involve us." "Our small, well-managed flock or individual animals do not pose an animal disease threat like the big feedlots." Even the National Cattleman's and TX S/W Cattle Raisers' most recent membership "policy" statements ask for a voluntary animal ID program until more details including the technology, cost, funding and step by step guidelines are worked out. The American Sheep Industry (ASI) approves of a mandatory program (already in place since 2001 using visual tags and paper trace back with the USDA Scrapie Eradication Program) as long as it continues to be federally funded and RFID electronics are not required until the new technology is actually affordable and workable on a commercial basis.

These learning, growing pains have not been completely wasted. Most of us now have a greater respect for each other's species, regional localities, and the "larger" picture of the many "hidden" costs, lack of details, administration and funding of such a complex project that reaches across international borders and transcends the

entire food supply chain from the original producer, graziers, feeders, markets and their agents, veterinarians, transportation, State and Federal agencies, technology companies, slaughter and processing facilities, researchers, extension and media involvement in helping to educate each of the above mentioned phases all the way to the consumer. This long list of principals indicates how much time needs to be spent on communications and the numerous possibilities for data error and security violations

Let us not forget that live animals/fowls (domestic and wild) with their many different environments, metabolisms, temperaments, local management and ownerships are in no way to be compared to standardized bar-coded boxes with an assembly line product shipped by Wal-Mart or McDonalds. It is amazing how many people say, "The different industries within the total chain can pass on their costs" not realizing that the live animal producer seldom gets to pass on the costs. Small markets and processors are sometimes forced out because they cannot afford the risk of borrowing more \$ and there being a strong chance their business would not have enough volume to repay their debt even if they do "pass-on" some of their added costs to purchase new electronics, software, computers, chutes, conveyor assemblies and collecting and reporting data. They do have to remain competitive as well as all of our USA Ag. Industry in an international market! Who wants to see USA producers and businesses reduce production and then at a later date our nation be dependant upon imports from other nations that do not mandate and enforce the same guidelines for all of their producers and processors (not just those Nation's producers who are voluntarily exporting their products)?

It does not set too well with livestock owners when Federal/State agencies start talking about mandated but unfunded tagging and reporting requirements to a privately funded database. Two or three years ago we were told that a private/Federal cost sharing arrangement would be worked out. Most all pilot projects funded by the USDA were testing RFID electronic tagging and reporting. In November 2005 at the national USAHA meeting the USDA talk was still RFID tags and mandatory was implied by 2009. Suddenly in 06, the USDA published a report that visual hang ear tags would be the ID instrument for the voluntary program that would last for years.

Then April 6, 2006, the USDA news conference announced that the NAIS time schedule would still be on track for implementation under voluntary bench mark levels for 2009 for the cattle industry. Unofficial assumptions dribbled down that if one "reads between the lines" that NAIS would be mandatory if those certain bench mark quotas were not met. Many well intended Ag publication articles do not have the space to report the speaker's full comments so we readers sometimes do not know the complete message. Travel teams return from overseas and are briefly reported (even to the WG's). One organization's leaders will make a statement based on their observations of who they visited with. Another travel teams comments (as reported) may conflict the other teams observations, especially in the cattle industry. Other species groups get the impression that their group is not "under the gun" just yet so there is no immediate concern for alarm. But that is not true! Sure there will be some necessary changes for the various species at a later date. But bottom line, what ends up being implemented for the beef and dairy industries will basically set the standard for all species. At our national meetings the different species go down the hall to their little groups. There is naturally disagreement within those specific species WG's. Yes the large group (300-500 people) may meet in a general assembly and yes, the chairpersons (all well qualified) of the 12-15 various groups do meet together occasionally with the USDA officials as a smaller group, but we producers and even the other members of the WG's frequently may not get much feed back as to how the over-all program for the betterment of the total Ag industry and public homeland security are progressing. Until the last few months our legislators and their aides have frequently been told by the USDA that NAIS was indeed moving along smoothly. Until March 18 2006 in San Angelo, TX due to efforts of some from the TX Sheep & Goat Raisers, Congressman Conaway and Bonilla offices, the different TX entities including organic producers had never met together on NAIS matters in the past 3 years. The commercial poultry rep. was unable to attend. More comments from some of the 35 attendees will be forthcoming in addition to those in the summary.

In an effort to keep these comments shorter, in a nutshell summary, these are my recommendations for Congress to please consider on animal ID matters, as presented by a concerned individual producer of cattle, sheep goats & wildlife and former veterinary practitioner who has been involved for some time with the NAIS and Scrapie process

There is some confusion, double-talk, fragmentation, lack of trust between the different species groups, the USDA and Homeland Security and how to educate producers, regulators and the public.

Many organizations and individual producers are glad that Congress is now showing more interest in the lack of details and guidelines as being developed in the last 3 years—not just in the USA but around the world.

Yes, the growing Federal debt, immigration, WTO talks, port security (\$5–7 billion funding), Homeland Security, the war against terrorism, social security, medical service reforms, energy, education school issues and many others are very important. But domestic food and water supplies are essential items that definitely involve the public needs and should be funded at higher levels because of hidden costs.

Hidden costs to the producers, marketing agents and processors are much greater than are being mentioned in most presentations. Complete economic analysis has not been formally developed. \$3 to \$4 per ear tag and data base reporting are just the tip of the iceberg. Extra labor, electronic equip, costs in rural America, extra holding time and feed, and live weight stress and shrinkage; 12 hour early delivery times to market; and other mentioned increased expense for the markets and processors. The consumer is not going to want to pay for these increased costs either especially if imports can be cheaper.

Please read a copy of the 2005 Australian Beef Board's 21 page comments about their NAIS program. It does not say the same thing that we are being told over here.

Secretary Johoans is correct. "We are not so far behind Australia that we can not catch up." We, in other words, want to get our NAIS functional and acceptable before being too hasty!

It is only natural for us producers to be against change and mandatory regulations. But deep down in many of our hearts and business experience with the reality of modern technology and globalization, we know that the USA has got to continue moving forward as are some other nations. Like a sheep technology specialist, Dr. Rowe of Australia, told us at the Phoenix Jan 06 ASI meeting that a program probably should not be mandatory for 8–10 years. Work into it gradually. Let some producers take the lead in working with it successfully on a commercial basis.

Mr. Schwartz, President of the TX Pork Producers Board at the March 2006 San Angelo meeting—"that new technology will be driven by market demands, not so much by regulations."

John Beckmeyer—Secretary of the American Meet Goat Assoc. at the same meeting pointed out that producers working together with USDA staff can do much better job of helping to write and formulate Federal regulations than just letting USDA staff do it by itself. He used to work for the USDA. Jimmy Powell, a cattle, sheep, goat and conservation leader agreed with Beckmeyer at a May TSGRA meeting

Dr. William Edminton—DVM practitioner, rancher and member TX. An. Health Commission (TAHC)—"As originally stated, the goal for NAIS—with its 48 hours trace back in case of certain emergency, public concern diseases such as Avian Flu and FMD, as a strictly voluntary ID program will not work. We would still be fighting brucellosis on a large scale. Therefore the problem is how to craft a program that is not too cumbersome at this stage of technology. As brucellosis testing (paid by the gov.) is phased out in most states, cattle need at least a hanging or metal tag like the Brucellosis TB program has used. But again reading those tags and manually recording is slow and increases chances of error." Dr. Cleon Kimberling of CO Extensions would certainly agree.

Therefore, some of us respectfully request that Congress and the USDA consider forming and funding a small working group of at least 2 representatives from each of the current working groups making sure that different national organizations (not breed societies), including Organic producers, are represented on their specific species working group's representation. Some groups could have more than 2 representatives. Plus at least 1 more representative from each species who has not gotten "involved" in NAIS until the past year.

This group w/USDA staff could study reports from overseas also. Then the team could take study trips to Australia, the UK and to Brazil (just suggestions) on the same "bus" tours to hear the pros and cons of that Nation's system. A unified detailed report would then be released to the working groups, state & Federal agencies, national organizations and the media. Confidence and communications should be improved and hopefully a realistic big picture plan could be written by the working groups and the USDA and adequately funded by Congress.

Maybe incomplete current pilot projects in the USA would be discontinued with USDA funds if their efforts were not still supported by a review committee. Funding be provided to help educate a broad array of DVM's, producers, states, marketing

and processor employees as to symptoms and lesions of major emergency/public health type diseases.

STATEMENT OF BOBBY NEDBALEK

This country must stay secure with a farm bill that insures a healthy agriculture industry. We must recognize and admit that World Trade Organization guidelines continue to change, making it all but impossible to have a new farm bill that will please all WTO member nations.

That being said, I think I speak for most farmers to say that we support extending the 2002 farm bill until fair WTO rules are adopted. The 2002 farm bill has been a low cost safety net that is triggered only when it is most desperately needed. Adjustments can more easily be addressed as challenges arise.

Economic farm units today, by necessity, are big businesses with large, expensive equipment. Farms are comprised of more acreage with high cost of production and enormous risk with razor thin profit margins. Current rising cost of fuel and fertilizer, for example, are cost that cannot be recovered in markets that are limited by trade policies.

Please preserve the concept and framework of the 2002 farm bill. Please allow young farmers the opportunity to return to the family farm without the complication of having to work around payment limits and farm entities. Most acres have about the same risk and costs whether it is a small farm or a large farm.

Thank you for receiving the testimony of producers throughout the United States. I am a third generation south Texas cotton and grain sorghum farmer with three sons in a family farm operation. I know as well as anyone that the future of agriculture will greatly be influenced by the 2007 farm bill. The United States must have the courage to show the world that it will defend American agriculture.

Donny Allen
690 St Hwy 70
Blackwell, TX 79506
phone 325-282-2537

Things you should get rid of:

CRP

All CRP payments should be cut in half. Why pay folks to not work? These days, lots of hunting money is being made on CRP lands anyway.

Disenroll CRP where there's really not a need for it. Yes, keep CRP going where it's needed, say the Mississippi River farm lands, for example. Today's recreational land use trends has saved a lot of topsoil because they don't run livestock and they let the brush grow thick.

I've had two different CRP neighbors. One was an absentee landowner who never contributed to our small community. He lets mesquite trees and other bushes grow in his CRP land. He would not let a neighbor ride a horse on his CRP. I lived by this CRP for two years and I never saw the man. I pastured sheep right next to him and I worked the fence and now I wished I'd just let the old fence go.

Presently, my sheep and I neighbor another absentee CRP landowner 20 miles from the fore mentioned CRP. This fellow owns about 160 acres with 80 acres CRP and 80 acres pasture void of livestock. The CRP field is getting thick with green mesquites, but I can still see the hunting blinds and deer feeders around the field. By the way, the pasture part is doing a better job conserving the soil because it's an overgrown cedar forest. The brush is so big and thick that a 2 inch rain hardly wets the ground underneath. The small tributary there is grown up and hasn't run in years because of all this overgrowth. The nearby lake that is used to supply water to two towns is 80% dry. Both towns have been drilling new wells for the past several years and that's their usable water right now.

Was CRP a contributing factor in this years costly wildfires? My pasture didn't have enough grass to burn but it's nice and green now.

I can show you millionaires that draw large CRP rentals.

CRP lands is a real contributing factor as to why Texas working ag lands are diminishing, thus making leases more competitive and high priced. The recreational trend is the main reason, but unnecessary CRP land is of the same mold.

CRP is a contributing factor as to we are losing our rural identity. You know, for example, rural people and rural youngsters don't have the same opportunities to work in the country the way I did when I was growing up.

Livestock Feed Assistance

I know many ranchers hoard feed, even when they don't need that much feed. I helped a rancher the other day unload 2 tons of range cubes. In April and May, you don't need to feed range cubes. This rancher has 7 sections and I saw enough green grass out there. A lot of ranchers unnecessarily feed because that's their easy, yet inefficient method of

looking after their stock. Fine for the pick up truck rancher, but the American taxpayer shouldn't have to help him foot the bill. There's never much grass growing from the windshield view on the pasture road. In dry country, you ought to manage for a drought, ~~and not~~

NAIS

There is no epidemic. Confined, or feeding local ~~are~~ ^{are} where the sicknesses occur. The government ~~should~~ ^{should} not control ones personal property. Please zoom in on the processes where the ~~ep~~ disease is borne. Range cattle do not get ill, as a general rule.

- * Millionaires should not receive govt subsidies. I know of a wealthy lawyer/land jockey who received \$62000 in one year. This cost-share welfare payment was listed as "Emergency Conservation - Drought." This was nothing more than a property improvement that enabled him a hefty profit when he resold the property.

There are many of these type folks taking advantage of the govt subsidies.

Payment Limitations? Whoever cries about the fear of lowering payment limitations should just lease out part of their land to another farmer. Maybe they are renting too much land anyway. The country will still get farmed if the government lowers the cap.

United States Representative
House Agriculture Committee
The Honorable: *Committee Chairman*

May 9, 2006

Dear: *Mr. Chasine*

The U.S. Custom Harvesters Inc. Association would ask the House Agriculture Committee, to create a Catastrophic Risk Insurance Pilot program for custom harvesters in the United States. The FCIC could use the same rules set-forth in the Catastrophic Risk Insurance coverage for producers, to create a Pilot Program for U.S. Custom Harvesters.

The custom harvester segment of the U.S. Agriculture industry is entirely made up of owner operated, family owned business entities. The majority are organized as sole proprietorships.

The typical custom harvester trades his combines during the fall and winter months getting ready for next years harvest. The custom harvesters fixed costs are set in place months before the next years crop is harvested. Comparable to the producer of the crop who also has a fixed operating cost months before harvest. All other Agriculture Service Industries such as fertilizer, fuel and equipment dealers only purchase what they sell. If their sales are affected by a natural disaster they simply do not purchase the product.

The Producers can protect some of their risk through Federally backed, Catastrophic Risk Insurance (CAT). The basic premise of insuring something is to have a financial interest in it. The cost of Harvesting is a cost of producing the crop.

Therefore, the Custom Harvesters share in the risk of producing the crop.

In essence harvesters provide machinery, equipment expertise and manpower to bring our countries anticipation of a commodity production to the reality of a stored commodity.

This precious commodity once harvested can now be counted, traded, processed or held as the market sees fit. Without the stored commodity we only have speculation.

Risk Management is the key to survival in today's Agriculture world. With skyrocketing costs of machinery, labor and most recently fuel, custom harvesters find themselves being caught in the middle of higher costs and shrinking income resulting from lower commodity prices paid to growers and producers. Custom Harvesters provide the last critical step in the cost of production, which results in converting an intangible product to a tangible stored commodity which can be counted on to feed our people and help balance our nations trade deficit

(Requested Action)

The U.S. Custom Harvesters Inc. Association would ask the House Agriculture Committee for an expansion of Crop Insurance Coverage, that would be included into the 2007 Farm bill. That would create a Catastrophic Risk Insurance Pilot Program for United States Custom Harvesters.

U. S. Custom Harvesters Inc.
Texas State Chairman

Jim Baker
Box 326
Spearman, Texas 79081
806-659-3002 - Office
806-270-0097 - Mobile
jimbaker@ptsi.net

USDA / RMA / FCIC

(Proposed - Pilot Program)

Catastrophic Risk Insurance (CAT)

(1) Who would be a eligible harvester?

According to the USDA / FSA fact sheet, eligibility for Catastrophic Risk Insurance is that the insured must share in the risk of producing the eligible crop.

The cost of harvesting is a cost of producing the eligible crop.

Therefore, the eligible custom harvester shares in the risk of producing the eligible crop.

An eligible harvester would be a United States Harvesting entity owner, who is a member of U.S. Custom Harvesters Inc. that annually harvests agriculture crops produced for food, including livestock feed, cotton for fabric and silage for livestock. The United States harvester would be required to furnish proof of harvesting for the producer during the prior year or years and also proof of USCHI membership. First year harvesting contracts could not be insured.

(2) What would be a eligible crop?

Eligible crops would include commercial crops and agricultural commodities produced for food, including livestock feed, cotton for fabric, and silage for livestock.

(3) What would be an eligible natural disaster and when would the harvester be paid?

Damaging weather, such as drought, excessive moisture, hurricane, tornado, and excessive heat or insect infestation. The natural disaster must occur before or during harvest and must directly affect the eligible crop.

The Harvester would only qualify for payments if the crop is not harvested. For example, this coverage would only pay the harvester if the acres certified for grain harvest were zeroed out, and or destroyed by the Natural disaster or by mechanical means.

(4) How would Harvesters apply for coverage?

To apply for coverage the harvester would file a application form and pay the application fees at the local FSA office. The application and service fees would be filed by the application closing date established by the FSA State and county committees

(5) How would premiums be assessed?

The RMA/FSA would access premiums using the same methodology to set rates that producers pay for their Catastrophic Risk Insurance. The current service fees are \$100. per crop per county, or \$300. per producer per county, not to exceed \$900. per producer per county.

(6) How much of the Harvesters loss would (CAT) cover?

The coverage would be based on the harvester's fixed costs as established by the U.S. Custom Harvesters Inc. Analysis and Management Program (CHAMPS) through Kansas State University.

(Based on a Six year average fixed operating costs are approximately \$15.00/acre).

Statement by:
 President Kenneth Dierschke
 Texas Farm Bureau
 Before the U.S. House Agriculture Committee
 May 9, 2006

On behalf of the Texas Farm Bureau I would like to welcome Chairman Goodlate and the other members of the House of Representatives Agriculture Committee to Texas and thank you for your willingness to listen to our concerns.

Texas Farm Bureau continues to be a strong supporter of the 2002 Farm Bill. At this time, Farm Bureau policy supports an extension of the current Farm Bill; at least until the WTO agreements are finalized. Producers today are faced with a higher debt ratio than we've seen in many years. An extension will provide stability and continuity that is vital for financial planning and debt structure.

The components of the Farm Bill that made it so effective over the last few years are still important, perhaps even more so now than ever before. Producers and their lending partners rely upon the assurances provided by Direct Payments in putting together yearly financing packages. The Counter Cyclical Program allows producers to benefit when markets are strong yet, also protect against unexpected plunges in market prices that are beyond their control. Marketing Assistance Loans allow producers to respond to market improvements rather than an immediate pressing demand for cash at harvest time. The Loan Deficiency Payments program continues to protect producers against market volatility while keeping commodity surplus to a minimum and the government out of the reserve storage business.

In response to increased efficiency demands and the benefits of economies of scale, most commercial farm operations are becoming larger and require more cash to operate. Continued increases in input costs combined with low commodity prices reduce the net profit per acre and require additional acres in an attempt to maintain producer income levels. Farm equipment prices continue to escalate and add to the need for larger operations to be able to spread the cost of such equipment. It's not hard to see why operations have increased in size. While there are those who seek to politicize the issue of reducing payment limits; we believe payment limits are counter-productive to good farm policy and further reductions to existing limitations would be potentially devastating.

We can readily see the importance of a farm bill that is a "true safety-net" for agriculture as we look at the U.S. textile industry. Competition, labor cost, and the regulatory environment have nearly moved that industry out of the United States. We cannot afford to allow that to happen to the food and fiber that sustains our nation.

While the current Farm Bill provides a mostly comprehensive safety net for producers, there is still one major weakness - the crop insurance disaster response. While insurance meets the required needs in some parts of the country, in our region, it fails to adequately assist areas experiencing crop failure. Here in Texas, drought, wildfires, and hurricanes have caused many producers to seek assistance from much needed disaster legislation. We encourage Congress to look for ways to improve the crop insurance program, especially pertaining to disasters. The uncertainty of disaster relief programs, the slow process to receive assistance and the scarce dollars to go around do little to give comfort and peace of mind.

I do not want to dwell on the negatives. Not all is bad in agriculture; in fact, many of our hardships also have potential "silver linings". High fuel costs have made renewable and bio-fuels more competitive and attractive. Producer owned cooperatives and other bio-fuel facilities are providing a premium for certain commodities and providing alternative crop options. Some land owners are reaping royalty payments from the wind energy captured on their property. It is imperative that we protect and expand the energy segment of the farm bill. We must continue to increase the renewable fuel standard to a level that reduces our dependence on foreign oil and to a level that enables the development of an efficient distribution system and infrastructure.

As I conclude my comments, I would be remiss not to mention the on-going WTO negotiations. We are concerned that the administration has put forth a very aggressive offer to reduce support programs. Without a gain in the amount of market access that is equivalent to the loss of support, our industry will suffer serious harm. The administration has changed our trade negotiator in the final days of the negotiations and we are very concerned that a new and less experienced negotiator will not be able to 'hold their own' and U.S agriculture will not fare well. It is essential that Congress protect agriculture if our trade negotiators do not and finalize a deal that will put agriculture at risk in the name of expanding trade.

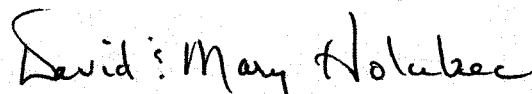
Again, I would like to thank you for providing the Texas agriculture sector the opportunity to address these important issues. The Texas Farm Bureau stands ready to assist your efforts. Agriculture's importance to our nation's economy and citizens is too great to be left to chance. We must continue to provide the world's safest, most abundant and affordable food supply.

May 8, 2006

U.S. House Agriculture Committee,

I am writing to comment on the Conservation Security Program that was implemented in 2005. After spending many hours collecting and organizing information to apply for this program, it was six months before we were informed that no funding was available even though we did meet the necessary qualifications. It does seem strange that funding was available for other states, but no producer in the state of Texas qualified for the rewards that their conservation practices should have earned them. Certainly someone in Texas met the standards that were set. If there ever is another program offered to the producers, please give Texas an equal chance.

Thank You,

A handwritten signature in black ink that reads "David & Mary Holubec". The script is cursive and fluid, with the ampersand clearly visible.

David and Mary Holubec
135 P R 555
Melvin, Texas 76858

571

MAY 8, 2006

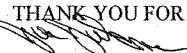
TO WHOM IT MAY CONCERN:

IN RE: THE CONSERVATION SECURITY PROGRAM, NATIONAL FARM PROGRAM

THIS PROGRAM IS DISCRIMINATORY TO FARMERS AND RANCHERS IN THE STATE OF TEXAS , MORE SPECIFICALLY THE BRADY CREEK WATERSHED. MY WIFE AND I WORKED ON THIS PROGRAM FOR OVER TWO WEEKS GATHERING INDEPTH INFORMATION AND FILLING OUT PAPER WORK REGARDING OUR FARMING AND RANCHING OPERATION TO APPLY FOR THIS PROGRAM . WE HAD BEEN IN SEVERE DROUGHT CONDITIONS SOLD MOST ALL LIVESTOCK AND RESTED OUR PASTURELAND FOR THREE YEARS IN ORDER TO CONSERVE GRAZING. THE McCULLOCH AND CONCHO COUNTIES NRCS EMPLOYEES SPENT NUMEROUS HOURS COMPILING INFORMATION TO AID US WITH THIS APPLICATION. AFTER RUSHING TO TIMELY GET THE INFORMATION REQUIRED TURNED INTO THE LOCAL NRCS , WE WAITED PATIENTLY WITH TWO OF THE TOP PROVEN PRODUCERS IN THE FARM AND RANCH AREA OF THE BRADY CREEK WATERSHED AND NONE OF US WERE ACCEPTED. WE LATER LEARNED THAT NO ONE IN THE STATE OF TEXAS WAS ACCEPTED.

WE LATER LEARNED THAT IOWA AND OTHER STATES WERE AWARDED THESE PROGRAMS. THERE IS NO COMPARISON BETWEEN THAT FARM AND GRASSLAND AND OURS. WE WOULD APPRECIATE THE CONSIDERATION REVIEWING THIS.

THANK YOU FOR YOUR ATTENTION TO THIS MATTER.


JOE H. JOHNSON
RT. 1, BOX 134
BRADY, McCULLOCH COUNTY, TEXAS 76825

**Statement of Al Spinks
Midland, Texas
before the
House Agriculture Committee
San Angelo, Texas
May 9, 2006**

Mr. Chairman, members of the Committee, welcome to Texas and thank you for holding this hearing. It is a real honor to have the opportunity to testify before the House Agriculture Committee.

For twenty years, I farmed cotton along side my father until his death last summer. During that time, we each had our own operations and farmed some land in partnership, about 3000 acres in total. My father and I employed two brothers who have each worked for us for more than 15 years. The additional help we have hired during busy times is nearly always from their extended family. The operations we developed, and which are now consolidated, are the very definition of a family farm. Until five years ago, all my cotton was irrigated; however, because of persistent drought and rising fuel and fertilizer costs, I was unable financially to continue irrigating. In 2002, the first year of the current farm bill, I saw the opportunity to cut costs and began dryland farming. Because the payments were decoupled from production, I was not penalized for producing less cotton. Instead, I was able to make business decisions based on the market price of cotton and my production costs. I chose no longer to irrigate mainly because of the higher costs associated with irrigation, but also to let my land rest and recover from years of irrigating with water that is a little too salty.

The current farm bill has been and is the best farm bill for family farmers period. The combination of the marketing loan, counter-cyclical payments when prices are low, and a direct payment for stability is a sound foundation and is working well. Another successful aspect of the current farm bill is that when prices increase I am able to take more of my income from the market without sacrificing the security of the safety net that is ready to kick in when prices go down. It is imperative that the current law continues to operate without modification through its scheduled expiration with the 2007 crop.

It is also important that payment limitations, which already unfairly penalize many growers, not be reduced further and that current eligibility requirements be maintained. I am very concerned by annual proposals to further tighten limitations on benefits or limit eligibility to the loan. This past July, my father died of prostate cancer. I am the only child and only heir and am now facing the prospect of much of this consolidated operation not being eligible for government support because of payment limits. I understand the rational and political posturing that created the current payment limit structure, but it simply does not work on my farm. Some argue that payment limits penalize success. That may be true in many instances, but it is not the case on my farm. On my farm I have been adversely impacted by payment limits even though my farm has been barely large enough to provide the margins necessary to cover my families' living expenses.

The safety-net features of the farm bill are very important to me. Affordable, effective crop insurance is essential in our area, given the extraordinary risk of weather-related losses. The combination of federal crop insurance program and the protection from low prices provided by the loan and counter-cyclical payments have helped keep not only me, but also most farmers in my region, in business despite a persistent and nearly devastating drought. I also encourage you to look for ways to develop a permanent disaster program and to continue to encourage the development of innovative new crop insurance products such as the combination policy developed by Representative Neugebauer.

To subsidize my farming operation, ten years ago I began a small business that provides liquidity for farmers in need of cash. During the last couple years of Freedom to Farm, farmers going through a divorce regularly contacted me. I am not saying a bad farm bill was the cause of these family problems, but financial stress must have exacerbated the situation because I have not been contacted by a farmer going through a divorce for more than three years. I say this because much of the support for the farm bill comes from those that support rural development and rural communities. I believe that keeping families strong is a key for the future for rural areas.

Another part of the agriculture landscape that needs to be addressed is energy. Not that high-energy costs are a bad thing for my hometown of Midland. My friends who lived through ten-dollar oil without the government interfering should be allowed to live through sixty-dollar oil also without the government interfering. However, I highly recommend that alternative sources of energy not only be explored but also aggressively pursued. Wind energy is successfully being developed throughout much of West Texas; I hope that bio fuels closely follow. Rural America will benefit from gains in these areas, as will all of America as we develop less reliance on foreign oil. The new farm bill should continue the push toward renewable energy.

Conservation programs such as the Environmental Quality Incentives Program (EQIP) and the Conservation Reserve Program (CRP) are a vital part of the farm bill. We have successfully reduced soil erosion and improved air quality through the CRP and have improved the effectiveness and precision of our irrigation practices with the cost-share assistance provided by EQIP funds. Conservation programs should be operated on a voluntary, cost-share basis as a valuable complement to commodity programs.

Also important to my operation is Congressional support of the boll weevil eradication program and agricultural research and development. I appreciate the cost share funds provided to APHIS that facilitates operation of the boll weevil eradication program. This year, every acre of cotton in Texas is in an active eradication program. Producers are contributing a majority of the cost for this highly successful program, but USDA's cost-share is still a critical part of the programs success. It is a pleasure to think that with Congress' continued support the eradication of the boll weevil may be just a few years away.

Mr. Chairman, research is another important function of USDA so I was disappointed that the administration's FY07 budget proposal reduces cotton research by 15%; suggests closing the USDA gin labs at Lubbock and Las Cruces, New Mexico; and provides less research funding for the USDA-ARS Cropping Systems Research Laboratory in Lubbock. I urge each of you to encourage your colleagues in Congress to reject these proposed cuts and closures.

Regarding the WTO, it is good to know that Congress, not the negotiators in Geneva, will write our next farm bill. I believe it will be difficult for you to write new farm law while other are simultaneously negotiating a far-reaching new trade agreement. I am also concerned that if Congress modifies current law before the WTO negotiations are complete, it could undermine US negotiators' leverage to obtain concessions by our trading partners.

The US cotton industry has supported the Doha round but I do not think it will be able to recommend that Congress support an agreement that requires cotton to accept deeper and quicker reductions in domestic support; that does not provide significant and meaningful increases in market access, particularly in China; and that allows countries like Brazil, China, Pakistan and India to declare themselves less developed to avoid making concessions of their own. In short our negotiators need to know that Congress will not accept an agreement that holds any single commodity to a different standard; does not include a compliance assurance provision; and, lacks real, verifiable gains that benefit U.S. agriculture.

The history of farm bills reads like a pendulum swinging from little or no support to a collection of effective support mechanisms working together. I think it would be a mistake to swing the pendulum again. As I said when I started, the current farm program is working. I believe that only small changes are needed to meet budget requirements and our WTO obligations.

Thank you for conducting this hearing and for the opportunity to testify. I will be pleased to answer questions at the appropriate time.

**Statement of Rickey Bearden
Plains, Texas
before the
House Agriculture Committee
San Angelo, Texas
May 9, 2006**

Mr. Chairman and members of the Committee thank you for allowing me the opportunity to present my thoughts on current and future farm policy. My name is Rickey Bearden. I live and farm in Plains, Texas. I have farmed since 1975 and I am the third generation of my family to farm in Yoakum County. My operation consists of a total of 6,000 acres – 2,000 acres irrigated and 4,000 acres dryland. I grow cotton peanuts, milo, wheat and black-eyed peas. I operate a family farm and am a full time, commercial sized farmer. My income is completely dependant on the success of my farm operation.

I support the current farm bill. As you know the structure of the current farm program is composed of direct and counter cyclical payments decoupled from production and the marketing loan program that is coupled to what happens on the farm during the growing season. The combination of decoupled and coupled payments works, and should be continued in the next farm bill.

The current program has proven to be a dependable safety net and is not, contrary to popular belief, a guarantee of profit. The cotton target price of \$0.72 per pound and loan rate of \$0.52 per pound are essentially the same as what were in place in 1981. To put this in perspective imagine if you had not received an increase in your salary since 1981, yet virtually all of the costs associated with doing your job had increased.

One of the biggest threats to commercial sized operators is the effort to further limit program benefits. We continually hear that 20 percent of producers receive 80 percent of the payments. Let's examine this a little further, keeping in mind that USDA's only requirement to be considered a farm is that the farm generates at least \$1,000 in gross sales. According to USDA there are 2.1 million farms in the US. USDA classifies 66 percent of these farms as limited resource, retirement and lifestyle farms that do not rely on the sale of agricultural products to exist. The remaining 34 percent, 700,000 farms, are

commercial sized operations like mine that do rely on the income generated by agriculture operations to survive. These 34 percent of farms do receive 80 percent of payments. What is also true, and usually left unreported, is that this group of farms produces an estimated 90 percent of the commodities that receive government support. US farm programs are commodity support programs, not lifestyle support programs. I encourage you to maintain this principle and keep US farm programs supporting the crops we produce. Commercial sized family farm operations drive our local rural economies. Limiting program benefits is ultimately a limitation on the producers' ability to support themselves and their rural community.

A recent theme for those who want to limit the support provided to larger operations is to limit marketing loan benefits. Limiting marketing loan benefits is virtually impossible to do fairly. My county is an excellent example of why a hard and fast limit will not work. Since 1977 Yoakum County cotton yields ranged from: 5 to 610 pounds on non-irrigated and from 198 to 976 pounds on irrigated. It's a pretty wide range and illustrates why a limit on how much production can be put in the loan or an overly restrictive payment limit on LDPs is so detrimental. During this time LDP payments for my operation could have ranged from over \$600,000 down to \$25,000 depending on market conditions and production levels. As with any farming operation the good years are what help me through the bad years. A highly restrictive limit on loan eligibility or LDPs puts a cap on my ability to do that.

Recently Senator Charles Grassley was quoted saying that producers have no control over the prices they receive or the national loan rate and therefore have no control over the LDP rate that they are paid on the crops they produce. My lack of control, as a producer, over the rate of payment and the yield of a crop in any single year makes strict limits on loan eligibility and LDPs impractical.

Another serious side effect of limiting loan benefits to a portion of a grower's historical production is that it significantly reduces the cropping flexibility that the current program provides. A grower with little or no history of producing a crop would have significantly

less ability to gain loan protection for an alternative crop and would simply plant crops he knows will be loan protected regardless of what the market tells him.

Secretary of Agriculture Johanns recently hinted the Bush Administration may call for an end to marketing loans for crops because so many in the WTO are opposed to them. I am deeply concerned over this suggestion as well as the recent US proposal to cut 60 percent of our domestic support in return for market access. From my standpoint, doing away with the marketing loan is out of the question, and the promise of market access gains provides very little benefit to US cotton producers.

In 2005 a record 23.5 million bales of cotton were produced in the US and exports of 17 million bales are predicted. Despite its size, this record US crop doesn't even meet the total cotton demand of US consumers who use over 24 million bales equivalents of cotton products. US cotton producers and importers have invested millions of their own dollars to develop the US market through comprehensive research and promotion program. This year we will spend \$73 million of producers' money on those efforts. US cotton producers worked to build this market and my question is what's wrong with those same producers growing 23.5 million bales when the US consumer uses over 24 million bales of cotton products.

In following the development of the current WTO negotiations it is clear to me that the WTO has accepted the argument that the US cotton program is responsible for the poverty of African cotton farmers. Allowing US cotton to be singled out for early harvest of our domestic safety net through deeper cuts and an accelerated timetable for implementation is a precedent we cannot allow. Mr. Chairman, you and the other members of the House Ag Committee cannot allow this to happen. It is imperative that WTO agriculture trade policies be considered as a single undertaking and equally important that a compliance assurance provision be reinstated in any new WTO agreement. Without such a provision we run the risk of allowing a repeat of the Brazil cotton situation where established US farm policy was ruled illegal even though it was acceptable to negotiators when the last WTO agriculture agreement was developed.

I trust as you write the next farm bill that you will work with producers like me to keep US agriculture an important part of the US economy. In the end it is up to you to make sure the next US farm bill is written in Washington by Congress and not modified or dictated by those not involved in U.S. agriculture.

In summary, key parts of a new farm bill should include:

1. Marketing Loans – all production eligible, a coupled payment
2. Direct and Counter-cyclical payments – a decoupled payment
3. Improved crop insurance Permanent disaster program
4. Conservation programs on a voluntary cost share basis
5. Public-private marketing development programs
6. Ag research at all levels of the agriculture industry

Again, thank you for the opportunity to testify today. I would be pleased to respond to your questions at the appropriate time.

Testimony of
Daniel Berglund
Rice Producer
Wharton County, Texas

On behalf of
The U.S. Rice Industry
Before the
Committee on Agriculture
U.S. House of Representatives

San Angelo, Texas
May 9, 2006

Introduction

Good morning, Chairman Goodlatte, Ranking Member Peterson and Members of the Committee.

I am Daniel Berglund, a rice producer from Wharton County, Texas. My farm is located in southern Wharton and northern Matagorda counties.

My testimony today has been endorsed by the U.S. Rice Producers Association and the USA Rice Federation.

On behalf of the Texas rice industry, Mr. Chairman, we thank you for holding this hearing and for the opportunity to express our views on farm policy and the farm bill.

As Congress holds these hearings in preparation for the next farm bill, the U.S. rice industry supports maintaining an effective farm safety net that includes a marketing loan program, as well as income support payments and planting flexibility.

At this time, rice producers and others in production agriculture face an uncertain farm policy and personal financial future due to repeated proposals to cut our farm programs and the ongoing Doha Round World Trade Organization (WTO) negotiations.

For these reasons, the U.S. rice industry supports an extension of the 2002 Farm Act in its current form until such time as the World Trade Organization provides a multilateral trade agreement that is approved by the U.S. Congress.

Without a doubt, the 2002 Farm Act continues to be a sound, effective investment in farmers and rural communities. More importantly, consumers benefit from the most stable, safe, abundant, and affordable food supply in the world.

2002 Farm Act Extension

The current Farm Bill is not perfect, however, producer representatives of all 6 states of the U.S. rice industry have adopted the following resolution:

“Until such time as the World Trade Organization provides a multilateral trade agreement that is approved by the U.S. Congress, the U.S. rice industry seeks the extension of the 2002 Farm Bill in its current form.”

There are a number of key factors that support extending the 2002 Farm Act until a final WTO agreement is in place.

1. Any reduction of the current programs and spending levels of the farm bill will result in the effect of “unilateral disarmament” by the U.S. and ultimately weaken our negotiating position with other countries.
2. Writing a new farm bill in advance of a final WTO agreement could result in a very short-term bill that must be rewritten once WTO negotiations are concluded and the new trade rules are known. Multiple farm bill authorizations in a short timeframe will weaken the predictability and stability that are key components of any effective farm safety net. This predictability is a key requirement for the lending community that provides financing for production agriculture. Any changes that inject uncertainty into this safety net will lead to financing difficulties.
3. It is a fiscally responsible approach to farm policy and provides a safety net when needed. As such, Congressional estimates of commodity program (CCC) spending through 2005 reflect outlays ranging from \$13 billion to \$19 billion *below* the levels estimated by the Congressional Budget Office (CBO) when the farm bill was approved in 2002. Total commodity spending for 2002-2007 is projected to be below the total level estimated in 2002.

There have been two measures introduced in the U.S. House of Representatives to extend the 2002 Farm Bill. H.R. 4332, introduced by the ranking member of this committee,

Representative Colin Peterson (D-MN), and H.R. 4775, introduced by Representative Mac Thornberry (R-TX). This would allow Congress the time necessary to write a new farm bill that would be compliant with an ultimate WTO agreement, whenever that agreement may be reached.

Also, Senator Jim Talent (R-MO), along with Senator Blanche Lincoln (D-AR) and 5 other Senators, has introduced a similar measure in the Senate to extend the current farm bill through the crop year after Congress approves a WTO agreement (S. 2696).

Rice producers disagree with those who argue that a farm bill compliant with our WTO obligations can be written concurrently with the negotiation, congressional consideration, or initial implementation of a new WTO Agreement.

Certain WTO decisions ruling against US programs make clear that crafting a WTO compliant Farm Bill is not easy, even when a good faith effort is made over an extended period of time. Writing a WTO compliant Farm Bill during or shortly after the completion of a new WTO Agreement will be very difficult, if not impossible. Ignoring this fact while rushing to write a bill will do a disservice to all of U.S. agriculture.

Another concern is the timelines for trade-distorting domestic support and tariff reductions in trade agreements. Any timeline for reductions in trade-distorting domestic supports should be concurrent with the timeline for reduction and elimination of tariffs and duties. Otherwise, how will producers handle the interim after support is reduced and increased market access is not obtained for several years? It only makes sense that similar timelines for the phase-in of measurable market access gains and for any reductions in U.S. trade-distorting domestic support should be required in future trade agreements.

Critical Needs of Rice Farming Families in Texas and Elsewhere

For the typical family farm that produces rice, economic survival is dependent upon several key factors:

- An effective farm program that provides basic support through marketing loan eligibility for all production and income support through counter-cyclical and direct payments;
- The maintenance of eligibility for farm program benefits for rice operations of all sizes; and
- The development and expansion of global markets for crop off-take.

While U.S. rice yields are among the highest in the world, our production cost per acre is significantly higher than that for other grains.

These higher costs of production had a direct impact on 2005 crop returns and have impacted producers' 2006 crop planting decisions and returns.

Even with the safety net in place, much higher production costs, in particular for fuel and fertilizer, have reduced and will continue to reduce rice profitability far below levels previously expected.

The 2002 Farm Act addresses the need to support the market price for commodities. It does not address the significant increases we have had in our costs of production. Many farmers say that if the market price does not come up to meet the cost of production by this harvest season, they will not be able to finance their farming in 2007. Marginal yields, low market prices and high costs of production over the last 3 years has caused many farmers, including myself, to utilize equity in their farm assets to pay for shortfalls in their operating loan repayment and equipment payments. This strategy can only last for a short time. You can not borrow yourself out of debt.

In Texas, rice producers face other unique challenges. We have seen our rice acreage decrease this year alone by 26%, to approximately 140,000 to 150,000 acres. At one time, Texas produced as much as 600,000 acres of rice annually. Almost 350,000 acres of rice were produced as recently as 1994.

Part of this acreage reduction has also been due to the unintended consequences of decoupling more of our farm programs from production. In effect, this has resulted in some rice acreage in Texas being idled while landowners collect the direct payment and potentially the counter cyclical payment. While we support the current farm bill and its continuation, we would caution against any further decoupling of payments from production that could lead to a worsening of this situation.

The current programs do not ensure that individual rice farms can make a profit. In the face of rising production costs many farmers—especially those who must rent much of their land—can and do experience significant losses. We estimate over 75% of Texas rice production is by tenant farmers. These losses are occurring despite the current farm programs and the recent improvement in rice market prices off of their historically low levels.

Farm policy, therefore, must recognize the fundamental differences in per acre costs of production in high input, high yielding crops such as rice.

Production costs have increased to their highest levels in history, eroding much of the benefit that farmers would normally expect from improved market prices. As a result, the average producer is barely able—and in some cases unable—to cover the costs of production.

It is important to note that the marketing loan levels for all major crops were increased in the 2002 Farm Act, except for rice and soybeans. Rice has maintained the same loan rate since 1989.

Regarding the rice marketing loan program, there was an initiative by USDA this year to adjust the loan rates for long and medium/short grain rice just as planting was starting here in Texas and in Louisiana. While there were several options under consideration, the ultimate effect would have been a reduction in long grain loan rates and an increase in medium/short grain rates.

The industry raised its concern over this proposal and the poor timing of such a change with USDA and Members of Congress. USDA ultimately chose to set rice loan rates by class for the 2006 crop year as they have consistently for the past 18 years. We greatly appreciate the willingness of USDA to work with the industry on this issue, and to forego any changes in the

loan rates for the 2006 crop year. This will allow time for further study and analysis of the production and market impacts of such changes in the loan rate.

We look forward to continuing to work with USDA on this issue prior to the start of the 2007 crop year. However, given that 2007 is the last year of the current farm bill, it may be appropriate to address any adjustments in rice loan rates by class during the debate on the next farm bill.

Payment Limitation Policies

The U.S. rice industry opposes any further reduction in the payment limit levels provided under the current farm bill. We also oppose any government policies that attempt to “target” payments or apply a means test for agricultural production payments. Payment limits have the negative effect of penalizing viable family farms the most when crop prices are the lowest and support is the most critical. To be a viable family farm, we must use economies of scale to justify the large capital investment costs associated with farming today. It is essential that rice producers maintain eligibility for all production to the non-recourse loan program. Arbitrarily limiting payments results in farm sizes too small to be economically viable, particularly for rice, cotton, and peanut farms across the Sunbelt. Many Texas rice farmers reach the current restrictive payment limit levels at 250-300 acres.

The Real Facts on Farm Statistics

When the issue of payment limits is brought up, oftentimes opponents of production agriculture attempt to use misleading statistics taken out of context for the purpose of making their argument. Here are some key points that I know we are all probably aware of, but it’s important to be reminded of so that we see the real picture of production agriculture.

- 1) **Statistics skewed by “Rural Residence Farms”:** “Rural residence farms” as defined by USDA represent about two-thirds of the 2.1 million “farms” in this country. Excluding these farms where farming is not the primary occupation of the family results in a very different picture about the percentage of “farms” receiving farm program payments. The universe of farms actually producing this nation’s food and fiber is much smaller than 2.1 million. In fact, 38% of farms produce 92% of our food and fiber and receive 87% of farm program payments.
- 2) **Sector-wide “Averages” Hide Unhealthy Subsectors:** Using only averages for the farm sector as a whole when it comes to income data can be misleading about the true condition of various sectors of the agriculture economy. Certain sectors may be squeezed between high costs and low prices while others are experiencing high prices and average costs. Since program crops are being asked to make the cuts, when statistics are given on Net Farm Income, program crops should be examined individually and separate from other agricultural sectors (i.e.: livestock, fruits, vegetables, etc.) A healthy farm economy as a whole does not necessarily translate into all sectors of the economy being healthy.

Economic Contributions of the U.S. Rice Industry

The regional concentration of rice production makes it an extremely important crop in key producing states. Rice production is an important economic driver in all states and regions where inputs for rice production are manufactured and where rice is milled or processed for food or other uses.

Rice production ranks in the top 8 most valuable crops produced in each of the six major rice-producing states (Texas, Arkansas, California, Louisiana, Mississippi, and Missouri). In 2004, rice was the eighth most valuable of all crops produced in Texas.

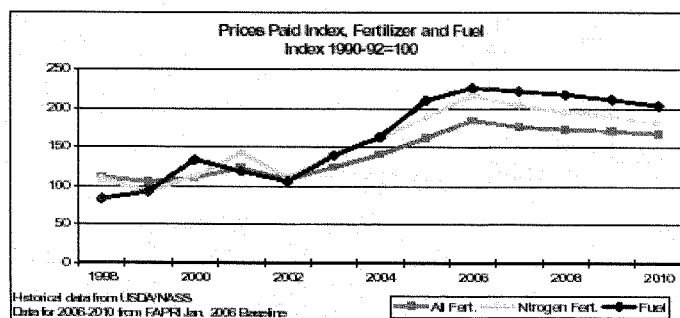
Given the high costs of producing rice compared to most other basic agricultural commodities, the contribution to general economic activity from land devoted to rice production tends to be much higher than for other crops.

High input expenditures for rice production imply significant economic activity for the sectors that supply those inputs in the regions where rice is produced.

Each dollar's worth of rice produced in the United States generates about 90¢ worth of revenue for the industries that supply variable production inputs.

Based on state estimates of production costs and rice acreage planted in 2005, U.S. rice farmers spent nearly \$1.7 billion to produce 3.38 million acres of rice, including both variable costs and basic ownership costs associated with rice production.

Even modest adjustments to the levels of current support could create a significant reduction in rice acreage. These effects would be even more acute when combined with the current spike in fuel, fertilizer, and other energy input costs. The chart below shows the increase in key input costs.



Source: FAPRI

A reduction in rice acreage would necessarily reduce the total economic activity in the region where the reduction occurred. This reduction in economic activity would occur regardless of whether or not an alternative crop is planted, because rice contributes disproportionately to the revenues of various input sectors due to its higher production costs.

It is also important to note that in many regions, including my area of Texas, producers face few viable alternatives to producing rice, so the adverse impact on the agricultural economy if rice production becomes unprofitable could be severe.

This affects all facets of our industry. It's not just about me. It's about my family, my three full time employees and their families, and the jobs of others that support my farming operation. In my operation I spend a considerable amount of capital each year through my farming operation and it's all spent within 40 miles of my farm. In addition to this, my landlords whom I farm on shares with spend an additional 40% for their share of production costs. I know that it doesn't stop here locally, but as of today not all of these moneys would be spent if I quit farming. Not all of the land I farm would continue to be farmed. There is land sitting idle this year that was dropped because of financial problems, and no one could pick it up.

Economic Contribution to Key Industries

In addition to the economic activity generated from rice farming, an extensive transportation and processing infrastructure has evolved alongside farm-level rice production. These allied industries are highly dependent on the continued supply of rice to support their economic contribution to the overall economy.

Mills: The U.S. rice milling industry performs the important function of processing rice into forms useful to the food and feed industries. The U.S. Census Bureau estimates that the rice milling industry employs more than 4,000 people, and supports an annual payroll in excess of \$135 million.

Ports: At major Gulf ports, for example, rice accounts for about 35% of all food products shipped. Studies have suggested that each ton of rice handled by major ocean ports generates \$50 to the local economy and \$75 to the state economy.

Environmental Contributions of the U.S. Rice Industry

Water Quality

Modern rice production is critically dependent on a reliable supply of water to flood fields. However, the use of this water in responsible rice farming actually produces several environmental benefits that simple irrigation of alternative crops cannot match. For instance:

Much of rice irrigation water is returned to its original source. About 25%-35% percent of the water used for irrigating rice is "recycled" back into the environment. Outflow irrigation water is either reused, percolates to groundwater to recharge aquifers,

or drains back into rivers, thereby conserving water that could otherwise be lost from future beneficial use.

Modern rice cultural practices preserve water quality. The practices widely adopted by rice farmers are credited with preserving water quality and minimizing ground and surface-water contamination relative to many alternative crops. The flooding of rice fields is itself a powerful means of weed management that decreases the need for herbicide use, and timely planting and rapid establishment of rice plants at the proper spacing also suppresses weeds by eliminating the space and light that weeds need to grow. When pesticides are applied, water retention in the flooded fields helps to biodegrade the remaining chemical substances and minimize the potential for contamination.

Rice production counteracts other threats facing natural wetlands. For instance, along the Texas Gulf Coast, freshwater inflow is one of the most important factors affecting the health and productivity of the bay system. Here, freshwater from the land combines with salt water from the Gulf of Mexico, producing brackish water that is the key to estuarine productivity. But as greater demand from industry and residential areas decreases freshwater reaching the bays, high saline conditions threaten habitats that support a multitude of species, including redfish, speckled trout and flounder that fuel the state's recreational fishing industry. To help alleviate this problem, rice farmers release thousands of acre-feet of floodwater in preparation for harvesting their first crop. This inflow of freshwater comes in mid-August when demand is highest, making up for the water tied up in municipal use.

Wetlands, Waterfowl, and Wildlife

Rice farming is one of the few commercial enterprises that actually promotes wildlife habitat and improves biological diversity.

Since the very nature of rice production requires that fields be flooded for many months of the year, evidence shows unequivocally that it plays a vital role in supporting common environmental goals such as protecting freshwater supplies and providing critical habitat for hundreds of migratory bird species.

Rice fields are typically flooded for at least five months a year, during which time they become temporal wetlands with enormous significance to bird populations wintering and breeding in the rice producing states of Texas, Arkansas, California, Louisiana, Missouri, and Mississippi. Both natural and agricultural wetlands are indispensable to bird populations.

Without rice farming, wetland habitats in the United States would be vastly reduced. A loss of this magnitude would have a disastrous effect on waterfowl and a host of other wetland-dependent species.

Rice production areas in Texas correspond with the bird migration corridor known as the Central Flyway, providing important habitat to hundreds of bird species that rely on these artificial

wetlands during their migratory journey. According to the Texas Ornithological Society, Texas is home to nearly 650 different bird species, more than half of which can be found in the Texas Rice Belt.

The clear and positive benefits that commercial rice production has for migratory birds and other wildlife species contribute not only to a more interesting and diverse landscape, but also provide economic benefits that support local economies and create jobs.

By providing a favorable habitat for migratory birds that in most cases would be much smaller without the existence of rice farms, rice production is directly responsible for a very significant proportion of wildlife-related revenues generated in these states.

By providing an environment favorable to wildlife advancement, rice production clearly generates positive environmental benefits to the economy and society.

Rice farming is one of the few agricultural activities where a positive impact on the environment is largely undisputed. As pressures for commercial development and urban sprawl continue to attract existing agricultural and wetland resources, rice farming provides an environmental counterweight in the form of "surrogate" wetlands that directly support waterfowl and a wide range of species that would otherwise be even more threatened by habitat destruction. These widely noted environmental benefits accrue not only to current and future generations of wildlife enthusiasts, but also produce economic benefits that support recreational industries and, ultimately, local economies.

It is clear that taking rice acreage out of production in favor of other crops would not only eliminate the environmental benefits of wetland creation and habitat protection, but could also contribute to the additional environmental stress that many environmentalists often associate with today's commercial agriculture production, such as groundwater contamination and wetland destruction. While we remain confident that all farmers are good stewards of the land and operate in an environmentally sensitive manner, the clear and undisputed benefits of rice production makes it rank among the top of all agricultural systems in terms of a positive environmental impact.

Trade Policy Impacts on the U.S. Rice Industry

The U.S. market for imported rice is virtually an open-border market, with U.S. tariffs on rice imports almost non-existent. The U.S. rice industry supports the elimination of all rice duties in other importing countries, and equitable tariff treatment for all types of rice.

Despite the general continuing trend towards market liberalization, rice outside the United States has remained among the most protected agricultural commodities. The level of government intervention in the international rice market through trade barriers, producer supports, and state control of trade, is substantially higher than for any other grains or oilseeds.

This is a major factor contributing to price volatility in the international rice market and a fundamental reason why the U.S. industry needs the stabilizing influence of current federal rice programs.

Because the U.S. rice industry exports between 40 and 50 percent of annual rice production, access to foreign markets is fundamental to the health of our industry. We believe that multilateral negotiations through the WTO are a way to bring down trade barriers worldwide. However, the Doha Round negotiations are also about agricultural domestic supports. If an agreement is made, the US proposal will substantially reduce amber box support for the rice industry. It will also substantially reduce the potential for providing support to rice through the Blue Box. Therefore it will be necessary for a Doha Round agreement to foster an open market that provides for the opportunity of a substantial increase in the world price of rice. Only such price increases can begin to make up for the price and income support we will be losing.

Merely moving Aggregate Measure of Support (AMS) to the Green Box in the form of conservation payments will likely not work for commodity support. Currently 63% of U.S. conservation funding goes to operators whose primary occupation is not in agriculture. Conservation support is mostly cost share funding and not price or income support. Conservation support is not bankable with my loan officer at the bank. In addition, we are concerned about the number of countries that will declare rice a sensitive product to block or delay rice imports.

Many of the details of any eventual agreement are still very much under negotiation, and the overall effect of the final agreement on our industry will depend on the overall package that emerges. We recognize the difficulty in reaching an agreement with 149 countries in the Doha Round that will be beneficial for the US rice industry. Perhaps, Free Trade Agreements on a bilateral or regional basis may be as important an avenue to increase market access.

High tariff and non-tariff barriers, such as discriminating import tariffs on U.S. paddy and milled rice exports, also are used.

The United States' share of world rice exports has averaged between about 10% and 13% over the last 10 years, down from a peak of about 30% as recently as 1975.

This decline in world export share reflects increased supplies from traditional exporters like Thailand and Vietnam, among other factors. U.S. sales are also constrained by market access barriers in high-income Asian countries like Japan, Korea, and Taiwan, and the European Union and Latin American countries.

Remember the type of governments we are dealing with when signing trade agreements. We must realize that, unfortunately, they are not always reliable. The US really has limited recourse against a country that goes back on its word. The EU withdrew a trade concession on brown rice in 2004. It took six to nine months to resolve and they imposed a higher tariff than originally agreed to. Mexico has imposed anti-dumping tariffs on milled rice imports from the US, contrary to WTO rules, and playing the review system as they go to continue these tariffs. Time

is of utmost importance when controlling grain inventories. If a surplus arises due to a country's refusal to open its market as agreed to, then our prices start to fall due to over supply.

U.S. Trade Sanctions Unfairly Impact the Rice Industry

In addition to the distorted international markets faced by the U.S. rice industry, U.S. policies intended to punish foreign nations or encourage regime change disproportionately harm U.S. rice producers.

Unilaterally imposed U.S. trade sanctions have played a key role in destabilizing the U.S. rice industry and constraining its long-term market potential. U.S. sanctions have and continue to place downward pressure on market prices to U. S. producers.

Trade sanctions have caused disproportionate harm to rice among U.S. commodity groups. At various times within the past four decades, our number one export markets were closed because of U.S. trade sanctions policy:

Cuba: Prior to 1962 Cuba was the largest market for US value-added rice, but since then this important market has been largely closed to US exporters. As a result, China, Vietnam and Thailand have emerged to become major suppliers of the roughly 500,000 metric tons of rice that Cuba imports annually. Recent efforts to ease restrictions on US sales of food and medicine to Cuba under the Trade Sanctions Reform and Export Enhancement Act of 2000 have allowed the United States to regain a significant share of this market, with US rice exports to Cuba reaching nearly 177,000 metric tons in 2004, valued at more than \$64 million. However, even these important gains are threatened by restrictive regulations imposed by the U.S. Treasury Department that have resulted in the volume of rice exports to Cuba declining by 25% in 2005. The United States has a considerable freight cost advantage over other exporters, which suggests that further easing of the restrictions that remain in place could provide substantial opportunities for much larger rice exports to Cuba.

Iran: Similarly, in the 1970's the U.S. rice industry exported on average 300,000 metric tons of value-added rice to Iran. This was the largest U.S. rice export market for value-added rice, and it also was eliminated through the unilateral imposition of U.S. trade sanctions on Iran. But Iran's demand for imported rice continues to grow. In 2004 Iran imported 973,000 metric tons of rice valued at nearly \$300 million, mainly supplied by Thailand and Vietnam.

Iraq: In the 1980's, US rice exports to Iraq averaged about 400,000 tons. United Nations sanctions eliminated the market for US producers even while this market grew to nearly 1 million metric tons (\$200 million) supplied primarily by Thailand, Vietnam and China through the U.N. Oil for Food program. In 2005, U.S. rice sales to Iraq were resumed with exports of approximately 310,000 metric tons.

The total of these three markets represents more than 2.5 million metric tons of market potential per year that the United States had lost for decades, and that in many cases remains restricted today far below its full potential. This is equivalent to approximately 25% of current U.S. production.

In light of significant market access barriers in many key rice-consuming countries, U.S. rice farmers are denied the opportunity to compete openly and fairly. These restrictions interfere with the industry's opportunity to discover a market price structure that could reduce the need for government support.

Conclusion

Thank you, again, Mr. Chairman, for holding this hearing and for the opportunity to express our views.

U.S. farm policy must provide a stabilizing balance to markets and a reliable planning horizon for producers.

We urge you to recognize how well the current Farm Act is working for U.S. agriculture, and to consider ways to maintain its structure as we begin the debate on the next farm bill.

Rice producers are proud:

- to contribute a highly-nutritious food product for the nation;
- of our contributions to the nation's food security;
- of our contributions to the local, state, and national economies and the nation's balance of trade;
- of the contributions we make to conservation and the environment.

Rice producers call on Congress to continue sound, fair agricultural policies in the next farm bill, including those policies in the current farm act that help to provide:

- producers with stability and reliability; and
- consumers with an abundant, affordable, stable, safe, and secure food supply.

Rice producers look forward to working with Congress and the Administration in the development, enactment, and implementation of a sound, equitable farm bill and rice program.

In the interim, however, in light of the need for a strong safety net as part of U.S. farm policy, the U.S. rice industry supports extending the 2002 farm bill in its current form until such time as a Doha Round trade agreement is negotiated and Congress approves it.

This concludes my testimony on behalf of the rice industry, Mr. Chairman.



American Sesame Growers Association

4308 Centergate Street / San Antonio, Texas 78217-4804 / 210-590-4265
www.sesamegrowers.org

Testimony of Steve Chapman
Field Hearing of the House Committee on Agriculture, Nutrition, and Forestry
Review of Federal Farm Policy

C.J. Davidson Conference Center
Angelo State University
San Angelo, Texas

Tuesday, May 9, 2006

My name is Steve Chapman. I am the founding president of the newly formed American Sesame Growers' Association. We're headquartered in San Antonio. I farm in Lorenzo, Texas, and grow sesame, cotton and peanuts.

Our association's top priority and objective, that is vitally important to my farming operation, is a simple one: we respectfully request a pilot program for Actual Production History Multiple Peril Crop Insurance for sesame.

Sesame is a program crop. It is the only minor oilseed without a crop insurance policy. It is also a crop that the Texas Cooperative Extension Service at Texas A&M University calculated to generate a positive return without federal payments. These calculations were conducted for Texas A&M's District 10 in the Southwestern part of the state, covering 21 counties. The major growing areas are South Texas, the Rolling Plains and High Plains of Texas and in Oklahoma, with a history of growing in southern Kansas and Arizona.

Lenders and landlords in this area of the country typically demand crop insurance. Many farmers feel they need insurance. Nonetheless, some farmers have self-financed production on 10,000 acres of their own land. However, without crop insurance, we cannot really expand land to grow sesame. With Multiple Peril Crop Insurance available to growers, US grown sesame could be a much larger contributor to the farm economy — especially in this region of the US. With crop insurance, US farmers could take what is now a net import into the US and turn it into a net export crop and help diversify production agriculture in this region.

Sesame is highly drought tolerant. It can be grown with one-quarter the water needed for corn, one-third the water for sorghum and one-half the water for cotton. Today, about 80 percent of the land in sesame production is not irrigated; only about 20 percent is irrigated. Sesame is also insect tolerant and deer resistant.

Given the natural drought and pest tolerance, sesame's advantage is its lower costs of production compared to grain sorghum, wheat, corn or cotton. Principally, it is grown as

a rotation crop. Sesame can extend water for peanuts and cotton. Moreover, when grown in rotation, it conditions the soil and thus reduces cotton root rot and root knot nematodes. Many farmers have reported yield increases in cotton, sorghum, peanuts, and corn and wheat grown after a sesame rotation.

Personally, I believe that sesame is one of, if not *the* best rotational crop for our area. For example, in 2003, I planted sesame and grain sorghum as a catch crop to replace hailed out cotton. During the last two growing seasons that sesame rotation has been the highest yielding land on my farms.

Around the world, sesame is harvested by hand. When mature, the sesame plants' pods open wide so the seeds can fall; thus the seeds would spill if harvested by a combine. In the scientific discipline of botany, this quality in plants – that is, the spontaneous opening at maturity of a plant structure to release its contents – is known as "dehiscence." Plant breeding by a Texas company, Sesaco Corporation, has developed a non-dehiscent sesame plant. Or, in other words, a sesame plant capable of being mechanically harvested with minimal loss. In fact, the current non-dehiscent variety grown in the US now is grown with standard row crop techniques and is handled with standard grain handling equipment.

While the development of mechanically harvestable sesame presents a dramatic opportunity from a technological standpoint, from a practical, economic, standpoint, growth is still limited in by a lack of multi-peril crop insurance.

There is an opportunity to replace \$100 million of imported sesame into the US. Furthermore, globally, there is an opportunity to participate in an \$850 million export market, as China is now moving from a major exporter to a significant importer of sesame as it is many other commodities. In all, a twenty percent share of today's world market – which, with current technology is highly feasible - would equate to 700,000 acres of US sesame.

This is new market growth in that it does not compete with other US produced oilseeds. The confectionary uses of sesame are different than the use of sunflower seeds, for example. Moreover, sesame oil is a highly specialized dark oil, made from toasted seeds and typically not refined. It is used in ethnic cooking and other specific applications not served by other US oilseeds.

To recap, sesame is a low risk, relatively low cost of production, weather tolerant, pest tolerant, program crop, that is the only minor oilseed not to have a multi-peril crop insurance policy. The lack of such a policy is hindering the expansion of US sesame production. Therefore, on behalf of my fellow sesame growers – and other farmers who would like to grow sesame – I respectfully urge the committee to direct the USDA's Risk Management Agency to establish a pilot program for Actual Production History Multiple Peril Crop Insurance for sesame.

The insurance requested is for production risk only, and moreover, it is suggested that eligibility for sesame crop insurance be limited to only those farmers who grow non-dehiscent varieties of sesame under contract with one or more companies engaged in

and experienced in commodity purchasing and marketing, who contract with the farmer, prior to planting, to purchase all of the farmer's sesame production at the time of harvest.

Thank you. Should members of the committee, or staff, have any further questions, please do not hesitate to contact me.

**Statement of Barry Evans
Kress, Texas
Presented to the
House Agriculture Committee**

**San Angelo, Texas
May 9, 2006**

Mr. Chairman and members of the Committee, thank you for the opportunity to submit comments on current and future farm policy.

My name is Barry Evans. I farm cotton and grain sorghum in Swisher County, Texas, and am currently serving as Vice President of Plains Cotton Growers, Inc. PCG is the certified producer organization representing cotton farmers in the 41-county area that makes up the High Plains cotton production region of Texas. This area normally plants 3.5-3.75 million acres of cotton each year and typically accounts for 18-20 percent of total US cotton production.

Farmers in my area of Texas strongly support current farm law and urge you to utilize the same structure in developing future policy. The marketing loan enables us to be competitive against subsidized competition in international markets; the decoupled direct payment provides certainty to those who finance our operations and the decoupled counter-cyclical payments are important when prices are low. We are fortunate that Congress has provided an effective financial safety-net to assist us when prices are low and to facilitate orderly marketing of our crops. Unfortunately, recent low prices mean a significant percentage of my farm's revenue has been derived from program payments. These payments are not profit. We use the funds to pay operating expenses including wages, input costs and other expenses.

Farming is a full-time, year-round occupation in this area. My operation, for example, requires intensive management, so there are few opportunities for off-farm income compared to the mid-west where farmers can hold down other jobs.

While the structure of farm policy is important, unrealistic limitations on benefits and unnecessarily restrictive eligibility requirements can result in the most generous and effective policies being unworkable for us.

Mr. Chairman, we continue to hear statements that 20% of farmers receive 80% of the benefits; that farmers are increasing the size of their operations solely to capture more payments; and, that programs inflate land values and increase rent, which blocks entry into farming.

From my perspective, the one-size fits-all, randomly established limitations on benefits unfairly penalize full-time family farmers like me. The limit on counter-cyclical payments, which applies cumulatively to all crops except peanuts, covers significantly fewer acres than what is considered to be an economically efficient unit. That same limit covers considerably more corn and soybean acreage in Iowa. National Cotton Council economists, using conservative assumptions and USDA data, concluded that the amendment proposed by Senator Grassley would reduce the direct payments to Texas farmers by \$161 million per year, a reduction of 38%. Total benefits, including counter-cyclical payments, direct payments and marketing loan gains - assuming average prices for 2000 to 2004 - would be reduced \$355 million or 25% annually. Analysis by

the Payment Limit Commission reached a similar conclusion. So, not only am I competing against heavily subsidized production in China, India and Pakistan, I am competing against other US farmers who have significantly more of their production eligible for program benefits. I'm not asking you to penalize them, just don't tighten limits to further penalize me and my family.

I also want to address land values and beginning farmers. I too am concerned about the declining number of farmers and the difficulty young people have in starting their own operations. USDA-ARS has published a study which concludes that farm programs are not the principle cause of increased land values and that farmers do not expand their operations simply to increase programs benefits. I can assure you that tighter limits and eligibility requirements, coupled with significant cuts in support when prices are low will make it even more difficult for young people to begin farming and will guarantee continued consolidation. In the absence of a financial safety net, what financial institution is going to provide operating capital to an inexperienced, beginning farmer?

Finally, I want to address international trade and its influence on farm policy. The US cotton program has been singled out as the primary cause of poverty in sub-Saharan Africa. Obviously, the real causes are more complicated and include the combination of a lack of infrastructure and a marketing and distribution system which denies African farmers an opportunity to purchase inputs and market their cotton competitively. The result is that African farmers' yields have declined and they receive prices well below the average world price. European negotiators use the US cotton program as a negotiating tool and China, India, Pakistan and Brazil refuse to participate in meaningful discussions about market access and distortions in world trade in fibers, textiles and apparel. We are deeply concerned by the US proposal to cut domestic support by 60% because we haven't seen a reciprocal offer by our trading partners to make commitments to increase market access for our products. The US cotton industry must export 75% of annual production. We must have consistent access to China's market; otherwise, the WTO negotiations will be a failure in our view. And our friends in West Africa will also lose if China, India and Pakistan don't make meaningful market access commitments. We ask that you insist that the negotiations be conducted as a single undertaking and that there not be an early harvest for cotton. We also ask that you make it clear to US negotiators that Congress will not approve an agreement that cuts domestic support programs unless there is a significant increase in market access and that the overall agreement can be judged as beneficial to US agriculture.

Mr. Chairman, in closing I encourage you to continue to push for the development of better, more affordable levels of coverage for crop insurance; to maintain funding for important agricultural research - particularly the research at our gin labs; to support effective, public-private international market development programs; and to continue to invest in conservation programs operated on a voluntary, cost-share basis. Each of these items is important to producers and I encourage you and the members of the Committee to continue them in future farm legislation.

Again, thank you for the opportunity to submit these comments.

**Statement of Mike Hughes
Lamesa, Texas
Presented to the
House Agriculture Committee**

**San Angelo, Texas
May 9, 2006**

Thank you for coming to Texas and providing a way for Texas farmers and ranchers to let their thoughts be considered as you begin to develop future U.S. farm policy. I appreciate the opportunity to present these remarks about current and future farm policy. I also want to thank Representatives Conaway, Neugebauer and Cuellar for their service on the Committee and their strong support for farmers and ranchers.

My name is Mike Hughes. I farm approximately 2,500 acres of cotton, peanuts and wheat in Dawson and Gaines Counties. In addition to my farming operation, it is also my honor to serve as the current President of Plains Cotton Growers, Inc. PCG's membership consists of cotton producers in a 41-county area of West Texas. This area is also commonly known as the High Plains of Texas. We normally plant over 3.5 million acres of cotton each year and account for approximately 20 percent of the cotton grown in the U.S.

Mr. Chairman, the High Plains, along with the Rolling Plains region to our east, is home to a diverse agricultural economy. Cotton is our principle crop and farming and ranching are important components of our economy. It is critical to farmers and ranchers that our farm policy remains balanced between commodities and between the various programs. Program-driven shifts in plantings to alternative crops will result in unintended market disruption.

Cotton producers in my area, and across Texas, strongly support the current farm law. It is imperative that it continue to operate without major modification through its scheduled expiration with the 2007 crop. Producers have made substantial long-term investments and make cropping and marketing decisions based on their understanding of current law. We are particularly concerned by annual proposals to further tighten limitations on benefits or limit eligibility to the loan. We appreciate your expressed opposition to these proposals. Current limitations adversely impact many of our operations and especially irrigated operations.

We strongly support using current law as the basis for future farm law. The combination of a marketing loan, counter-cyclical payment when prices are low, and a direct payment for stability are a sound foundation.

As you develop new farm law, we urge you to maintain the marketing loan without limitations; maintain decoupled direct payments; maintain a counter-cyclical program for times when prices are low and preserve the cropping flexibility provision in current law. It is also important that payment limitations, which already unfairly penalize many of our growers, not be reduced further and that current eligibility requirements be maintained.

Conservation programs will continue to be an important component of farm policy. The Conservation Reserve Program (CRP) has been especially useful to farmers in this area. We have successfully reduced soil erosion and improved air quality. Conservation programs should be operated on a voluntary, cost-share basis as a valuable complement to commodity programs. However, they should not be viewed as an effective substitute for the safety net provided by commodity programs.

Research and crop insurance are also important to the future of our industry. Affordable, effective crop insurance is important in our area, given the extraordinary risk of weather-related losses. The cotton industry, through the National Cotton Council, recently presented our recommendations to improve crop insurance to the Federal Crop Insurance Corporation Board. We have also expressed interest in a permanent disaster program and innovative products including the combination policy developed by Representative Neugebauer.

I want to express my special appreciation for the continued cost share funds provided to APHIS to facilitate operation of the boll weevil eradication program. This year, every acre of cotton in Texas is in an active eradication program. Producers contribute a majority of the cost for this highly successful program. We are pleased to say that the eradication of the boll weevil may be just a few short years away. We also appreciate the support for the Pink Bollworm eradication program in the Trans-Pecos Valley, which will assist us in reducing insect control costs.

Mr. Chairman, research is an important function of USDA so we were disappointed that the administration's FY07 budget proposal reduced cotton research by 15% or \$8.2 million. We were particularly disappointed that the administration's proposal included closing the gin labs at Lubbock and Las Cruces, New Mexico and cutting research at the Cropping Systems Research Laboratory in Lubbock. We urge you and your colleagues in Congress to reject these proposed cuts and closures.

Due to changes in the international textile business, US cotton growers must now find an export market for up to 75% of the US crop. We support continuation of market development through the successful public-private partnership fostered by the Market Access Program (MAP). And we urge continued funding for the Foreign Market Development program and a WTO-compliant export credit guarantee program.

Mr. Chairman, we are deeply concerned that the language in the recent WTO Hong Kong Ministerial agreement will be used to single cotton out for special and differential treatment. We ask that you and your colleagues urge the US negotiating team to insist the negotiations be conducted as a single undertaking with no early harvest for cotton. We also urge you to make clear to our negotiators that the agreement must include meaningful increases in market access for all commodities before there can be agreement on reductions in domestic support. And we ask that you continue to tell our negotiators that any agreement presented to Congress for approval must be beneficial to US agriculture.

We are also concerned that certain countries, which are highly competitive in world markets, not be allowed to utilize special and sensitive product designations and safeguards, designed to assist the poorest of the poor, as a way to avoid following through on commitments to increase market access.

If negotiations in the Doha round cannot be completed to the point that the impact on future U.S. farm policy is clear, we would support continuation of the current farm bill for at least one additional crop year. While we understand Congress, not the negotiators in Geneva, will write the next farm bill, we believe it will be difficult for you to write new farm law while a far-reaching new trade agreement is being negotiated simultaneously. Further, if Congress modifies current law before negotiations are complete, it could undermine US negotiators' leverage to obtain concessions by our trading partners.

The US cotton industry has supported the Doha round but we will not be able to recommend that Congress support an agreement that requires cotton to accept deeper and quicker reductions in domestic support; that does not provide significant and meaningful increases in market access, particularly China, and that allows countries like Brazil, China, Pakistan and India to declare themselves less developed for the purpose of evading compliance.

Again, thank you for coming to Texas and for the opportunity to submit these comments.

Written Statement of
Mr. Nolan Niehues
before the

Committee on Agriculture
U.S. House of Representatives

May 9, 2006
San Angelo, Texas

Mr. Chairman and members of the committee, my name is Nolan Niehues and I am a full-time farmer from San Angelo, Texas. I also am a director on the board of my local Farm Credit System association, First Ag Credit.

Agricultural lending is our primary business at First Ag Credit, with total assets of over \$1.3 billion and capital in excess of \$193 million. First Ag Credit, FCS meets the needs for farm and ranch real estate loans, operating and agribusiness loans, home loans and equipment and automobile leasing.

On behalf of the association of agricultural borrowers I represent, I want to express our appreciation that the House Agriculture Committee has created this opportunity to provide input into the next farm bill.

My purpose in submitting testimony today is simply to express support for the prevailing sentiment that the 2002 Farm Bill be extended one to two years in lieu of the uncertainty of the World Trade Organization Doha round of trade negotiations, high energy prices and low commodity prices. The 2002 Farm Bill was carefully crafted to provide a safety net to farmers and ranchers while supporting the rural economy of America. The farm bill strengthened our economy by encouraging more than \$62 billion in agricultural exports in 2005. Ensuring certainty of the farm bill's protections and provisions is in the best interest of America and its farmers, in economic terms and as well as in the context of national security.

In addition, I want to call the Committee's attention to a report that has been published by the Farm Credit System, "21st Century Rural America: New Horizons for U.S. Agriculture". This report is the result of an in-depth research and analysis of the current marketplace and the trends and financial needs of agricultural producers, agribusinesses and rural communities throughout the country. This report points out the many changes that have taken place since Congress created Farm Credit and identifies key findings that may prove useful as your Committee begins its deliberations on the 2007 farm bill.

To succeed in today's environment, agriculture and rural communities need reliable access to capital, financial services and the expertise necessary to sustain a strong economic future. Farm Credit can help ensure that access. With modest, incremental changes, Farm Credit can play an even more vital role in helping strengthen agriculture and rural America. We hope to work closely with this Committee in the coming months to explore policy solutions that will enable agricultural producers, rural businesses and rural communities to more fully access the financial resources of the Farm Credit System.

We look forward to serving as a resource to you in this regard and appreciate the opportunity to submit this statement today.

REVIEW OF FEDERAL FARM POLICY

SATURDAY, JUNE 10, 2006

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Yakima, WA.

The committee met, pursuant to call, at 10 a.m., at the Yakima Convention Center, Yakima, WA, Hon. Bob Goodlatte (chairman of the committee) presiding.

Present: Representatives Moran, Peterson, Cardoza, Costa, Salazar and Larsen.

Also present: Representatives Hastings, Walden, and McMorris.

Staff present: Kevin Kramp, Bryan Dierlam, Alise Kowalski, Tobin Ellison, Mike Dunlap, Jamie Weyer, Rob Larew, and Christy Birdsong.

OPENING STATEMENT OF HON. BOB GOODLATTE, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF VIRGINIA

The CHAIRMAN. Good morning. I'm Bob Goodlatte, chairman of the House Committee on Agriculture, and this hearing of the committee to review Federal farm policy will come to order. I will keep my remarks brief to allow plenty of time for our witnesses to share their thoughts with our members.

First and foremost, I would like to thank you all for coming out to join us here today for the committee's seventh field hearing. We're reviewing the 2002 farm bill and looking ahead to writing the next farm bill. In our six previous field hearings, we heard from a variety of witnesses representing various regions of the country, unique agricultural environments of each region.

I'm pleased to be here today in Yakima to hear from our witnesses about how the current farm bill is working here in the Pacific Northwest, and the purpose of this hearing today is to gather some key facts from producers on the 2002 farm bill which is set to expire September of next year.

To ensure that American agriculture remains competitive and our producers can continue to provide fellow Americans with a safe, affordable, and wholesome food supply, we must make sure that our producers are equipped with an adequate safety net. As we've travelled throughout the Nation, the feedback we receive from our producers will give us a good sense of how these policies work in practice and what improvements can be made within the budgetary constraints that we face in Washington.

Today's producers face higher input costs due to the rise in energy costs, yet more environmental regulations, as well as trade

issues. These challenges are further compounded by a misperception of farm programs in many areas of the country.

While my colleagues on the committee and I realize the vital role the American farm policy plays in sustaining agriculture for our national economy, as well as our national security, many of our urban and suburban colleagues do not. Well, you can be sure that we'll do our best to educate our colleagues. We need your help, and I urge you to voice your concerns to Members of Congress outside of the agriculture committee, as well as to the media and local communities and spread the message about the importance of U.S. agriculture beyond rural America.

I'd also like to thank Representative Rick Larsen, the committee's Washington State representative for hosting today's hearing. I thank Representative Larsen and his staff for all of their efforts facilitating this hearing, and additionally I would like to thank three Members of Congress who are not members of the committee, and we'll say more about each of them in a moment, but they're all vitally interested in agriculture, including Congressman Doc Hastings, whose district we are in, as well as Congresswoman Cathy McMorris from eastern Washington State, and Congressman Rick Walden, who represents the eastern half of the State of Oregon. All have been vital contributors to the formulation of agricultural policies in the Congress.

I'd also like to thank the witnesses who will be testifying today. These witnesses are themselves producers with livestock, crops, fields, and forests, and I appreciate the time they've taken out of their busy schedules to be here to speak with us today.

In early May we launched a new Web form on the committee Web site that will allow producers throughout the Nation to provide their input about the future of Farm Policy. I want to extend an invitation to everyone here today, as well as your fellow producers across the country, to visit our Web site and tell us what you think about current farm policy and what you'd like to see for the future.

We do have cards available with more information about the Web form that you can pick up on your way out today.

Just visit www.agriculture.house.gov, check on the feedback box to fill in the form. While the information will be submitted on the Web site, it will not be part of the record, but will be valuable to our members as the farm bill debate gears up early next year. We look forward to receiving your input.

Speaking of input, I look forward to the testimony of the witnesses coming forth today, and I respectfully request that other members of the committee submit their opening statements for the record so that we may proceed with our first panel of witnesses, with one exception, and that is, of course, our distinguished ranking member of the committee who I'm delighted to have also been able to participate in all of the hearings that the committee has held to date, and that is the gentleman from Minnesota to my right, Collin Peterson.

OPENING STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. PETERSON. Thank you, Mr. Chairman, and I want to thank all of you for coming out and taking part in this hearing, and I want to thank the chairman for keeping us out on the road as we travel across America to find out what people think about current farm policy and where you think we ought to go in the future.

I also want to thank our host here today, Mr. Larsen, who is a very valued member of the committee on our side of the aisle, and someone who I have come to work with on a lot of issues regarding agriculture. You've been a good source of information for me about what's going on out here in this part of the world.

We grow some crops in Minnesota similar to what you do here in Washington State, but we don't grow a lot of things that you grow here. So we value his input and his work on the committee, but he's been great member of the committee.

And also, Doc, we appreciate your hosting us here in your district and getting a chance to visit some of your folks last night. And Cathy and Greg, we welcome you here, as well, and we trust we'll have a good overview of this part of the world here today.

But we're here today working together as Democrats and Republicans. We cannot be that partisan on the Agriculture Committee. The divisions that we have are more likely regional or commodity to commodity than they are Democrat and Republican. So we try to work together on a bipartisan basis to do what's best for agriculture, and frankly there's so few of us left that represent farm country that we don't have any choice to do it that way if we're going to be successful.

And one of the major challenges that we're facing as we write this next farm bill is how do we put a bill together that benefits all parts of the country and that supports all parts of the country, and that's why these hearings are important.

So we're here today to hear what you think about the current bill, which a lot of us were involved in writing, and whether you think it's good or bad or what we should do or what we should do without in the future.

In Minnesota we have been leaders in a lot of different areas. We are very much interested in moving towards more value-added agriculture. We've got a big livestock industry in Minnesota, particularly turkeys. We're the biggest in the U.S. in turkey production. And that's an important thing if we're going to survive in agriculture, to maintain a livestock industry in this country.

But the other thing that we're leaders on in Minnesota is in renewable fuels. We are way ahead of the rest of the country. We've had a 10 percent ethanol mandate for 10 years, and we now have a 2 percent biodiesel mandate in Minnesota. We have the most E-85 pumps in any State in the United States, and we are very excited about the future of renewable fuels. I think this is going to revolutionize agriculture in the United States.

And so one of the things that I'd like to hear about is if what is going on out in this part of the world in terms of renewable energy and kind of interested in looking at—we are, or I am, looking at some different ideas that we could maybe incorporate into the

next bill and try to make this industry move along a little faster to make sure it that stays in the hands of the producers as much as possible.

In Minnesota, right now it used to be—I'm also the biggest sugar beet, sugar production district in the United States, and that is the most profitable industry that we've had in Minnesota until ethanol came along. And right now we are making more money off ethanol than we ever thought we'd make in agriculture. And so we're excited for the future, and we think this is something that work all around the country.

So I appreciate, again, all of you being here, appreciate all of the committee members taking their time to be out on the road with us and look forward to hearing the testimony of our witnesses.

The CHAIRMAN. I thank you gentlemen, and at this time I'd like welcome our first panel: Mr. Larry Olsen, apple producer from Prosser, WA; Mr. Kraig Knutzen, potato, pea, and wheat producer of Burlington, WA; Mr. Ron Rivers, pear producer of Parkdale, OR; Mr. Steven Danz, asparagus producer of Mesa, WA; Mr. Mike Youngquist, raspberry, cucumber, cauliflower, strawberry, spinach seed, cabbage seed, beet seed, and green pea producer of Mount Vernon, WA, and we are delighted to have all of you.

We would remind you that your entire written statement will be made a part of the record, and we'd ask that you limit your statement to us to 5 minutes, and we'll start with you, Mr. Olsen. Welcome.

**STATEMENT OF LARRY OLSEN, APPLE PRODUCER, PROSSER,
WA**

Mr. OLSEN. Well, I'd like to welcome you here today, Mr. Chairman, and your distinguished colleagues. It's certainly a privilege for us to have you here. Great for the people of the local area to have so many congressmen come to this location, pretty rare event for us, and thank you for allowing us to share our thoughts on Federal farm bill policy today.

In 1906 my grandfather migrated here from Norway and planted some of the first apple and cherry trees in the lower Yakima Valley. And in 1972, after getting degrees in both journalism and advertising from the University of Washington in Seattle, my brother and I started our own farming operation in the Lower Valley buying 80 acres of apple and cherries from a family friend.

Today my brother, Dick, and I farm 465 acres of apples, 150 acres of cherries, 270 acres of concord grapes, 800 acres and 18 varieties of wine grapes, 385 acres of hops, 35 acres of blueberries, and about 100 acres of wheat. Apples in Washington State represent about a 183,000 acres of irrigated farmland and are grown on over 5,600 orchards. Washington apples are a billion dollar plus crop. About 60 percent of the Nation's apple production comes from this State. I do know that there are a lot of apples produced in your State, too. Thirty percent of our State's annual crop is destined for overseas market, contributing favorably to the balance of trade. Of all U.S. apples exported, over 70 percent originate from this area.

Sweet cherries are also a very important crop to this part of the country. In about one week we will begin harvesting cherries at

Olsen Brothers, and our workforce will increase to about 500 people. Pacific Northwest has about some 3,500 cherry growers. The market value of this crop is about \$430 million. The Pacific Coast dominates national sweet cherry reproduction with our State leading the way.

Thirty percent of our annual cherry production is also sold overseas.

Once again, thank you for inviting me to testify on 2002 farm bill and how current and future challenges might be addressed in the next farm bill. While chairman of the Washington Apple Commission and later as chairman of U.S. Apple, I frequently requested support from Congressman Larsen, and my own Congressman, Doc Hastings, on a variety of programs needed by specialty crop producers, and apples in particular.

I must admit feeling that in the past fruit and vegetable growers have been treated in the farm bill like stepchildren. However, I am not here to advocate price support for fruit growers or for any other crop that I grow, for that matter. However, I ask this committee provide additional support for programs that enable growers like me to compete in free national and international markets.

If I may highlight a few programs most important to Olsen Brothers, first, thank you for increasing the funding for Market Access Program. This is an excellent foreign market development tool for Northwest cherries growers and the Washington Apple Commission and their programs coordinated through the USDA's Foreign Agricultural Service. The Technical Assistance for Specialty Crops, TASC, has also been helpful in our fight to keep export markets open.

Second, I hope you all agree it is in the public interest to fight the current obesity epidemic and other nutritional challenges by encouraging consumption of fresh fruit and vegetables. In our schools and within Federal Feeding Programs such as WIC, this will aid producers like me while improving the health and nutrition of our Nation's children and the public at large. Significant additional funding needs to be committed to this overdue effort.

And finally a pet peeve of mine, which is research. It has been frustrating to frequently feel the need to fight a rear guard action against administration attempts, both Republican and Democrat, to cut research funding. Thank God for Congressman Doc Hastings for protecting research which enhances my ability to compete with foreign producers, often heavily subsidized by their own Governments, and usually with much lower labor costs.

All of us in labor-intensive agriculture are very concerned about the immigration issue. I implore you to fund research into labor-saving alternatives such as are being promoted by our Washington State Tree Fruit Research Commission.

If you only remember two words of my testimony today, I hope it is "Technology Roadmap." This is a blueprint for research programs enabling bundling of current technology for deployment on farms to enable greater efficiency and reduced labor. The most successful companies and countries are those that invest heavily in research and development.

In closing, I urge you to keep more detailed farm bill testimony that will certainly be offered in the coming months by such groups

as U.S. Apple, United Fresh Fruit and Vegetable Association, and the Northwest Hort Council. I hope your visit here is enjoyable and that my testimony aids in your deliberations.

The CHAIRMAN. Well, Thank you, Mr. Olsen. I have no doubt that it's an important contribution.

I'm now pleased to welcome Mr. Knutzen.

**STATEMENT OF KRAIG KNUTZEN, POTATO, PEA AND WHEAT
PRODUCER, BURLINGTON, WA**

Mr. KNUTZEN. Thank you, Chairman Goodlatte, committee members and representatives.

My name is Kraig Knutzen. I am part of a fifth generation family farming operation in the Skagit Valley of western Washington on the other side of the Cascade range, which lies in the Second Congressional District.

We farm 2,000 acres of potatoes, green peas, grass, seed, corn and wheat. Potatoes represents half of our acres. We grow and pack primarily for the fresh market, but we also export a portion of our crops to Mexico, Canada and Asia. Potatoes have been part of my family for as long as I can remember. I also recently served as chairman of the U.S. Potato Board.

Today I am representing the Washington State Potato Commission as a member of the Washington State potato industry. The Washington State Potato Commission works with approximately 350 potato growers throughout Washington. Potatoes are the second largest crop grown in the State with an annual farmgate value of approximately 500 million. Washington State exports half of its potato crop and accounts for nearly one-third of all potatoes and potato products exported from the United States totalling nearly 500 million in value-added exports from the ports of Seattle, Portland, Tacoma and in the year 2001 alone.

A study of economic impact of the Washington State potato industry shows that potato farming and related processing contributed to over 3 billion annually to Washington's economy. This translates to over 27,000 jobs.

There is a disparity in the current farm bill that needs correction. 92 percent of the commodity spending was paid on five crops representing only a third of the growers in the United States. The majority, the other two-thirds of the farmers, many specialty crop growers like myself, received very little support from the current farm bill.

Potato growers do not want traditional programs with direct payments, but need assistance in other program areas. The Washington State Potato Commission is part of a national coalition of specialty crop producers advocating for a change in this disparity. We are advocating for the following policies.

Number 1, nutritional programs, we support a very strong new focus with the 2000 farm bill on increasing the access and availability of fruits and vegetables, especially to children. We support development of the Nutritional Promotion Program to assist producers in enhancing their markets and improving diets of Americans and a general requirement that USDA Feeding Programs and commodity purchasing comply with the 2005 dietary guidelines.

Funding State organizations such as Access to Foods Coalition in Washington State is another method for improving nutrition. Access works with food service providers and delivery points such as Seahawk Stadium, as well as schools and work sites to promote policy changes that make healthy food available where citizens, live, learn, work and play.

Second, State block grants, we support an expansion of State block grants for specialty crop programs originally authorized for the Specialty Crop Competitiveness Act of 2004 and funded through the appropriations of fiscal year 2006 Agriculture appropriations bill.

Due to the wide diversity and localization needs of specialty crop producers, State departments of agriculture are uniquely able to assist growers with their specific investments. They need to increase our competitiveness.

Third, international trade, we support programs to increase foreign market access and to increase funding with the Technical Assistance for Specialty Crop Programs and to create new export divisions with APHIS to attack with much greater vigor the real but too often hidden barriers facing our industry of sanitary/phytosanitary issues. We also strongly support Market Access Program.

Fourth, invasion of pests and disease, we support significant new investment in the prevention and unintentional introduction of plant pests and disease. Investment and protection is more cost effective than mitigation. A recent find of potato cyst nematode in Idaho, for example, is the need for a tighter border controls. This find was the first in the United States of this devastating pest.

No. 5 is research. We support significant new investment in research for specialty crops through both national research initiative and programs within CSREES and ARS.

Six is unique attributes for specialty crop producers.

Due to the nature of high-value specialty crop production, many current farm bill programs and disaster programs are of limited benefit to specialty producers due to the payment caps. Limits on adjusted gross income limits of off-farm even integrated to farming operations.

We support a thorough review of all farm programs to ensure that specialty crop producers have access to benefits comparable to other farmers, rather than being excluded or limited simply due to the cost of our higher production.

And last is conservation programs, we support the mandatory allotment of funding for specialty crop production within EQIP similar to what currently exists for the livestock industry.

Thank you for this opportunity for the Washington Potato Growers to be part of the dialog in developing this new agriculture policy. Please feel free to call upon us for any resources in the future in the implementation of this new farm bill. I would welcome any questions you might have. Thank you.

The CHAIRMAN. Thank you. Mr. Rivers, welcome.

**STATEMENT OF RON RIVERS, PEAR PRODUCER, PARKDALE,
OR**

Mr. RIVERS. Mr. Chairman, members of the committee, on behalf of myself and all Oregon pear growers, I want to thank the House Committee on Agriculture for inviting me to testify today. My name is Ron Rivers. My family lives and farms in the beautiful region of Hood River, Oregon.

We are third generation farmers with the fourth generation ready to take over. We farm pears on just under 200 acres. Our family's pear production exceeds 6 million pounds per year. All major pear varieties are produced by our farm.

I am here today to provide comments about the farm bill from a grower's perspective. The 2002 farm bill began to recognize the importance of specialty crops and their economic importance within the agricultural sector. The majority of growers in Hood River and in Oregon are specialty crop producers. For example, Oregon's No. 1 agricultural crop is nursery stock. Pears are not far behind at No. 9 in value. For years specialty crop producers, such as myself, have largely been unable to access funds and services provided by the farm bill until 2002.

As you know, as a specialty crop grower, I do not receive subsidies. I do not receive direct loan payments. I was pleased to see recognition of the importance of specialty crops in the 2002 farm bill. I would like to see that recognition increased in more programs tailored to our industries.

For example, under the Conservation Security Program, Middle Columbia-Hood Watershed has had more approved applications than any other watershed in Oregon. The Middle Columbia-Hood Watershed has 246 CSP applications. Oregon overall has 718, representing a dollar amount of over \$19 million to local producers.

These are local producers who have been, and are continuing, to use farming practices that enhance wildlife habitat, conserve water, protect water, lower farm chemical inputs, monitor soil health, use non-petroleum fuels, and generally conserve and enhance our natural resources. The entire public benefits from these practices. Until the availability of the CSP program, these practices were funded entirely by the grower, yet benefitted everyone who has an interest in clean air and clean water. CSP is a valuable program extensively used and should be continued and expanded.

The second program that provides direct help for the environment of our land and water is Environmental Quality Incentives Program, EQIP. Like CSP, it allows local producers access to programs to help meet the intent of State and Federal legislation, such as the Clean Air and Clean Water Acts. This program benefits everyone who lives in our State and Nation.

As one of the many roles that I have within the pear industry, I am elected by my peers as the Oregon grower representative on the board of directors of the Northwest Pear Bureau. The Northwest Pear Bureau is the marketing and promotion arm operating under a Federal marketing order for our pears.

I cannot overstate the importance of the Market Access Program to our industry. The MAP program allows us to continually open new markets for Oregon and Washington fresh pears. Approximately 35 percent of all pears are exported.

The 2002 farm bill increased MAP funds from \$90 million to \$200 million. These funds are essential to our industry, and I urge you to continue with them. The MAP funds, although viewed by some as corporate welfare, directly benefit me, the grower. Without the assistance to open foreign markets, the domestic market would need to absorb the pears that are currently exported.

As you know, as a producer of a raw agricultural product, I must compete globally with other producers. These producers have far less regulations and much lower labor costs. MAP funds help level the playing field in the global marketplace.

Section 10603 of the 2002 farm bill is a very good start in providing more fruits and vegetables and other specialty crops for use in schools and food service program. Given the documented problems of obesity and childhood diabetes, this \$200 million is a very good start. Not only does this program benefit our children who are participating in School Lunch Programs, it provides additional outlets for fruit and vegetable producers. This program should be greatly expanded.

The same can be said for section 4301, which deals with commodities for the School Lunch Program. Our pear industry participates in commodity purchases for the School Lunch Program.

Another program in the farm bill is food stamps. I would like to see what I call "green stamps" as part of this nutrition program. The concept is simple. Green stamps would be food coupons that are required to be used on fresh or processed fruits and vegetables. A percentage of the client's food stamps would be in these green stamps.

Such a program would go a long way, once again, in fighting obesity and diseases related to it. It would also go a long way in meeting the recommended 5-a-day servings of fruits and vegetables. A Green Stamp Program would also benefit growers by increasing the market outlet for our produce.

Mr. Chairman, members of the committee, I do need to take just a few more moments on immigration policy. Although immigration policy is not part of the farm bill, I am a grower of a perishable commodity. If I do not have the labor to harvest my pears, no number of farm bill Programs or dollars from the USDA can keep me in business. Wages are not the issue. Available and willing labor is the issue. H-2A programs, without a huge overhaul, is not the answer.

As a third generation family farmer, my son, Aaron, the fourth generation, will not be farming unless agriculture is granted a Guest Worker Program. Without a Guest Worker Program, Rivers Orchards Incorporated will be history, and the 2007 farm bill won't matter. Thank you for the opportunity to testify before you today.

The CHAIRMAN. Thank you, Mr. Rivers. Mr. Danz, welcome.

**STATEMENT OF STEVE DANZ, ASPARAGUS PRODUCER, MESA,
WA**

Mr. DANZ. My name is Steve Danz, and I'm an asparagus grower from Mesa of Franklin County, Washington. My grandparents were among the original pioneers of the Columbia Basin Irrigation Project. Our family has been farming in the Basin since 1956 when they broke it out of sagebrush. My father planted asparagus in

1986, and for the last 20 years, I have been involved in the production of asparagus. I am a board member of the Washington Asparagus Commission.

The Washington Asparagus Industry and the U.S. asparagus industry are facing two critical issues, which if left unaddressed, it could lead to the elimination of the asparagus industry: Unfair trade agreements and problems relating to immigration.

I would like to describe the situation the United States asparagus growers are facing as a direct result of the Andean Trade Preference Act, the ATPA. In 1991, the U.S. Government decided to give trade preferences to the then tiny Peruvian asparagus industry in hopes that it would encourage their growers to switch from coca leaf and opium.

When the ATPA extended duty-free access to the Peruvian asparagus, imports of fresh Peruvian asparagus accounted for slightly more than 4 million pounds annually. In the absence of the tariff, however, an industry was created in Peru. Now imports increased to 87 million pounds, or more than 2,000, and imported asparagus has increased by 2,400 percent.

In the U.S., asparagus acreage has dropped from about 90,000 acres before the ATPA to just under 50,000 acres in 2006. Washington State, which in 1991 was the No. 1 producer of asparagus in the United States, had 32,000 acres. Prior to the ATPA, the Washington canned over 55 million pounds of asparagus, representing a little over two-thirds of this industry's production.

As of 2006, we have lost more than two-thirds of our acreage, and every asparagus canner has left the State and has relocated to Peru. The largest and most automated asparagus processing facility in the world located in Dayton, Washington, was packed and shipped in its entirety to Peru to take advantage of the duty-free access to Peruvian asparagus.

The closure of these plants have caused wide-spread job layoffs in the rural communities. The Washington Asparagus Commission estimates that the cumulative economic losses to rural eastern Washington due to the Andean Trade preference Act has exceeded a quarter of a billion dollars.

Since the creation of the ATPA in 1991, the flow of drugs has continued. The benefit of the ATPA must at least be questioned. Whatever benefits that have been garnered from the increased trade with Peru in the case of asparagus, it has come from a high cost to the asparagus growers and handlers in the communities of California, Washington, and Michigan.

Recently the U.S. Government signed a U.S.-Peruvian free trade agreement that will permit the duty-free access of asparagus. The U.S. Government had an opportunity to negotiate a truly free and fair trade agreement with Peru. Unfortunately, this did not happen. The U.S. asparagus industry, which supports the leaders from Washington, Michigan, and California, requested the U.S. trade representative portsman that the pre-ATPA tariffs be imposed during the 3 months of the year that constitute our domestic asparagus harvest.

The U.S. asparagus industry agreed to support the free trade agreement with Peru if the U.S. and Peru would agree to phase out the U.S. tariff over 15 years, starting at the most favored Nation

rate. For those months when the U.S. has domestic production on the market, Peru would have permanent duty free status for the rest of the year.

This is no more protection than any other sensitive commodity would receive, and yet it was more than our Government could do for this industry that is small in national terms, but so important to local communities. Our Government adopted the Peruvian Government's position and gave our competition what it asked for. Our industry received nothing.

We believe the U.S. asparagus growers deserve compensation for having their livelihood sacrificed for a failing drug policy, and the U.S. Government refusing to provide them with a transition period in the Peruvian free trade agreement, similar to what other sensitive commodities received.

In addition, we believe that trade adjustment assistance for farmers is not working. The qualifying criteria are a fall in the average national price of 20 percent. The program does not recognize the loss of the U.S. asparagus industry because while the industry is disappearing, average national price for a 12-month period have not fallen by that amount. When this program is reauthorized in 2007, we request the criteria be adjusted so that it takes into account the loss of acreage or an import surge.

The second looming crisis facing our industry is immigration reform.

The CHAIRMAN. Dan, you need to bring your remarks to a conclusion.

Mr. DANZ. OK. We need more people to work in the asparagus industry. In 2005, our industry barely had enough workers to cut asparagus. And 2006, we do not have enough, and the commission has figured we had 15 percent of our fields had to be cut short, early, because we didn't have enough people working for us. Thank you.

The CHAIRMAN. Thank you very much. Mr. Youngquist.

STATEMENT OF MIKE YOUNGQUIST, RASPBERRY, CUCUMBER, CAULIFLOWER, STRAWBERRY, SPINACH SEED, CABBAGE SEED, BEET SEED AND GREEN PEA PRODUCER, MOUNT VERNON, WA

Mr. YOUNGQUIST. I am substituting for Monty Maberry. He submitted his written testimony, and I totally support that and the national berry crops initiative and the specialty crop industry priorities for the 2007 farm bill.

My remarks are to you, with two terms, research and marketing, is what small fruits need. More money and research is long-term and innovative methods of marketing, and I want to thank the committee and Congress for supplying funds for the Small Fruits Research Center of Oregon for our berry industry and the grape industry. It was very important, the money you're providing to ARS and CSREES, and we wish both were increased.

As an ad lib, I'd like to encourage a change in the USDA housing, if you have any influence on that, to allow farm worker housing in the flood plane. For our older agricultural areas, this is a very important.

And the next issue I wanted to talk about was immigration reform. And I spoke to Representative Larsen about how to do the testimony, and I wanted to give the talk that I would give to you out behind my barn, and I'm sure you would return with a new vocabulary and an increased interest in solving the problem. But since I can't do that, I want to express an example, and maybe you can see the similarities.

You in Congress probably get paid over \$100,000 a year. How would you like to work for half of the minimum wage for the hours you put in? I know you put in way more than 40 hours a week, but you could get paid maybe \$2.50 and \$3 an hour, and that's what you would live on. The balance of your wages would be invested in your specialty crops farming cooperation.

Also you would invest your retirement benefits in your specialty farming operation, and your health benefits would be minimum with the highest deductibles, and you would have to do this for at least 20 years, whether you were reelected or not. And then at the end of that time, and during that time you've got to realize you're stuck because it's easier to divorce your wife than to get out of your farm.

And so when you're doing this, I want you to think how you would think of Congress's action on immigration. Do you have confidence in making that investment in Congress's ability to find a solution? Do you have that confidence?

Would you put the kind of money that you need to do that, the million dollars you need to invest in your farm to 2 million? Would you do it? And that's how critical it is to us in agriculture and how necessary it is you take this issue on and find a solution for it.

I have listed some examples of things that haven't been discussed in the media that I think would solve some of the problems that we have that you need to address. It's not an easy solution. I have to praise Senator Craig and Senator Kennedy for taking 40 years of animosity between the farm labor groups and the agriculture groups and working out a compromise called the agriculture jobs bill. I have to support it because I agree with that compromise. There are many improvements that can be made, and you can do that.

I also have to support Senator McCain for taking the flack and pushing it and expressing leadership, as well as President Bush and President Fox. We have to find a way for energetic people to work in this country in our industry.

And I would have to say that the solution for value-added agriculture, if we're going even look at research and marketing, do have to solve this immigration issue, but the long-term solution is you have to help us with the products we grow in this United States under the highest quality standards to present those products to the consumers, the consumers who are demanding them, and it's very difficult for them to identify them.

And if we're going to be in the race for the bottom for the cheapest production area and the cheapest commodity, we're going to lose when it comes to world trade negotiations. There will be a bank machine on every corner of the world, and agriculture will leave the United States. Thank you.

The CHAIRMAN. Thank you, Mr. Youngquist.

Now we'll turn to members of the committee to ask questions, and I'll start.

First of all, all of you as specialty crop producers of the various kinds, I'd like to ask you what your highest priorities are in terms of what we could put into the next farm bill that would address—you mentioned a number of things. Mr. Youngquist, you put yours right out in front by saying research and marketing.

But we'll start with you, Mr. Olsen, and you had some specific programs that are already in place that you'd like to see enhanced or improved or if you aware of some new programs that you think would help your sector of the agricultural economy, what would you like to see in that farm bill. One or two. Don't go back to your whole testimony. Give me your priorities.

Mr. OLSEN. Research is absolutely fundamental to my future success. That's going to allow me to find ways to compete in the world marketplace. I'm duplicating my testimony, but there are so many areas where research can be employed that are going to benefit me, help me be a more effective producer.

I'll share with you that on Monday, the research commission is bringing a company up from southern California to do a study on robotics on the various crops that I grow, funding research into that sort of thing. There are just so many, so many ways that research can benefit my operation. Beyond that, once again, I have to stress the importance of nutrition that fruit and vegetables play in the public.

The CHAIRMAN. Let me get to the others. Mr. Knutzen.

Mr. KNUTZEN. I just want to enunciate the issue of disparity between my crop and the issues in the farm bill and the major crops. Obviously we're also concerned about the nutritional programs, and trade is a huge, huge issue for us since the initial round in 1995 we've seen a positive trade balance of \$680 million go to a deficit of \$2.295 billion.

The CHAIRMAN. Mr. Rivers.

Mr. RIVERS. Yes, I certainly think research is very, very important, but I'd like to reiterate the fact that our lesser products take a real back seat in the farm bill funding to all the major crops.

The CHAIRMAN. Mr. Danz.

Mr. DANZ. I'd have to say the 3-month tariff during our domestic harvest time.

The CHAIRMAN. And all of you mentioned pest and disease exclusion as an important issue, especially in light of the global marketplace, and I wonder if you have any suggestions or solutions to effectively deal with that problem? Anybody? Mr. Olsen?

Mr. OLSEN. Well, personally I think that the mechanisms are in place in USDA to deal with those issues. Our concern has been in the past few years whether politics will trump science, and if science can be allowed to determine the safety and phytosanitary issues, rather than letting the need to have China, for example, help us in the North Korean issue, and let the politics of that sort of thing trump science and let them have—did I address your question, sir?

The CHAIRMAN. Yes, yes. Mr. Danz, what about conservation programs that you found particularly helpful, are there any measures

that would help apple or asparagus producers to assist them in conservation efforts? And I'll ask that of you, too, Mr. Olsen.

Mr. DANZ. Well, I wouldn't know about apples. I'm not in the apple industry. I can't think of any at this time.

Mr. OLSEN. Sorry, sir. Would you repeat the question? Conservation.

The CHAIRMAN. Current conservation programs that you find particularly helpful, any new ones that you can think of.

Mr. OLSEN. Mr. Chairman, I must admit, I don't know of any new programs in the last couple of years. Conservation is an issue that I didn't address in my remarks, but it is very important to me, and it should be important to every agriculture producer because we're just here as stewards of our land for a short period of time.

And issues relating to soil conservation, which is a huge issue for us out here, we're facing chronic shortages with water, particularly if you could in any way support funding for Black Rock, the reservoir that we need out here, that would be a huge, huge aid to the entire Yakima Basin. It's over a half million acres.

The CHAIRMAN. The gentleman from Minnesota, Mr. Peterson.

Mr. PETERSON. Thank you, Mr. Chairman. Mr. Danz, I sympathize with you on your dilemma. Unfortunately, this committee doesn't have any jurisdiction over that area, and I think we should have. I think that's an area that agriculture ought to be involved in, and if you think you're frustrated, we've been giving up access to sugar in NAFTA and all of these other agreements, and they don't have the excuse they're trying to stop drugs.

They're basically just giving away our market to rich families in Guatemala and Columbia that are going to line their pockets for no good reason. So we understand your pain, and we'll help you if we can.

I think two of you mentioned that you wanted a block grant to research funding. Mr. Knutzen, why would you want to do that? I mean if you can't get USDA to do what you want, so if you give it to the State, you think you'll have a better chance, or what's going on there?

Mr. KNUTZEN. I think the State has closer knowledge to actually—

Mr. PETERSON. Why doesn't USDA have that knowledge? They're supposed to take care of the whole country. I have a little bit of a problem when you keep giving this money to the State, and then they take all the credit for it. I just don't understand why we have to do that. So that's really a problem that USDA is not as responsive as what you think.

Mr. KNUTZEN. And sometimes USDA has blanket programs that don't fit the individual niches of the areas that we're dealing with. So that's a lot of the problems that we've had is the blanket program sometimes doesn't fit the specialty niche.

Mr. PETERSON. And you mentioned, too, I think in regard to something else that you wanted a block grant, Mr. Danz, is that kind of the same thing. You agree the USDA has not been responsive, something about Washington and Michigan?

Mr. DANZ. It might have been one of the other ones.

Mr. YOUNGQUIST. I'm somewhat familiar with these program, and the Small Fruits Research Center I talked to deals with that.

It's got USDA money for scientists, it's got CSREES money that's given out in competitive State grants, and it's done on a regional basis on multi-crops.

And one of the reasons block grants and competitive grants don't work for what we need in agriculture is they're more or less designed for what the researcher's wanting to work on in his area and not in the farming area of our need, and so that's why you need the State researchers that have access through their experimental stations, and so you need a combination of both.

Basically USDA researchers are more basic. CSREES researchers are a little more practical, and so we can't take one over the other. We need a combination.

Mr. PETERSON. Mr. Chairman, I suggest maybe we ought to do some oversight in this area. But the other thing, none of you brought you up this fruit and vegetable planting prohibition. Is this not an issue here? We're heard that other places that there's a lot of fruits and vegetables grown that they want to maintain that prohibition that you can't—or that if you plant on program acres, you lose your base. Is that an issue with any of you.

Mr. KNUTZEN. I think it gives a competitive advantage to those people who plant fruits and vegetables on program acres.

Mr. PETERSON. Right. So you are concerned about that one.

Mr. KNUTZEN. Well, yes. I think it's something that needs to be—

Mr. PETERSON. Because there's a number of people who want to eliminate that, basically open it up completely. Is that an issue here or not? That's what I want to know.

Mr. KNUTZEN. I would be competing against acreages then that are already subsidized. So, yes, it would put me at a competitive disadvantage.

Mr. PETERSON. So you would not be in favor of that.

Mr. KNUTZEN. I would not be in favor of it.

Mr. PETERSON. Mr. Olsen.

Mr. OLSEN. I agree.

Mr. RIVERS. I agree.

Mr. YOUNGQUIST. One of the dilemmas, you're talking to people here that don't receive a lot of Federal money through the program, and we're relying on—

Mr. PETERSON. So not a big feature here if you don't have it on the program?

Mr. YOUNGQUIST. We receive very little Federal money, and so since we're not farming the program, we're not well versed in it.

Mr. RIVERS. That's true. Very true.

The CHAIRMAN. I thank you, gentlemen. The gentleman from Kansas, Mr. Moran, is the chairman of our General Farm Commodities and Risk Management Subcommittee, and he has also been one of our most dedicated attendees of our hearings.

He's been to every one of our full committee hearings, and he's conducted several subcommittee hearings, as well, and he's getting all around the country and listening, and he's here to listen to you.

Mr. MORAN. I am pleased to be here to listen to you, and I thank the chairman for bringing us to Washington State.

This is my second visit to Washington State. The last one was Seattle, WTO, and it was a much kinder welcome here. Appreciate

your hospitality. I've only experienced tear gas once in my life, and it was in Washington State.

I come from the part of the country where program crops dominate. So your testimony is very direct, and it's important for me to know and understand. The district I represent is a wheat, corn, grain, soybeans, livestock and dairy district, and programs provided by USDA are an important component of our farmers' and community income.

Having said that, I am one who believes that the farm bill must treat specialty crops in a fair way and was very supportive of the efforts in 2004 to advance that effort with our specialty crop legislation, and believe that the next farm bill of 2007 has to take that further along the road.

I think that for practical reasons, those of us who care about agriculture and care about farmers and ranchers, producers and growers in this country are a very small number in Congress, and if we become divided among ourselves, our ability to enact any kind of legislation advantageous for agriculture for rural America is greatly diminished. That's the practical side. We all need to work together if we're going to have anything accomplished.

And then just a philosophical side, I'm a Member of Congress with who was interested in becoming a Member of Congress because I cared about rural America. My desire is to see that there is a future for communities across America, especially those in my State of Kansas, but really whether you're growing wheat in Kansas or cherries in Washington State, what we're about here is trying to create opportunities for some profitability in an industry that's important to the country, but very important to communities in which farmers are located.

And so if you care about the future of our part of the country, maybe you ought to care about farmers, producers and growers, regardless of what they produce, grow, or raise. So I look forward to working with you.

A subcommittee that I chair is responsible for all farming programs. With almost no exception, we have not had any specialty crops producers who have been interested in becoming a part of the program, but your comments are generally directed towards please make certain that there are a greater number of resources available for research, for marketing, for international trade. We want to make certain we move in that direction.

One of the arguments has also been that the specialty crop producers have not been interested in participating in the farm bill, and that's been a recent development that you now are, and I hope that we can find a way to make certain that we all are satisfied.

Having said that, I think it's awfully important for you all to engage in the battle in Congress over the budget, the dollars that are available for agriculture. Don't wait until we get into a farm bill debate. The size of the pie, the amount of money that we have available to spend on agricultural issues is the initial battle that determines in part the outcome how we relate to specialty crops and programs.

So we've got to increase the dollars, the resources that are there in the next farm bill so that all can benefit, and again, to the best of our ability, we need to avoid the fight.

I understand, Mr. Knutzen, your testimony is very direct about the percentages, and I would think that we will see some changes in that regard in the next farm bill, but this all can be accomplished to the advantage of everyone if we can at least initially win the battle about the budget, with which we then sat down then to write the farm bill under.

Just a couple of questions. CSP was mentioned, is CSP working here well? This started out as a step-child program that almost no one was supportive of. It's now become very popular in our part of the country. The problem is it's only available in certain watersheds. It's created a disparity between farmers even within a county as to their getting the benefit where another farmer is not, and who gets to bid on the land sale.

Is CSP, is it working well here? What are the problems?

Mr. RIVERS. In the State of Oregon, I think it's working very well. To this point it's very successful in our region. Not quite as successful in other parts of Oregon, but it is very effective, very effective.

Mr. MORAN. The focus of research—Mr. Chairman asked a bit about this, but is there a research topic that matters.

Is it about disease and pests? You mentioned robotics, Mr. Olsen.

Is there something that in the fruits and vegetable world that research is the most important focus? Where you put the money.

Mr. OLSEN. Well, I'm afraid to admit that I am not equipped to identify a list of priorities 1, 2, 3, 4, but I assure you there are a host of areas that we could utilize increased research funding. And if you will allow, I can get that information to you after the hearing, sir.

Mr. MORAN. Be glad to hear that. That red light applies to me, as well. So my time has expired, but I also mentioned that the subcommittee has a responsibility for crop insurance, a topic I am reluctant to raise, but if any of you would like to submit it to me afterwards, comments about how we can improve crop insurance in the specialty crop world, we are very interested in that. There's no spokesman for the specialty crops. It's each crop at a time and various people working with you in regard to crop insurance, as well. Thank you, Mr. Chairman.

The CHAIRMAN. I think that's a very good point, that we do want to expand our areas of risk management and expand the crop insurance opportunities into as many crops as possible, and I think it's very much hit or miss in the area that you deal with. So if you have thoughts on that subject, please send them to us. That will be a definite part of our planning for the next farm bill.

Now I recognize the gentleman from the Central Valley of California, who is contrast to Mr. Moran, very familiar with specialty crops. The gentleman from California, Mr. Cardoza.

Mr. CARDOZA. Thank you, Mr. Chairman. I would like to thank you for doing such a great job in taking us around the country and hearing from different industry spokespersons and real-life farmers that are doing the job every day in the fields. Thank you for your efforts on behalf of our country, as well. I would like to thank you, our ranking member, for his leadership.

I want to follow up on Mr. Moran's comments because we've had a lot of problems with regard to disaster programs and crop insur-

ance. I've found in my district it's almost worthless in many cases because when there is a disaster, either it doesn't pay or the cost of getting it is so much that it's not worthwhile in the end. So I'd like to hear your views on that, and we'll go down the table.

I'd also like to quickly have your comments with regard to credit needs. I was particularly interested in Mr. Olsen. You started out with 80 acres and now seem to own half the State, and that is truly something that is remarkable, but clearly you had to have some credit needs along the way, and I'm concerned because I know land prices have gone up for young farmers, and it's harder get into the business now, and I'd like to hear your views on that.

And finally I am very concerned about EQIP funds, whether it's working for you folks and how it's having an impact on if you need it for air quality or other issues that are more important in this part of the region. In my area, EQIP funds are important, and to specialty crop growers, and so you feel to answer any of those three questions as you go down the line. Mr. Olsen, start with you.

Mr. OLSEN. Mr. Cardoza, I can tell you when I was on the board of U.S. Apple, we did address the risk management issue, and it was quite a bit of effort that went into improving it, for apples, in particular, and there was quite a bit of progress in the area of risk management for the Apple Program.

I think the biggest problem still remains the fact that it's unaffordable for what you get. Most apple growers I think say it's not worth the money. It costs too much money for the occasions when we need the program. So it's not affordable.

Mr. CARDOZA. We had a peach grower in my area that was hit with a hail storm early in the year. The insurance required him to do his horticultural practices all the way in, even though we knew that the hail damage was not going to allow his peaches to go to market. So virtually it cost him more to do the horticultural practices than he was going to get from the insurance. Is that your experience, as well?

Mr. OLSEN. That's part of the problem, but it's a program that does constantly need to be upgraded, and it needs more attention. If I can just address the issue of credit, I will tell you that I don't think you'd want to assume the debt that I have today, which is responsible for the growth that we have. But we were very fortunate to get started farming when we did. I hate to think about a young farmer trying to get started in today's climate. But we are very grateful for our association with Farm Credit Bank.

Mr. CARDOZA. It's working for you.

Mr. OLSEN. It's working very well.

Mr. KNUTZEN. I'll touch on crop insurance briefly. We looked into it and tried to work a program as far as seeing if it would flex into our program and work for us. One of the many issues is that, again, a it's blanket program more or less that's set up to fit the needs of the whole Nation.

And the problem is that we're into a Specialty Crop Program where we're growing specialty potatoes, mainly red, white, and yellow potatoes, which are a very high value product.

And the cost of buying into the Crop Insurance Program for the cost that we get back out of it, a good example is I believe the pay was about \$3 a hundredweight. Our cost or our return on our prod-

uct is usually somewhere in the \$25 to \$30 a hundredweight. So the return back out of it what you put into it is negligible, and it's not enough to even help put a band-aid on the problem.

So like I say, there two categories in our production is potatoes and russet potatoes and others, and neither one of the categories fit us. So the problem is it needs to be refined down to more general areas. As far as EQIP, I can't speak greatly to that. Depending on the area, the funds go to different groups and specialty crops are not involved in hardly any of that in Washington.

Mr. RIVERS. Yes. I can speak a little about EQIP in our State. It is a very effective program, and I feel that we need to be putting more dollars in it. It's for the environment, and I think all farmers are stewards of the environment. Crop insurance, it's never been useful for us. It's been too cumbersome in its form. We have no use for it at all.

Mr. DANZ. With the EQIP program, I will concur with Mr. Rivers and say that it is a good program and it helps.

On the insurance part, it's too much, and it's too hard to work the system in the asparagus industry. We have to keep moving on and to figure out what it is because the crop just keeping coming.

Mr. YOUNGQUIST. Credit insurance and EQIP, EQIP is very valuable to the dairy animal industry in our area, and although we don't raise those crops now, our neighbors do, and it's been very helpful. Credit, agriculture hasn't been profitable. Banks have increased their requirement for loans, which tightens up credit, and has put a lot of people out of business.

I have looked at this income insurance program when you started it out as a pilot project in raspberries, and it got expanded I think into apples this last year. And I think that Insurance Program has some potential for replacing disaster. And one of the serious problems is the \$700,000 limitation. Most people in specialty crops are well over that. A family farm that usually grosses well over a million, and oftentimes several million, and it still returns 1 or 2 percent on their money.

But yes, the insurance program costs about 2 percent on the income insurance, and that's about what banks charge for service charges. And somehow or another I feel that we're insuring the banks knowing that the 2 percent, and they're charging 2 percent for us being insured, something is wrong there. I think the banks should pay the 2 percent if they're going to charge us for it, but definitely that's probably the most workable program that has the potential. We're just getting to learn it, but the limits are too way low.

Mr. CARDOZA. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. The rules of the committee allow for Members of Congress who are not members of the committee to sit with us but does not permit them to ask questions of the witnesses. So I'd ask just a unanimous consent of the members to allow Congressman Hastings and Congressman Walden and Congresswoman McMorris to each could ask questions as we rotate back and forth.

If there is no objection, I'll recognize Mr. Hastings at this time.

Mr. HASTINGS. Thank you very much. I noticed the smirk down at the other end, and I appreciate that, but.

Mr. Chairman—

Mr. LARSEN. No, no, I was just curious of what you'd be selective about, but—

Mr. HASTINGS. That's always a danger I guess if we get to that.

Mr. Chairman and members of the Committee, I very much appreciate your willingness to have hearings, not only all over the country, but certainly here in Washington State. I think you've gotten—and more particularly here in Central Washington—I think you've gotten the flavor of the diversity of agriculture that we have here. We call it specialty crops, but as you can tell by the testimony of the witnesses, it's very big business in Washington State, and we want to do everything we can to make sure that it's available.

I like to say that if somebody a hundred years ago talking about American agriculture would have made the observation a hundred years ago when about 40 percent of the American people were involved in agriculture, if somebody had said a hundred years ago that at that time a hundred years hence agriculture would have been reduced to about 2 percent of the population, and yet American agriculture would be able to produce more than we can consume here and still export products overseas, I dare say that a hundred years ago people would have said you're crazy, but that in fact is exactly where we are because of American agriculture, and I think that in many respects, the specialty crops are a very big part of that.

We talked about in testimony how much of the tree fruit industry is exported, for example, and how that helps the balance of trade. What I hear loud and clear, and I've heard in my time in Congress, is the need for research dollars for the respective commodities. What has not been said—and if I'm wrong, please correct me—but in virtually every case where the Federal Government provides research, the commodity matches those dollars. In other words, the industry steps up to the plate, whether they step up through the State with a pair of matching dollars. Am I correct on that?

OK. I think that's an important point to make because it's not research then just for research's sake. It's for a desirable outcome, and let me make one point. I know that, Mr. Olsen, you're in the wine grape business, but one of the things that the Prosser Research Station down the road here has been doing is working on the Wine Grape Foundation block, and what that is is that we have a very robust growing wine industry here in Washington State. We'll never catch my colleagues in California in volume, but we certainly think that we can compete in premium wines.

And one thing to make sure that we keep our mark here is to make sure that the foundation block is disease-free, and that is what has been going on in Prosser so that henceforth as we increase more acreage and continue to make good wines, they will in fact be disease-free. That's one great example, in my view, of what that research can do.

One issue, and I should just ask everybody, because Mr. Olsen in his testimony said pretty specifically, and it's been alluded to—and I guess I just want an affirmation from the other four, Mr. Olsen said that he is not here to advocate price supports for fruit growers.

Would that be the same for all of you that are on the panel?

ALL WITNESSES. Yes.

Mr. HASTINGS. With that in mind then, when you talk about research, and it seems to be in talking to some growers—and let me talk about the potato growers specifically because you talk about potato production in Washington, Oregon, and Idaho, we produce most of the potatoes that are consumed in this country, and we export overseas. Yet a lot of that research is not done out here.

It is done in other parts of the country.

Let me take the wine industry. One of the reasons we have a good wine industry on the west coast is because of UC Davis in California. Seems to me that we ought to follow that with research where the commodities are, and I would invite anybody to comment on that observation.

Mr. RIVERS. Yes. The pear industry is in the infancy stage of trying to move the research station from back east out to the west coast. So you're hitting I think a point with us.

Mr. HASTINGS. Mr. Knutzen, I know you're in the potato industry.

Mr. KNUTZEN. Yes, and there are research centers throughout, and I know they're working very hard on one in our area right now to finish that and continue to research, and part of that is going to be for potato research and other things. So we very much appreciate it because many of the problems and diseases are specific to the area.

Mr. HASTINGS. So maybe we could look at is maybe encourage, or however you do that, especially for the specialty crops, is to provide more of the research done in the areas where those crops are grown, whether you're talking about tree fruit or grow crops or whatever. Good. Thank you very much, and I see my red light is blinking, and.

I again, Mr. Chairman, thank you very much for the opportunity to let me participate.

The CHAIRMAN. Thank you, gentlemen. We now have another representative from the Central Valley of California, another valued member of the committee. The gentleman from Fresno.

Mr. COSTA. Fresno State, another good university that does a lot of viticulture and horticulture.

The CHAIRMAN. Congressman Jim Costa.

Mr. COSTA. Mr. Chairman, I, too, want to thank you and the ranking member for the efforts to take this committee throughout the heartland of America where our farmers, ranchers, and dairy-men do what they have done for generations better than I think any farmers in the world, which is to continue to figure out how they can deal with the challenges of production agriculture in what today has become a global market. I know that personally because I, along with a handful of my colleagues, still engage actively in farming.

My family's farmed for three generation. So sometimes I know some of you when we come to Washington don't think many of us could get a real job, but I do have some marketable skills.

Having said that, I want to focus on a couple of areas here, a number of questions I wanted to ask. Let me just ask my colleague, Congressman Cardoza, too, along with the panel, to give me your thoughts.

First of all, what do you think are the major drawbacks in the current Trade Program and policies for specialty crops, realizing that we are in a global market as it relates to WTO and other bilateral trade efforts that are going on?

Second thing I'd like, none of you have really touched on, I don't think specifically, what are USDA regulations that cause the greatest difficulty for specialty crop producers.

Third, what do you believe, and I guess this is wrapped in a lot of your testimony, but obviously we grow a tremendous levels of specialty crops in the San Joaquin Valley of California. I grow one of those. My family has farmed in different areas, but what do you think is the biggest threat today to specialty crop industries throughout the country.

And then finally I think that when we talk about specialty crops and commodity programs, you touched upon it earlier, but what more do you think we can do as it relates to promoting commodity purchases and Nutritional Programs is an important way to support the industry, whether it's in the School Lunch Program or in other areas, where obviously good health and obesity is a problem in America. So let's start with Mr. Olsen.

Mr. OLSEN. Let me just address two of the issues you've raised, Mr. Costa. First of all, the two biggest threats to specialty crops: Lack of labor, shortage of water.

Certainly that's the case here in eastern Washington.

Mr. COSTA. We don't have any water problems. That would be the subject for an entire other hearing, and I'm sympathetic because you irrigate; we irrigate. We know how the two connect critically.

Mr. OLSEN. Thank you, sir, and the advantage that you have down there is additional reservoir storage that we lack up here. That's what we really need help on.

Mr. COSTA. Folks still don't think we've got enough.

We're working on it.

Mr. OLSEN. I'm sure that's true. I know that's not within this committee's purview, but that is a big, big threat to us. We talked about the trade issues, and the specialty crops are affected there. Sometimes our crops are so small, so insignificant in the big trade pictures that when we sit down and do bilateral trade agreements with foreign countries, the fear on the part of the specialty crop producers is that we'll be lost in the shuffle, that there would will be a tradeoff for a bigger issue, and that we sort of get tossed in as a sacrificial—

Mr. COSTA. Next.

Mr. KNUTZEN. The export deal is a very, very important thing for Washington.

Mr. COSTA. Market Access Program.

Mr. KNUTZEN. MAP, yes.

Mr. COSTA. The 2007 farm bill, you would support a significant effort in that area.

Mr. KNUTZEN. Very much so. Those funds to help open up those markets and work with the issues. Obviously, like I say, so many times the issue is political more than phytosanitary issues and stuff and—

Mr. COSTA. We see those come up even with NAFTA with Mexico and cherries and a host of things last year, the tradeoff on avocados with the Hass family.

Mr. KNUTZEN. The export, like I say, is very, very important.

Mr. COSTA. Mr. Rivers, you're up.

Mr. RIVERS. You have a lot of questions. I'll give a few answers. I think we should continue to support a USDA School Lunch Program. They've been doing a great job, and the funding has been adequate. We need their support in the specialty crop region.

As far as research, we need to continue putting out money for research projects for our industry. Not just for us, but for all of the specialty crops.

Mr. COSTA. I know my balance of time is short here, but.

I would like to ask if any one of you would like to touch on what regulations USDA is promoting or promulgating that has caused you the most problems. And since you're rather timid, Mr. Youngquist, maybe you might want to try that.

Mr. YOUNGQUIST. There's a reason I'm the last one. We have to figure out a way to identify U.S.-grown products.

Our country of origin labels have been a battle that's lost.

I understand that. I think it's hurt our country, and it's hurt a lot of the things that we're doing in specialty crops, and especially when we go to promote healthy, safe products in our schools and to our population. So you've got to work on that issue from another way.

We have a daycare. We run a USDA Lunch Program, and I think we need to identify our products that we're growing in the U.S. through the process area, whether it be canned fruit, processed, or frozen because we can't furnish fresh to the schools in those systems that are being used now to promote fresh because they're only in 1 month a year. Distribution channels are not there.

We're in the infancy of that process now, and I think more work needs to be done on distribution of our fresh products into our tax-supported institutions. I think there's lot of work that can be done, and it would be beneficial in this area.

Mr. COSTA. Thank you very much, Mr. Chairman. My time has expired. I'll save another time to ask further questions in a written statement.

The CHAIRMAN. I thank you, gentlemen, and now it's my pleasure to recognize the gentlemen from Oregon, who is a valued member of the Energy and Commerce Committee and the chairman of the Forestry Subcommittee of the Resources Committee, and therefore vitally interested in issues that affect the agriculture and forestland owners. Mr. Walden.

Mr. WALDEN. Thank you, Mr. Chairman. I want to thank you and the ranking member and your committee for holding this hearing in the Northwest. It's extraordinarily important. You've heard the vast variety of volumes of specialty crops and the unique circumstances we face out here, and the farm bill will be better off for the work that you're doing to listen to these growers from around the country, and especially here in the Northwest. So thank you for coming here.

My great-grandfather grew wheat. John Purdy won an award back in the turn of the 1900's out in Prescott, Washington, and

eventually over in Weston and Athena, where my grandfather took over the wheat ranch, and then he decided growing English prunes in Milton-Freewater was really the ticket for the future for agriculture. My father was in the cherry growing business in The Dalles, and my wife and I raised radio ads. Kind of tells you how agriculture can work its way through a family.

I appreciate all the testimony we've heard off this panel in the hearing today, especially encouraged to hear the strong support for additional research. In my huge district, we have great research facilities. They're doing marvelous things to develop new varieties of wheat to improve agriculture practices and rangeland practices, whether you're in Burns or Pendleton or Hood River or elsewhere.

A lot of questions have been asked already of the panel that are very important. I don't want to diminish those, but we haven't heard as much about what I hear about when I'm out there, and that is the cost of energy and fertilizer, and I wonder if you all could touch on those topics, as well. I fully understand that the need for a guest worker workforce in agriculture.

I tell people the cherries my dad was growing in 1967 would still be hanging on the trees in The Dalles today if we hadn't had guest workers then, and we need them now, but I wonder if you want to talk about the effects you're seeing in your own bottom lines when it comes to the cost of energy, as well as the various incentives we're trying to put in place to encourage the development of new alternative energy sources, suggesting to some of my folks in the Columbia Basin that the most valuable crop they're planting today are the turbines where they're leasing the ground in the fields.

But I'm curious, and you can just go down the panel maybe, talk briefly about what's the impact of the high cost of energy right now, and fertilizer.

Mr. OLSEN. Well, it definitely affects our farming operation. It's a sort of the covert cost. You budget and then you see energy prices increase dramatically. It's a big part of our cost because we have so much equipment and so many different things that we use to grow our specialty crops. So it's very important to us, and you talked about wind turbines, renewable energy. Once again, this is not within this committee's purview, but if I do something to affect my energy cost, it would be to start building nuclear power plants as quickly as possible. That source of energy could take a great deal of pressure off of the energy that needs to be imported into this country, and I don't have anything to do with that or very little.

Mr. WALDEN. Well, actually, I'm on another committee that I serve, and we have everything to do with that.

Mr. Knutzen.

Mr. KNUTZEN. Yes. Where I live, we're within about 30 miles of three major refineries. Subsequently we have the highest fuel price in the Nation, I think.

Mr. WALDEN. I don't know if you've been to visit Oregon, we may be battling for the highest.

Mr. KNUTZEN. The fuel and energy costs are huge, whether it be our product coming in, put the crops in, whether it be our finished product going out, whether it be the fuels that go into our tractors to operate, put the crops in, or their nitrates, right down to the

plastics to package things, everything's got a fuel surcharge on it now for us, and the devastating effect you can't even imagine.

I mean it's multiple percents, huge percents, and it's becoming extremely difficult to pass those on. It seems like it should be easy just to adjust the prices, but that's not always the case. We're ending up taking that off in the margins. And let me tell you, there wasn't any margins to begin with. It's becoming extremely tough.

Mr. RIVERS. As a grower, I can't pass on energy costs.

I have to eat those costs, and the only folks that can pass them on is the sales desk, and they're also being affected by these high energy prices. So we're all affected by them, and what I can do? I really can't do much about it but other than to budget for it and try and make it all happen. It's a difficult situation for all of us.

Mr. WALDEN. Mr. Danz.

Mr. DANZ. The energy is about our second biggest one, labor being our first, and fertilizer right up there.

They're probably all three right tied close together, and yes, they are a big problem. Like Mr. Rivers said, we have to eat that cost. We can't pass it on because there's nobody to pass it on to.

Mr. YOUNGQUIST. Labor, of course, is my biggest, energy is 5 percent of my labor bill, and fertilizer is 10 percent of my labor bill. I'm in a dilemma because I sell my cauliflower in the Northwest. I'd love that fuel price to go up so the California cauliflower costs more in Seattle and I can have the Vancouver market, but I also ship berries to the east coast.

And the practical part of it is that you could load a containership anywhere in the world, it'd be cheaper to New York than we could ship across the United States, and that's why we're running into competition from Bosnia for berries. China's producing strawberries shipping into the east coast. Into the west coast they're taking definite markets away from California and from us in the Northwest. So that's all related to energy.

And so our infrastructure is costing us more, and yet we're dealing in the world market which is lowering our price, and that's a huge dilemma we're in.

Mr. WALDEN. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentlemen. I'm now pleased to welcome another member of the committee who's familiar with the different crops you're discussing, and from Colorado, that's Mr. Salazar.

Mr. SALAZAR. Well, thank you, Mr. Chairman. It's really good to be here among my own, and my wife and I still farm 2,500 acres with irrigated potatoes, wheat and hay, and we have 300 head of cattle.

I understand the dilemma that we all face, especially when it comes to energy costs. My costs have gone up by 110 percent over the last 2 years, and energy and fuel costs and fertilizer has gone up by 40 percent, but I think we have an even major problem, a bigger problem in our forefront.

I think, as we look across the audience, there's not too many of us that have black hair or blond hair anymore. Most of us are either bald, or we're getting a little gray around the edges. The average age of the farmer is now 55 years old or more, and I have grave

concerns about that. Who's going to be farming? Who's going to be producing our food? Is the age of the family farm gone forever.

So I would like to hear from each one of the panelists is how we in the Federal Government could help enhance the young, the Beginning Farmer Programs, or what we do to get young farmers involved or give them the ability to begin farming. We'll start with Mr. Youngquist down on this end.

Mr. YOUNGQUIST. I was going to relax. There isn't much hope for youngsters coming into agriculture. My sons make more money teaching school and being a fireman than they do on the farm. They like their lifestyle a lot better than our lifestyle. They don't like working the long hours. They like having vacations with their kids. They like spending time with the family. I can't understand all of that.

But it's the money. It keeps going up. So what we're seeing is the middle income family farm, there isn't much future. You've got to become very large, or you have to become very specialized and small, and I think you're seeing that in most farming situations. So what can you do about it?

And that's why we're here as specialty crops because really, Congress, hasn't tackled that issue. We've kind of been out there on our own on the outside, and we're getting killed on the world market. And labor and fuel, those three things are the main thing. So research and market promotion are good. They're long-term. What's going to happen in the short-term because we're all going to be dead in 20 years.

And so that's why I'm a little hypersensitive and a little excited about Congress solving this labor problem and allowing us at least a uniform area we can compete because we've got drop a lot of crops, we've got to change, we've got to do value-added. We've got to start smaller operations.

The consumers in this country want locally grown, fresh nutritious, clean product. We have to figure out how to get it to them on a smaller scale because the large businesses now that control the food chain have been successful buying from the cheapest source on the world market, and they've opened up markets for what I'm talking about. So helping coolers, knowledge of that, packaging that type of research, those are some things you can do to help us.

Mr. SALAZAR. Mr. Danz.

Mr. DANZ. Well, I hope to be alive here in 20 years. I haven't reached the average age yet. I've been called the baby in our area. Everybody else around me is 50 or so.

Only thing I can think of is some low interest loans, things that—I don't know where—what, how to get other people involved in the farming because the money you put in, you just don't see it come back, that you can go do something else and get more income out.

We're losing farmers. Probably two, three farmers a year move away from the area because they can go do something else because they're like tired of losing money at this project, and we keep doing little specialty projects, and that's the only way we can keep going.

Mr. SALAZAR. Mr. Rivers.

Mr. RIVERS. Well, when my son graduated from Oregon State University, I didn't want him to come back to the farm.

I said, "Son, go out into the private sector and try something different." Well, he did that for a while, but he loves farming, and I love farming, but if I was a young person today, there's no way I could go out and get started in farming. I don't know if I could do it with Federal help.

It's a very expensive procedure. He's lucky because we're a third generation farm, and we're pretty well-established, debt-wise and everything else, but it would be very difficult.

Mr. KNUTZEN. I'm blessed to be fifth generation on our operation. I've currently got a 17-year-old son who's in high school working on the farm, and another nephew that's home from vacation from Washington State University helping, also. They're both sixth generation. I hope that we can continue the profitability into the future to where they can have the opportunity to have those jobs because the alternatives are pretty bright out there.

As I said, farming, the capital outlay, the risk, the time involved for the returns aren't always the best. So, farming has to be profitable over the future, or we're going to lose those new people. So we have to watch the exports, allow those opportunities, and make sure that we don't have too much product coming in to dampen what we have here right now.

Mr. OLSEN. I said in my earlier remarks, we started farming at a great time to get started farming, and it would be very tough for people to get started now without having a family that's already in the business.

I think the idea of low interest loans is one small glimmer of hope, but unless your family's already in the business, I think it would be very tough for young people to get in now.

I believe in the American spirit and the young entrepreneurs that can get a foothold in the business and can grow. That's basically how I did it, but the time back then was much more favorable to young independent growers than it is today. Would be very tough for people to get started now.

Mr. SALAZAR. So therefore we really don't have any answers other than maybe listing this as an endangered species. Thank you, Mr. Chairman.

The CHAIRMAN. I thank you. It's now my pleasure to recognize Congresswoman Cathy McMorris, the gentlewoman from eastern Washington today who serves on the Resources Committee, along with Mr. Walden, as well as on the Armed Services and Education Committee, and has a lot of agriculture in her district, I know, because I have seen it.

Miss MCMORRIS. Thank you, Mr. Chairman. I'm thrilled to have you, the ranking member and all the members of the House Agriculture Committee in Washington State.

Agriculture is the No. 1 industry in Washington State. We have quite a diverse agriculture industry, over 300 commodities. I am another one of those people who got involved in politics because I wanted to make a difference for agriculture in our rural communities. I'm a descendent of some of the first pioneers that came to the Northwest in the 1850's on the wagon trail, and my family has a long history of agriculture and forestry.

And I couldn't help but look—in looking at the State profile that was in our book today, and even just since 1997, you see in Washington State with the number of farms down 10 percent, land and farms down 3 percent, average size of farms up 8 percent, market value of production up 8 percent, the average farm up 20 percent, Government payments up 32 percent, yet the average size of the farm is still, the majority, by far still between 10 and 49 acres.

When I think of the future of agriculture, sometimes it's a bit challenging, and that's why it's so important that House Agriculture Committee is here having this farm bill hearing. It gives us an opportunity as a region to share what's most important to us when it comes to agriculture and have a discussion, an important discussion that needs to take place in Congress.

I wanted to ask Mr. Danz, just because it's really been heart-breaking to see what's happened to asparagus in this State, and we talk a lot about the various programs that are here to assist, and you mentioned that the trade adjustment assistance is not working.

I wanted to ask if the Market Assistance Program, the technical assistance for specialty crops is helping the asparagus industry?

Mr. DANZ. I'm not sure about that. I know they've got research on the mechanical harvester. It's a ways down the road before it's going to be successful, and so it's going to take a while to make sure to see it work. So we're going to need more money in research, I think, to save the industry.

Miss McMORRIS. Well, that's my transition into my next question because when we look at agriculture, when we look at America's competitive edge, much of it has been due to our advances in research and development of new technologies over the last many, many years. It is the reason, in many ways, that we have seen the prosperity that we've seen, the security and the health of this country.

I wanted to ask each of you, and I know you've talked about it some, but what is the best way for the Federal Government to continue to help with the effect, the advancements and the development of the new technology, and then Mr. Olsen, you talked about the Technology Roadmap. I wanted to hear just a little bit more about that. And each of you, is it through the universities?

Congressman Hastings talked about bringing the research closer to where the production actually takes place.

I wanted to hear just what are your thoughts as we approach the next farm bill as the best way to continue these kinds of advances in the industry going forward.

Mr. OLSEN. Well, yes, Congresswoman McMorris, we're doing a lot in that area already, but it's going to leave us falling behind if we don't increase this level of activity and research. And yes, the research centers and the universities, but if I may take a slightly different tact to answer your question, what can you do, what can the House Agriculture Committee do?

And I'd like to piggyback on remarks made by Mr. Moran, which is the way for agriculture to be helped by your committee is to increase the pie so that there can be money continued for program crops, but specialty crops to get a more fair share of the funding, and that can only be done if we increase the pie.

And the key for you, the key for your committee to be able to do that, increase the pie, is going to be for you to combat the notion that the Farm Bureau is pork barrel spending. We hear that in the media constantly. We know it's not true, but that is an image that needs to be dispelled.

So the only way you're going to increase that pie is to knock down the straw man that farm bill is pork barrel spending. So I hope you can devote some additional energy toward that.

Mr. KNUTZEN. Research is extremely important. I mean that's where a lot of the important things, whether it be rotational crops, alternative fuels and the fuel future, whatever it is we're going to come out of and help us be more self-sustaining in what's happening.

I also want to go back to the nutritional, too. Let's not lose the fact here that the U.S. is producing some of the safest and best in the world, and we've got some health issues and stuff as far as obesity and stuff. Those issues need to be looked at and understood that fresh fruits and vegetables are not the heart of that problem, and increased consumption of those products is a benefit and not harmful at all.

Mr. RIVERS. Research is so important that in our own local industry, in the pear industry, our own experiment station's relationship with the university is—I can't overstate the importance. They are providing us with new technology, specifically for the pear industry constantly, and without this relationship, we'd be light years behind.

Mr. DANZ. Yes. I do believe we need more money in the research, and all I'll say is I concur with all of people before me, that what they say is the way we need to go. So not to be repetitive, I'll pass it on to the next person.

Mr. YOUNGQUIST. OK. We know the research dollars, while they've increased the number of people in research, on agricultural products has reduced. And if you look at our State university, which is the same as the land grant universities, there's less people working in agriculture today.

Also the demands of the researchers are more basic, and as such, they'll focus inward. And we see major cuts in specialists and extension and CSREES money. We see cuts out at the research stations. Probably have been hit a little harder than the universities. I don't know.

But the point is we've been in a series of 20-year downsizing, and we have less political power. We don't have 2 percent of the population producing the food. We've got 80 percent of the food is probably produced by half a percent, and how does the general public justify spending public money on the production? And that's the dilemma.

And so we get back to the health issues, the safety issues, and the fact that we need to reprioritize resources. And the resources that we do have, the research people and the extension people need to have opportunities to become closer to our fields of specialization.

They hide in their labs too long and work on their projects rather the ones we need to address to adopt to a world market, and it's very difficult for them because they're like a battleship, and we

want PT boats. And so we have to understand and have both, but we do need to emphasize the need to go to the areas where the industry has the needs.

And the industry, our specialized industry does assess themselves for research, and we have a lot of matching money, and that's quite unique. And so any help in that area of helping to reprioritize would be good.

Miss McMORRIS. Thank you all for your testimony. Thanks for being here, and again, Mr. Chairman, thank you for making the trip to Washington State. You were here in October, and I'm pleased that you've only been able to see the best parts of Washington State.

You've seen Yakima, and we drove from Spokane to Ritzville where we met with fruit growers, and then to Othello where we had potato growers.

So we're showing him just the most beautiful parts of our State. Actually, there's more to show you, Mr. Chairman.

The CHAIRMAN. I look forward to coming back. And now, last but certainly not least, is the Washington State representative on the Agriculture Committee, Congressman Rick Larsen, whose district is not too far away from here, and we're delighted to have his participation on the country.

Mr. LARSEN. Thanks, Mr. Chairman, and guess I'd put the San Juan Islands up against anyplace, including places in my district as far as beauty goes, but I think the point we're trying to get across here in Washington State, as the chairman and ranking member know as they've been across the country, is that Washington State agriculture is diverse.

It is unique because there are so different crops grown, and agriculture here is statewide. Depending where you go, it depends on what you grow. The various areas growing very different things. And in that sense, Washington State is diverse and unique.

And as a result I think if we had one State where the committee had to go to that would represent a lot of the issues that we're dealing with the farm bill, it would in fact be Washington State because of our diversity. So I want to thank you for making the trip here and just have a few questions for you before we get to the next panel.

Kraig, in your testimony, you talked a bit, you needed an export division for APHIS, or within APHIS, to attack trade issues facing the industry in sanitary and phytosanitary issues, presumably for the potato industry, but can you talk about why that would be particularly important to create something new within APHIS on that force?

Mr. KNUTZEN. Yes. Like I inquired or said before, I mean the issues of sanitary and phytosanitary concerns are always a huge issue on moving products out, getting those barriers let down. We're continually working through general programs to shift products out all over the rim and try to expand and open those markets.

Any crops, and produce as far as potatoes, that aren't consumed or sent abroad, are put back in the market. Obviously excess product on the market causes a surplus, drives the prices down, and makes huge issues on the market.

Mr. LARSEN. Are you saying that for this proposal that there isn't a focus within APHIS that requires a structural change within the Federal bureaucracy to get some focus on this?

Mr. KNUTZEN. We need continued growth on those exports and within those programs to help open those markets up. I think I'm not as well versed in it as—

Mr. LARSEN. All right. You mentioned in your testimony as well about the potato cyst nematode and some of the research that's taking place, presumably at the Mount Vernon Research Station, and the Washington State University Research Station, are there other research initiatives within your industry that are important for pests and diseases.

Mr. KNUTZEN. Yes. We're always dealing with things as far as worrying about making sure that we have clean fields. In our exports, we have to go through phytosanitary certification to make sure that we have a clean bill of health on any of our exports and stuff. So continued efforts in that way are always beneficial.

And as far as any new diseases and pest finds and stuff obviously have huge implications on our exports, dealing with Japan or the Rim or the other markets that have got shut down because of those finds. And so prevention, like I say, oftentimes is better.

Mr. LARSEN. The last line of the 2002 farm bill creates the Federal marketing order for cane berries, and that's the last thing. I want to know, since you grow obviously a laundry list of things, but you grow berries, can you comment on any benefit stuff or any progress that's been made on the Marketing Arm Program for raspberries specifically? And speak freely, pretend we're out behind your barn and you're telling me—

Mr. YOUNGQUIST. Well, raspberries are unique. It's feast or famine. You're either going broke, or we're making money in our 5-year cycle. And research and promotion, it's an industry, as well as strawberry industry here and in California, that it's made on research. And when research falls down or you lose your breeders or something happens, you're out of competition for 20 years. So you need that.

Marketing is difficult, but the major companies have pulled out of the processing industry in the State of Washington, and are again, pulling out of the United States. And well, the vacuum is filled by growers, the grower/packers, and we're getting into areas we weren't trained to be in. We're making gobs of mistakes.

And so a marketing order and some stabilization is good.

We have to look at other examples of marketing orders, and I can see cranberries were one, I think peaches have one, and I'm not going to say it's going to be the role saver.

I'm going to say it's something we have to support and look into to give us some stability and to increase funding into those areas that we're severely lacking, and it always comes back to selling our product.

We can copy blueberries. The health benefits of blueberries and the anticarcinogens have made that industry take off. We've had the same issue with raspberries with ellagic acid, and research and health issues, like Kraig was talking about in potatoes, that's going to make our industries go.

I hate to say it, but we've probably eaten enough french fried potatoes in our lifetime, but there are some potato's that are healthier than french fried potatoes, and we have to develop those programs.

Mr. LARSEN. I'll let you and Kraig sort that out. We'll end this here. That's great. Thanks.

The CHAIRMAN. I thank you, gentlemen. I want to thank all members of this panel. It's been a very excellent and helpful discussion, and you've certainly done a very good job of presenting the perspective of the fruits and vegetables horticulture specialty crops here in the Pacific Northwest, and we'll carry that information back with us to Washington.

We're going to make a speedy transition to our next panel because our time available for them is less than the time we had available to you now. So if you all would exit stage right, we will then invite our second panel to come up and take their seats.

[Recess.]

The CHAIRMAN. The committee will come back to order, and I'd like to introduce our second panel. Ms. Sharon Livingston is a cattle producer of Long Creek, Oregon; Mr. Curtis Hennings, a wheat producer of Ritzville, Washington; and Mr. Larry Stap, dairy producer, Lynden, Washington; and Mr. Pete Brentano, nurseryman, St. Paul, Oregon.

We are delighted to have all of you with us and will remind you that your full testimony will be made a part of the record and ask that you limit your testimony to 5 minutes, and we'll start with Ms. Livingston.

**STATEMENT OF SHARON LIVINGSTON, CATTLE PRODUCER,
LONG CREEK, OREGON**

Ms. LIVINGSTON. Thank you, sir, and thank you for inviting me to be here. Mr. Chairman, ranking members of the committee, I thank you for the opportunity to present the views of the cattle industry, not only representing Oregon, but Washington, too, and I appreciate being here.

I am a cattle producer and have been my entire life. Talking about generations, I live where my parents had a ranch. My husband and I bought that ranch. We didn't inherit it, and anything that I have, I worked for. I am very proud to be in the cattle business. It's rewarding, it's challenging, it's trying, and everyday when I get up, it's a new day. And there's nothing that's repetitive except you need to work every single day.

And when I'm away from there, I have a son, difficult to keep young people at home, but that's what he decided to do, and he's there, and he's my partner, and he helps me get on my horse and off my horse because I still ride. And I used to wonder why people got off and limped a little. Now I know, but that's my favorite spot is the top of my horse, and I'd to be there rather than here, but with ranching comes very special issues, and we have to be spokesmen. And I believe we owe it to our industry to step forward and do that.

I am the current president—

The CHAIRMAN. Former President Reagan used to say there was no better place for a person to think than on a horse.

We all should ride with you. My bumper sticker says "My Heroes Have Always Been Cowboys," and it has a picture of President Reagan and our current President.

Ms. LIVINGSTON. So I'm a cowgirl at heart, but at times I'm called upon to do this, and I thank you for being here. I am the current president of the Oregon Cattlemen's Association. Cattlemen are diverse people. They like a hands-off attitude. They would like to stay home, produce what we know is good food, high-quality protein, and we're proud to be in that business. And so we don't ask for a lot of Government intervention. However, there are increasing demands upon our business, and those demands are extremely related to regulations.

And so with more regulations, we are forced to do different things within our business and our industry.

That's why we've become interested in the farm bill, and so I'd like to tell you that our livelihood depends upon the sustainable use of land and natural resources. They're very much entwined, and so we have to know that we need to sell ourselves as the original environmentalists.

We take care of the environment year after year, knowing that we can leave it to a future generation. It only continues if we do that, and we base our decisions upon science and facts more and more rather than politics and opinion. We must never, ever harm those natural resources that we use on a daily basis.

Now, high priorities are being given to regulations, and.

I could talk about the Superfund issue. I'm hoping that you are aware of that. Manure is a natural fertilizer. We use it on my place naturally, and it is still a fertilizer that is considered to be natural in the production of natural beef. We do not need to have manure regulated as a toxic poison, and we are constantly letting you folks in Washington, DC, know that.

We do need programs to help us to conform to the Clean Water Act and to the Endangered Species Act. Those are two extremely important issues that face us right now. EQIP you've heard about. I cannot say enough about that. We do need EQIP.

We also are very much involved in the support of wildlife habitat on our private lands, and we need to be rewarded for the good things that we do to protect wildlife, our water, our forage, and the very minerals that we put out for our cows are quality use of wildlife. We'd like to be rewarded for that.

Now, USDA I believe is a good agency, and I work with USDA. However, we need to have farm service agency offices close enough that we can work with those people. And in those offices, we must have qualified personnel to help us.

And I've heard you speak here about different programs.

Sometimes the process that you go through to get to the program and to get the money is so convoluted that people just throw up their hands and say forget it. I'm not dealing with this, and they go on down the road. So regulations—and yet I also understand the need for regulations and conformity. So anything you could do to keep USDA doing their job and doing it well, we would appreciate that.

Science-based research is very essential, and I cannot enough express the need to continue our extension service and our agricul-

tural experiment stations throughout the Pacific Northwest. Yesterday I attended the eastern Oregon Livestock Show in Union, and I spoke there with our agricultural research experiment station director, and so he said we really need to be working on these issues.

Research into oil, you've heard about that. We need alternative research issues. Corn could be a problem, but I just read a new article that says what's left after we make the ethanol will be good cattle food, and I see that I'm getting out of time.

So I would just say to you research. I have made very little remarks about marketing. However, that's important.

You know what's happened in the cattle business in the last 2 years. We have to market our product. Thank you.

The CHAIRMAN. Thank you, Ms. Livingston. Mr. Hennings, welcome.

**STATEMENT OF CURTIS HENNINGS, WHEAT PRODUCER,
RITZVILLE, WA**

Mr. HENNINGS. Thank you, Mr. Chairman. First, there's a little bit of a mistake. I'm listed as only a wheat producer. I raise barley, peas, a little bit of safflower, and I found out how to make grain into—I decided to put up a (inaudible).

Ladies and gentlemen of the committee, thank you for the opportunity to offer my views on the current and future farm policies in somewhat of a bullet point fashion. I'm here to present my input to you today as mine alone, although I have cast my net far and wide speaking input.

I firmly believe that the past and current policy has fallen short of the mark in preserving a vibrant and forward-looking agricultural sector. Wheat farmers have spent way too much time farming the farm program and far too little time farming the marketplace. To be competitive with my neighbors, unfortunately, so have I.

I truly believe that the Federal Government should gradually ease away from commodity-linked payments and serve in the role of a market solicitor and market enforcers instead. "Gradually" is emphasized because to do otherwise would wreak havoc in the agricultural community.

New Zealand saw a 300 percent increase in rural suicides when they went cold turkey on agricultural subsidies, besides the damage that was done to the rest of the agriculture infrastructure. We as a Nation can't afford for that happen.

The Countercyclical Safety Net Program, however well intentioned, has enough holes in the net that the record number of PNW producers are falling through, either drowning in red ink or bailing out for survival.

The U.S. chose to set separate loan rates on every class of wheat, our major crop, at different levels for every class. I can understand this thinking, but when you calculate countercyclical payments on the average price of wheat nationwide, there's \$1.50 per bushel price difference between classes. Some are thrown a life preserver and others are left to tread water.

In all fairness though, the price disparity is greater now because those receiving high prices hardly have a crop to sell, and those with the decent crop don't have a high price to turn a decent profit

at all. The safety net really doesn't seem to be functioning for this vital piece of the American food infrastructure.

CRP, otherwise known as the "Codgers Retirement Program", has done more than even Wal-Mart to destroy the economic infrastructure, but CRP had a head start. I am a strong proponent of conservation. As many civilizations have met their demise as their production base was eroded away, but this program's run amok with the mismanagement at the hands of NRCS.

Whole farm bids should not be allowed as they more often than not include land that is not highly erodible, and virtually eliminate the moneys we see from recirculating into the local economy. Retired farmers don't by inputs and often leave for a good portion of the year taking their money elsewhere.

One farm was recently accepted as a whole farm bid, beautiful ground, 3000 acres, very productive, community of about 250 people. Imagine what a loss of \$300,000 is to that community? CRP and rural development can go hand in hand, or they can work at cross purposes to each other.

Go ahead and keep the 25 percent of a county cap that's in place, if need be, but also cap enrollments at 25 percent of the farm to keep those farmers active and productive.

CRP rental rates need to reflect production value as there isn't a single person that I know who makes their living from production agriculture that can compete with the Federal Government for land. CRP pays close to two times the production value for that ground.

There is an economic principle that says: "Farmers will bid land to the point of marginal returns," and that is true. I'll also create my own principle: "The agriculture input industry will squeeze farmers to the point of marginal return if they know the amount of money available." Unfortunately, the Farm Program payments are factored into everything farmers buy, whether it be combine, seed, seed treatments, or crop protection chemicals.

Farm program payments are also an escalating factor in land values, and land values are one of the factors that make us, U.S., a high cost producer of food products on the world stage. We kind of have a vicious cycle going here.

The Jones Act, attached is a white paper in the back on the failings of the Jones Act. I know this is a bad subject to bring up. If we in production agriculture are expected to compete on the world today for market access, why is it that our own Government essentially limits our access to affordable fertilizer, natural gas, and transportation to domestic markets with an antiquated law that actually hurts the maritime industry that fights tooth and nail to keep it in place? At what point does the union bravado stop supporting a law that keeps hundreds if not thousands of jobs from going offshore and brings them home again.

If the U.S. maritime industry doesn't have deep-water vessels to ship fertilizer, natural gas, oil, or any other product from State to State, the least you can do is exempt these products from the Jones Act.

How about a little bit of a paradigm shift? Big Brother is now a term that means the one that goes out of his way to make sure

that the bully doesn't keep you from swinging at the ball or trips you before home plate.

A vital agricultural sector is one that has access to multiple markets, options, no guarantees necessary. An easy example is the Renewable Fuel Standard that was recently implemented here in Washington State. The farmers of the State have been given the opportunity to grow crops for biodiesel and ethanol. Not a mandate, but an opportunity.

As of the end of 2007, the State will require blends of each in our fuel.

If we do this, we will introduce crop rotations, diversified crops, reduce pest problems, reduce risk, and reduce the amount of crop that is currently overproduced, such as soft white wheat.

To carry this through further, Big Brother now creates a market for all kinds of biofuels and bio-based products, and that acts as an umpire making sure that the new products of American agriculture has at least equal access to the marketplace.

A vibrant agricultural sector of any economy is one that is in a full production mode and able to shift output as the needs of the economy dictate. If we have the industrial sector and the food sector competing for land usage, agriculture will be strong and able to meet the needs of our Nation.

How many of you have taken the time to look at the quote above the old Department of Agriculture office in the Capitol Building: "When tillage begins other arts follow, the farmers therefore are the founders of human civilization," Daniel Webster 1840.

Research is vital to all of us. We've heard that this morning.

The CHAIRMAN. You need to wrap up.

Mr. HENNINGS. OK. We have to keep leading, lest we fall behind. No other nation has contributed more to feeding the world than us. Basic and applied research is important to all aspects of our competitiveness. Please don't let short-term budget issues blind you to where we need to be 10 years from now. Thank you.

The CHAIRMAN. Thank you, Mr. Hennings. Mr. Stap.

STATEMENT OF LARRY STAP, DAIRY PRODUCER, LYNDEN, WA

Mr. STAP. Good morning, Chairman Goodlatte and Congressman Peterson, and my Congressman, Rick Larsen, and all the rest of you to our wonderful State. Appreciate you holding this hearing here.

I'm not going to toot my horn a lot because I can see this timer just keeps right on ticking, so you can all read this, and I'll go right into the issues.

I'll start with our Federal Dairy Price Support Program. Very important program to us. The beauty of the Price Support Program is it is nondiscriminatory, size, location, no matter what. It benefits all dairymen. It's not the greatest price in the world, I will say that. It's not a living price. I can't make money on \$9.90, but it is a nondiscriminatory program. Keep it in place in the next farm bill, please.

Next up is trade. I know you guys aren't involved in free trade agreements and WTO, but oftentimes agriculture is looked at as the sacrificial lamb in too many agreements. So anything you guys can do to influence those people, please do so.

Couple things that USDA does that I think you guys need to kick them in the pants on a little bit more is Dairy Import Enhancement Program, where they subsidize exports to compete against world markets. They haven't fully funded that, and the regulations are so stringent that oftentimes you can't use it.

If you get that program in place with our self-funded CWP program, we could be an incredible export marketer out there in the world. The other thing that USDA is not doing too well is on imports. There are import quotas, and they're not watching them, and of course when our import quota hits a certain amount, the tariffs are supposed to increase. They're virtually ignored.

Immigration, I'm sure guys have heard plenty about that, I think. Probably the point I want to make the most important to you all is we are not immigration officers, please. We are farmers who employ immigrants. We do not want to be the officers that have to verify and get penalized if they're not legal, even though they've submitted what we deem as the legal paperwork, and we have submitted it to the appropriate authorities.

Federal Milk Marketing Orders, another huge and complicated issue. I'm not asking you guys to ever get involved in milk marketing orders, but what I would ask you to seriously consider, and I don't know if this would be a farm bill issue or just a farm policy issue, the Federal hearing—when we need to make changes in our Federal hearing in our Federal orders, we have what we call a hearing process, and we can request a hearing and go in front of an administrative law judge, and we present the issues, and then they review it, and they make recommendations.

It's very unresponsive in timeliness. It takes us anywhere from 1½ to 3 years to get a decision out. By that time, a lot of the important factors could be long past history, or farmers are out of business. They have to follow so many rules.

We would ask that you would reconsider or put a mandate out there so that those decisions can come out in, say, 6 to 12 months. That's what I would ask you to check into on Federal order issues.

Environmental issues, it's already been touched upon.

Most dairies are now classified as Superfund sites due to what the environmental community has got the justice system to interpret the law that we are emitters of highly toxic chemicals into the atmosphere just because we farm animals. You guys are I'm sure well aware of that. I hope most of you have signed onto the bill already that's out there that says we can be exempted from those extremely stringent regulations because it's a naturally occurring process.

I mean I'm not saying that we can't be responsible for things and there aren't management things we can do to change, which leads me right into the next issue, land grant universities.

We need funding to research these issues. Even if we as an industry want to do it ourselves, oftentimes it's viewed as the fox guarding the hen house. So we cannot do it. The other thing is we as an industry fund ourselves by 15 cents—where we pay our 15 cents per hundredweight in marketing and promotion, and we're not allowed to use one dime of that in terms of production research or any other kind of research. So it's a huge issue for us.

Environmental solutions—I'm getting out of time here.

We do have EQIP. We like that. Conservation Security needs some more money. It's a good program. Wetland Reserve Program is a problem.

Animal ID, I'm personally involved in the national pilot project for our region. It's not as hard as what people want to make it out to be. It's got a long way to go, but you can ask me more questions about that if you like.

MILC is another very controversial program. Good, bad, or otherwise, we have got a policy in this Nation that demands cheap food. Are we willing to abandon that policy to a large degree to get our additional income from the consumers, or we just going to continue to subsidize our agriculture industry right straight out of the budget?

Finally, I'll read you this. I wrote this one down: Do not ever let our country become dependent on imports for our food supply. We must produce our food on our own soil. Look what's happened to us when we become dependent on foreign countries for our oil supply. Study history.

When a country invades another country and wants to control the people, all you have to do is take away their food. When you are hungry, when you have control of their stomachs, little else matters when you are trying to live. Thank you for listening to me.

The CHAIRMAN. Thank you, Mr. Stap.

Mr. Brentano, we're pleased to have your testimony. Welcome.

**STATEMENT OF PETE BRENTANO, NURSERYMAN, ST. PAUL,
OR**

Mr. BRENTANO. Chairman Goodlatte, Ranking Member Peterson, members of the committee, and Members of Congress, thank you for the opportunity to speak to you today.

My name is Pete Brentano. I am co-owner of Brentano's Tree Farm in the Willamette Valley. We grow shade and ornamental trees, as well as other specialty crops, and it's my pleasure this year to serve as president of the Oregon Association of Nurseries, which is a 1500-member trade association representing the Oregon nursery and greenhouse industry, which is the State's largest agriculture industry.

We have annual sales in excess of \$840 million.

Today I want to focus most of my talk on plant pest and disease issues. Plant pests and diseases threaten west coast nursery growers with serious economic harm due to crop loss, closed markets, or burdensome regulatory restrictions. In this respect, we differ little from growers of Florida citrus or soybean farmers.

Recent examples in the nursery industry include the spread of emerald ash borer in parts of the upper Midwest and Canada causing a dramatic falloff in the demand of ash trees, which in turn costs millions of dollars in losses for Oregon growers. There's a high risk of introducing of exotic wood-boring insects, like the Asian longhorned beetle, into this country on untreated solid wood packing products. These materials are associated with imported industrial goods.

Also the plant disease *Phytophthora ramorum*, popularly known as "sudden oak death," we like to call it "P. ramorum," it threat-

ened to result in very restrictive and expensive regulations for west coast nursery growers.

As a result of these threats and our recent experience, we believe a new more effective approach to nursery regulations and inspection is needed, one that relies on nurseries to develop a system to prevent introduction of the pests and diseases into the nursery.

Such systems of production would emphasize regular monitoring for pest and diseases, require recordkeeping and consistent tools and strategies that enable growers to quickly respond to when problems are found. These systems of nursery production would be married to programs of Federal and State regulation, inspection, and certification.

As you know, the preferred model of assuring safe production of food is based on the Hazard Analysis Critical Control Points, or HACCP. We think some of the basic features of HACCP could apply to the nursery industry.

We believe the next farm bill must provide for a multi-pronged effort as follows: Authorize and direct research on systems of nursery production and measure their efficacy in preventing the introduction and spread of plant, pest, and disease problem. Develop and pilot systems of production for various types of nurseries in difficult geographic regions. Establish definite timetables for the dissemination and offer new systems of production, and establish definite time tables for the implementation of regulatory programs based on these new systems of production.

We at the OAN believe tremendous opportunities exist to improve and enhance nursery regulation and inspection, and the farm bill should establish clear, overarching goals to guide the development of new regulatory policy based on a comprehensive research program, demonstration and extension.

I've included with my testimony a brief discussion paper describing our position on that. I also want to call your attention to several other issues that merit some attention, water quantity, and availability.

Based on Federal and State partnerships, study the availability of water for western agriculture and develop an inventory of potential new water storage sites. The Klamath Basin, in Congressman Walden's district, is a prominent example of disruption caused by inadequate water supply.

Soil conservation and habitat restoration, support research and incentive to assist nurseries with soil erosion and water conservation and efficiencies. Create a specialty crop title in the farm bill. We want to see an emphasis an organization of farm policy for the benefit of specialty crop agriculture. We don't want subsidies, but we want focussed issues and concerns.

And even though it's not part of the farm bill, and as we've heard from almost everybody else up here, agriculture needs a comprehensive immigration reform bill that embraces Guest Worker Program because frankly without labor, my nursery would not survive. Thank you for listening to my testimony today. I'd be happy to answer any questions.

The CHAIRMAN. Thank you, Mr. Brentano.

I'll start the questioning. What this panel will also do is, I'll recognize myself and Mr. Peterson, and then we'll recognize any other members that seek recognition to ask questions of the panel.

Mr. Hennings, I'll start with you. As a wheat producer, I'd like you to help us out. We've been asking questions of some these other Commodity Programs, assistance around the country to rank the various programs available to you in terms of importance.

From your perspective, how would you rank in relative importance the direct payment, marketing loan, and the countercycle payment?

Mr. HENNINGS. The marketing loan has not come into play. LEP has not come into play. Unfortunately, and I hate to admit this, but there's been several years in recent history that I would not have shown a profit at all if it wasn't for the farm program helping us, direct or countercyclical or whatever I might have qualified for at the time.

The CHAIRMAN. Which one do you think is more important, direct or countercyclical?

Mr. HENNINGS. The counter cyclical is not working right now, so the direct payment, obviously. Sorry.

The CHAIRMAN. I apologize. That's useful information to us.

Ms. Livingston and Mr. Stap, are there any members of the panel who are participating in the EPA's Clean Air Act Monitoring Program under the recently signed agreement? Are any of you doing that or know people who are? I don't think we've found one yet, have we.

Mr. STAP. No, they're not up in our State. There are a couple in California, are there not, gentlemen.

The CHAIRMAN. They're available all over the country, but we're not finding any. I'll ask you anyway, looking ahead a few years, do you believe that the current Conservation Programs that we have, such as EQIP, will be adequate to meet producers' needs to comply with EPA orders that may be forthcoming that result from that agreement and other environmental—

Ms. LIVINGSTON. That's one the things we want you to do in Congress to help protect us from EPA.

The CHAIRMAN. No, we're with you 100 percent, but assuming you're going to be faced with some environmental regulations, what kind of programs do you want from us to help.

Ms. LIVINGSTON. I don't even know how that answer that.

I attended an NCPA meeting this past summer in Denver, and for example, they're coming at us so fast, I don't know what to tell you. Where I live may not be a major problem right now, but if I were in the dairy business, I'd be asking you for all the dollars I could get.

Mr. STAP. I had three items come to mind real quick. Number 1, research funding. We've got to have research funding to address—there's so many unknowns out there what our dairies, quote/unquote, are actually emitting. EQIP is definitely a tool that we can use to match dollars for any additional things that we will be putting in place due to regulations that will come down.

The other one that I think is probably very infant is the Conservation Security Program. If you stop and think about agriculture industry, forestry, we're the air scrubbers of the world.

We clean more atmosphere through our trees and our grasses than we ever, ever caused through emission of our cattle and associated industry.

So I would like to see us be rewarded, and we can maybe take some of those reward dollars for the good conservation practices that we have to put—or we had in place to fund some of the improvements that we need to make.

The CHAIRMAN. Very good. Back to you, Mr. Hennings.

Has there been any demand to see increases in spending in some other areas, including Conservation Programs, but also including some of the things that the first panel were asking for to boost the specialty crops sector of our agriculture economy.

How would you respond to those, No. 1, to share in that spending, and what would you do with the programs that we have right now to accommodate that because we're not going to see a big increase for us to be able to compete in the market.

Mr. HENNINGS. I should have worn a black jacket today.

I don't mind sharing with them. As I said, I think that we should ease away from commodity payments as we know them today, and let the marketplace, with the help of the Federal Government, create new markets for the entire agriculture sector that would benefit everybody, bio-based products, biofuels, what have you. It'll keep the money at home.

The CHAIRMAN. Thank you. I think you're singing our tune. Mr. Peterson, do you agree with that? No comment. Direct. Thank you.

Mr. PETERSON. So Ms. Livingston, so I can understand your industry out here a little bit better, are your cattle on grass or on pasture, or are they in bed, or what's the combination?

Ms. LIVINGSTON. One of the major contributors to the livestock industry in the Pacific Northwest is public land grants. It's absolutely essential. 50 percent of the property, the land in Oregon, for example, is governed by the Government. And so we must have research. We must stay on public lands for grazing or our people or out of business.

Mr. PETERSON. Are you importing grain, feed into his area for food?

Ms. LIVINGSTON. No, not in my area.

Mr. PETERSON. Is this a feed deficit area, or is it mostly pasture or public land?

Ms. LIVINGSTON. Well, I would say this area here produces crops that they're using, but we don't have major feed lots all over Oregon, only a few, and so those people are importing feed.

Mr. PETERSON. I have to ask you this, I did a study on what ethanol will do, and according to them, it's not going to cause a shortage. So whether you believe them or not, but just so you're aware, the EDP's that come out of that process work pretty well on cattle.

Ms. LIVINGSTON. Yes. I just read an article on that, and that was reassuring because I heard so much about what the corn crop would do to feeding.

Mr. PETERSON. I think you mentioned the Grassland Reserve Program; anybody using that out here.

Ms. LIVINGSTON. Not right here. We do have a couple in Oregon that are working on that, but I really believe we need to use our grass, and we need to use it wisely. From Colorado we've had at

least two range schools here, and their idea is use the grass every year or use it judiciously and wisely.

Mr. PETERSON. Mr. Hennings, I see that your CRP is 24.9 percent; is that true?

Mr. HENNINGS. I thought we were over the 25 percent mark.

Mr. PETERSON. Do you take calls from people to go above 25 percent.

Mr. HENNINGS. I think so.

Mr. PETERSON. There's pressure out there.

Mr. HENNINGS. Still pressure out there, yes.

Mr. PETERSON. Mr. Stap, the people in Idaho and Utah voted themselves out of the Federal order system. What's going on there? Does California have any impact on what's going on in the dairy industry here, the fact that they've got their order system, or does that impact you up here at all or—

Mr. STAP. Federal orders are really complicated, and I don't pretend to know all the answers, but I made reference to a dairy process—what happened is, as I understand it, is prior to this Federal order being voted out, there was a hearing that the Federal order had requested, submitted all their comments both, both sides of the issues, and they came out with the recommended decision that severely hurt them. It hurts the producers.

Then they requested another hearing. I don't know if it was on the same issue or another issue, and they came out with, again, a recommendation that was not favorable to them. Rather than accept a recommendation, they voted it out.

Mr. PETERSON. What was the issue?

Mr. STAP. I don't know. I wish I could answer that. I know the people sitting behind me that could answer that to you, but I'll have to get that information to you, if that's OK.

Mr. PETERSON. Yes. We could understand better what's going on with it. I totally agree that the Federal order process is ridiculous. California's figured out how to streamline it, and that's one of the reasons their order has been effective. They've got the system that they can get done in to 6 months. And if we could figure out how to do that at the Federal level—

Mr. STAP. And I'm not saying I want to go all the way to the California system because they do have their challenges down there, too. I follow it. But it's definitely a speedy, more responsive hearing process would be great. Another issue that I know is related to that is there's only a limited number of administrative law judges out there, which is what we're required to use, you see, and then the other thing that California doesn't do, is they don't let the lawyers testify. This might not be a bad idea around here.

Mr. PETERSON. I'd vote for that. Thank you.

Mr. Chairman.

The CHAIRMAN. All right. The gentleman from Kansas, Mr. Moran is up next.

Mr. MORAN. Mr. Chairman, thank you very much.

Recognizing the hour is getting late, this is just really a question for Mr. Hennings. You don't need to wear a black jacket, although you know, farmers is very direct and straightforward, and I've experienced that in all our hearings. Especially today, I was impressed that those from the Pacific Northwest, of which some of us

in the Midwest have a stereotype of, you're all pretty much like us and speak your mind. I appreciate that very much, and you all have exhibited that.

Your comments about support for program crops, and one of the things that's going on at home is our offer by USTR in the world trade talks to forego and give up and reduce 60 percent of our direct subsidies to American agriculture, and one of the concerns that I have, some have, is doing something unilaterally, and the direction that you've suggested may go, and although I recognize you said it needs to be gradual and over time, one of the concerns I think we have to have is how do we compete in a world that they don't give us a level playing field. So I just would appreciate your reaction to that.

From my perspective, I'm indicating to USTR and our trade ambassadors and negotiators is that we are not willing as a Congress to simply say we'll forego 60 percent of our direct support for farmers in the absence of some significant and corresponding opportunities for us to export agriculture commodities to the rest of the world, and particularly the European community, and it's not just about tariffs.

It's about all the other things, the excuses they use to keep our beef, our wheat, our corn, soybeans out of their markets. And so in some ways your comments raised a flag for me about we've got to make certain that, yes, this movement in market, oriented in the direction, but we also need the rest of the world to play by the same rules we do. Any thoughts.

Mr. HENNINGS. With a short question like that?

The CHAIRMAN. That's a good point.

Mr. MORAN. Maybe the folks in Washington and Oregon aren't as friendly as I thought.

Mr. HENNINGS. I realize that's an extremely difficult issue. The WTO, I tear my hair out. Where they want us to give money for other commodities, we don't have to give somebody money. Maybe we just need to really kick things in gear, such as the ethanol industry, and use a whole lot more product at home.

I don't know what kind of phase-in time we're going to have, but if we just made a very concerted effort to try to our excess commodities and to industrial—or bio-based products at home, I think we could answer the questions. But we could also make sure that we enforce infrastructure, which is WTO-friendly, and that could be a benefit, whether it be Black Rock Reservoir, but projects like that across the Nation.

Mr. MORAN. You raise a valid points, particularly about land values. Our costs production really do matter in our ability to compete in this world, and we've got to figure out through research and technology and innovation and farmer hard work, all of those things, infrastructure, how do compete for the world that's not very friendly toward that level playing field.

Mr. HENNINGS. Because unfortunately otherwise the only answer is to have a complete crash in agriculture and bring land values back down, which, you know what that would do.

Mr. MORAN. My farmers, your farmers, and their bankers, that's not scenario we can afford. I appreciate the Chair giving me the time, and I yield back the balance.

The CHAIRMAN. Thank you, gentlemen. The gentleman from California, Mr. Costa is next.

Mr. COSTA. Thank you very much, Mr. Chairman. Once, again, I want to thank you for holding these hearings. I have two of the witness ness I'm going to ask quick questions to, and unfortunately I have to catch a plane.

Ms. Livingston, you may be aware of, or may not, but this chairman and this committee has been very aggressive and active over the last year on trying to deal with the ESE issue on the banning of imports of U.S. beef to Japan, and of course the impacts with Canada, which isn't too far from here.

I have some very good cattle producers in my area, both on rangeland, as well as feed lot operations, and I want to know what your attitude would be if we were to try to deal with these trade challenges that we're being faced with the Japanese and others, by considering, and some of my cattlemen are really just thinking about tossing the towel in, in the sense of going to identifying each animal. What's your thought on that?

Ms. LIVINGSTON. I would say at this point it needs to be voluntarily and market-driven. If the market drives ID, then people will get involved. And by that I'm talking about natural beef programs. I think there's no doubt if we want to survive——

Mr. COSTA. And notwithstanding best science, I'm with you because I'm trying to deal with the realities of opening these markets up to you.

Ms. LIVINGSTON. Then you better ID. Japan's not going to take us. They've used everything they can to turn us back.

Mr. COSTA. No, I concur with what you're saying.

I believe you said that you and your husband bought your own cattle operation, your land; is that correct?

Ms. LIVINGSTON. That's correct. My husband's deceased.

I made the last payment 3 years after he died.

Mr. COSTA. Ah, well, I'm sorry to hear about your loss, but congratulations on the fact that you own it all entirely.

Ms. LIVINGSTON. Thank you.

Mr. COSTA. Have you participated in any Rangeland Trust Programs? I initiated one in California. It's been successful. Have you had any experience with that here.

Ms. LIVINGSTON. Yes. Our Oregon Cattlemen's Association has developed an Oregon rangeland trust, and they are working actively on that.

Mr. COSTA. Good. Thank you very much. One or two quick questions to my friend in the dairy industry. You're a fourth generation dairy farmer. You're looking at third generation dairy farmer, so we have more in common than you know.

The MILC Program that you spoke of in your testimony, you think is positive. A lot of my producers in California frankly think it's counterproductive. Do you want to respond.

Mr. STAP. I don't recall that. I didn't really mean in my presentation to say I'm positively in favor of that program because it's a very controversial program, to say the least. I think my point in saying that is we have a cheap food policy pretty much in our——

Mr. COSTA. I understand that.

Mr. STAP. So in order to maintain that cheap food policy, we have to subsidize our industry, whether it be dairy or whatever, and I'm not saying it has to be in the form of direct payments or whatever. MILC was a very poorly written program. Let's put it that way.

Mr. COSTA. I think that's a good. Let me just say on CERCLA and the other one, sir, I concur with you. We need to do a lot more on that. The last thing here is you say USDA needs to do a better job in controlling imports when quotas are exceeded. Do you want to give us some specific examples.

Mr. STAP. I didn't write down any specific examples. I can get you those, but what would happen is like a cheese would come in from Europe that so much can come in, and then once certain pounds of import are reached, then a tariff has to kick in for the additional ones so that it doesn't become disruptive to our domestic market, and USDA is not monitoring those.

Mr. COSTA. I think that's a good point. I concur. I think we need to do a better job on those. Thank you.

Mr. Chairman, for letting me go out of order, and I give the balance of my time. Good luck and keep doing the good work you're doing.

The CHAIRMAN. I thank the gentleman. The gentleman from Oregon, Mr. Walden.

Mr. WALDEN. Ms. Livingston, I was musing about your comment that manure is a toxic pollutant, and if the Federal Government decided to regulate that, think how much regulation would overtake the city of Washington, DC, where there's an ample supply.

I want to point out, too, to Mr. Brentano, Chairman Pombo of the Resources Committee and I had asked the Government's accountability office to do a GAO report on pests and diseases, and it's just been released. We're going to have a hearing on my subcommittee on forest and forest health in the coming weeks on that issue, and I'd draw your attention to it because we're looking at the very things you talked about, sudden oak death, *Phytophthora ramorum*. All of these insects and diseases are taking over not only our nurseries, but also our forests.

Mr. Hennings, I have a question for you: From your perspective, why has the countercyclical payment system not worked, and what needs to make it work, or should it work.

Mr. HENNINGS. If it's going to work, you're going to have to have a price, a target price level for us to last.

When the system worked when there was one target price and an one loan rate system nationwide, but now we have such a disparity between price—our loan rate is way down. Gretchen, what's the number? \$2.90 a bushel, and we have wheat nationwide is setting the—the price for countercyclical. We're way down below where there's no LPD safety net. There's nothing. If everything was still together, we'd be fine.

Mr. WALDEN. Thank you. And one final question, Sharon, thanks for your comment on animal ID. I know Doc Hastings and I both were discussing that issue, and so I'm pleased you responded to that. Could you also address the issue of predators on the range and introduction of predators on the range, the effect that has on your industry.

Ms. LIVINGSTON. There is no common ground between livestock producers and predators, the introduction of predators. However, in Oregon, we have the ESA, and there are predators on the ESA list, and we are going to have to deal with them. And we're moving forward as we can with the management plan trying to be at the table and bring to our industry some answers so that we can do that and protect our private property.

Mr. WALDEN. Thank you. I appreciate it. Mr. Chairman, I yield back.

The CHAIRMAN. I thank you. The gentleman from Washington, Mr. Larsen.

Mr. LARSEN. Thank you, Mr. Chairman, and I also have a few questions for Larry on the dairy.

In your testimony you talked about the cooperatives working together, the CWP program, and how the U.S. Department of Agriculture finally got behind DEIP working together. I mean we have quite a great, great tool in our tool box.

When we were in Arizona, we heard some of the same issues from the dairy folks down there. Do you have an impression of USDA's commitment behind the DEIP, or do you think it's just a matter of funding.

Mr. STAP. The commitment is pretty much nonexistent. I don't know if they're understaffed or don't care, but like I say, the commitment just is not there, and I don't understand why because I know that, as you had said, if we were to fully implement with a CWP program, I mean there is not a country that would be able to touch us price-wise on multiple issues.

The other thing is the flexibility. It is very structured in what commodities you can utilize under the rules and regulations. When there's surplus product, the rules are so stringent that there's no forgiveness on anything. But I think somebody needs to jerk their chain, and maybe the way you've got to jerk chains is say, buddy, you don't get no money if you don't go through the work or something like that because money seems to make committees or agencies a little more responsive.

Mr. LARSEN. Fair enough. On the National Animal ID here in the Northwest, how do you participate.

Mr. STAP. I'll try to be real brief on that. What I started doing is I use our ID tag in every animal that is born, and I started that a little over a year ago, and then I report that to the national pilot, Northwest Pilot Program.

And then any time I move an animal off my dairy that I comingle with other animals, I merely report this, and it's right on the Web site. So it's really easy for my wife. We just report that that animal moved off to the farm and back, and if that place has a premise ID, we can just report that premise ID.

What I see is actually quite a simple issue, and the future is I don't know that we have to make every farm pay for their own—or I think we should have every farmer pay for their own ID if that's what they want because it's a tool that I can use to manage beyond just animal movement. But what I'd like to see USDA, or any appropriate State agency step in, is that they work with, be it sales barns, slaughter houses, anyplace where animals come in and comingle so that I would drive up there, unload my cattle, they

walk right through, and they're identified that they came from my place and they're going to this place. There's a central computer system that's tied into there so that these receiving places where animals come and comingle, they really don't even have to do anything. But if we can get the funding to get some of that, that to me is sort of the next step, you might say.

Mr. LARSEN. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. The gentlewoman from Washington, Ms. McMorris.

Miss MCMORRIS. Thank you, Mr. Chairman. In our effort to do, as Mr. Hennings pointed out, "preserve a vibrant and forward-looking agriculture sector," I wanted to ask just where you think we should be focussing our attention when it comes to taking advantage of the bioproducts and the potential for biodiesel ethanol in this region, any comments that you might have. And then I also wanted to ask you, Mr. Stap, to talk about the Conservation Security Program and any thoughts on how we should be addressing that program.

Mr. HENNINGS. I'd hate to limit the potential with my limited knowledge, but the bioproducts division of American agriculture has a lot of potential. I'll use biodiesel as an example. We're not going to supply alone the diesel needs. If we hit 5 percent, the State is going to use 3 as a trigger. I think that's about as far as this State will go, but there's technology out there that out of this we will replace imported feed with meal from USDA crops. The glycerin, glycerol is a byproduct of biodiesel production. There's technology available. Actually a company on the Columbia Basin has the technology to break that glycerin down into ethylene glycol, propylene glycol and sorbitol, other bio-based products, with alcohol being the waste product on the other end of that stream.

There's a million metric tons of feed that comes in from Canada every year, corn meal, on the west coast of the U.S. does. Most of you here has had some. We're starting to create our own ancillary—the ripple effect from just this one change. Actually it has me extremely excited about the future of agriculture. We're in a rough patch right now, but I think we have tremendous potential as these things come along.

There's technology to take corn and make plastic or water bottles or whatever. That's where we need to focus our attention and help those industries get going and support ourselves.

Miss MCMORRIS. And if you could comment on the Conservation Security Program.

Mr. HENNINGS. Oh, OK. Conservation Security, CSP is good for some. I don't think it'll ever get all the way around the State by the looks of things. So we've got the haves and the have nots, which is unfortunate.

EQIP was a better program up until the last year or two.

I don't know whether it's nationwide or just the State of Washington has decided that there has to be a cultural resources done on every site before EQIP can be implemented, or you're going to disturb the ground.

Well, I'm not sure if they're still working on 2003 contracts or you've got moved up to 2004 contracts. NRCS doesn't have the manpower, and they don't want to let anybody help. They make it

almost impossible to get other folks in there, and they're essentially one person, but EQIP can be more to the entire area than CSP is with just the selected watersheds.

And so between the two, I would rather have EQIP, but we have got to fix this problem of lack of manpower and products. Projects have gone through the roof, the cost in 2 to 3 years time just because of waiting.

Miss MCMORRIS. Do you have anything? I know you commented it was a good program. Was there anything, any changes that you think should be made to improve the program? Mr. Stap.

Mr. STAP. Funding, I don't know why funding is always such an issue when you're operating in a deficit. What's the difference? The beauty I think of the Conservation Security Program is that it is a way to probably offset amber box payments at WTO. They do not qualify. OK. Amber box, direct payments. Conservation Security would not be. So if all it has to do is shift it, so that's the beauty of it, but it's definitely out of gas.

Miss MCMORRIS. Thank you. And thank you, once again, my sincere appreciation, Mr. Chairman and committee, for coming to Washington State.

The CHAIRMAN. Well, thank you, Congresswoman McMorris.

We are very pleased to have been able to hold this hearing.

I want to thank this panel of witnesses. They've been also very helpful to us, and we look forward to working with you as we move forward. You have great representation in Congress and on the committee, and stay close in touch with us as we move forward in this process.

I would like to thank Collette Keaton and all the staff here at Yakima Convention Center for the time and effort they put into making this hearing possible. I certainly want to thank all of our witnesses. They've done a very fine job today in carefully presenting their testimony, and also in their answers to our questions.

The information you've provided here today will be very helpful to us as we get into the process. We look forward to maintaining an open dialog with you and your fellow producers across the country as we consider the next farm bill.

As I stated in my opening statement, I want to encourage you to share your thoughts with Members that don't sit on the Agriculture Committee. In this case, we made that very possible by bringing three of them to you to ask questions of. But there are others around who also should hear from you, and we encourage you to make sure that they are aware of the importance of what we're about.

Also, just a reminder to grab a card with a feedback form, address and information on your way out. Those of you who did not testify today, your thoughts are very welcome as well. The record of this hearing will remain open for 30 days. Anyone who'd like to submit a written statement for our consideration, is welcome to do so. Please see Jamie Weyer, our clerk. She's raising her hand. There's more information on submitting a statement, if you wish to do so, and I have a little magic language here.

Without objection, the record of today's hearing will remain open for 30 days to receive additional material and supplementary writ-

ten responses from witnesses to any question posed by a member of the panel.

Do you have anything you want to add, gentlemen? So without further ado, the hearing of the committee is adjourned.

[Whereupon, at 12:59 p.m., the committee was adjourned.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF PETE BRENTANO

Chairman Goodlatte, Ranking Minority Member Peterson, members of the committee, and Members of Congress, my name is Pete Brentano of Brentano's Tree Farm. I'm co-owner of our family farm, located in Oregon's Willamette Valley, where we grow shade and ornamental trees and a variety of other specialty crops.

I have the pleasure to serve as president of the 1,500-member Oregon Association of Nurseries, which represents Oregon's nursery and greenhouse industry, the state's largest sector of agriculture, with annual sales in excess of \$840 million.

Today I want to focus most of my talk on plant pest and disease issues. Plant pests and diseases threaten West Coast nursery growers with serious economic harm due to crop loss, closed markets or burdensome regulatory restrictions. In this respect, we differ little from growers of Florida citrus or soybean farmers.

Recent examples, include the spread of Emerald Ash Borer in parts of the upper Midwest and Canada which caused a dramatic fall off in demand for Ash trees, and millions in dollar losses among Oregon nursery growers. There is a high risk of introducing exotic wood boring insects, like Asian Longhorned Beetle, into this country on untreated solid wood packing material associated with imported industrial goods. And, the plant disease *Phytophthora ramorum*, popularly known in the press as 'Sudden Oak Death,' but let's call it *P. ramorum*, threatens to result in very restrictive and expensive regulations for West coast nursery growers.

As a result of these threats and recent experience, we believe a new, more effective approach to nursery regulation and inspection is needed; one that relies on nurseries to develop and implement a system to prevent the introduction of pests and diseases onto the nursery. Such systems of production would emphasize regular monitoring for pests and diseases, require recordkeeping, and consist of tools and strategies that enable growers to quickly respond when problems are found. These systems of nursery production would be married to programs of Federal and State regulation, inspection and certification.

As you know, the preferred model of assuring the safe production of food is based on Hazard Analysis Critical Control Points (HACCP). We think some of the basic features of HACCP could apply to the nursery industry.

We believe the next farm bill must provide for a multi-pronged effort, as follows:

- Authorize and direct research on systems of nursery production and measure their efficacy in preventing the introduction and spread of plant pest and disease problems.

- Develop and pilot systems of production for various types of nurseries in different geographic regions.

- Establish definite timetables for the dissemination and adoption of new systems of production.

- Establish definite timetables for the implementation of regulatory programs based on these new systems of production.

We at the OAN believe tremendous opportunity exists to improve and enhance nursery regulation and inspection. And, the farm bill should establish clear overarching goals to guide development of new regulatory policy based on a comprehensive program of research, demonstration and extension. I've included with my testimony a brief discussion paper describing our position.

Quickly, I want to call your attention to several other issues that merit attention:

- Water quantity and availability: based on a Federal-state partnership, study the availability of water for Western agriculture and develop an inventory of potential new water storage sites. The Klamath Basin, in Congressman Walden's District, is a prominent example of the disruption caused by inadequate water supply.

- Soil conservation and habitat restoration: support research and incentives to assist nurseries with soil erosion, water conservation and efficiency.

- Create a Specialty Crop title in the farm bill: we want to see emphasis and organization of farm policy for the benefit of specialty crop agriculture (we don't want subsidies but we have focused issues and concerns).

• And even though it is not part of the farm bill, agriculture needs a comprehensive immigration reform bill that embraces a guest worker program. Frankly, without labor, we cannot survive.

Thank you for listening to my oral testimony. I've provided you copies of more extensive written testimony on behalf of the Oregon Association of Nurseries, and I am happy to answer any questions you may have.

STATEMENT OF STEVE DANZ

My name is Steve Danz, I am an asparagus grower from near Mesa, in Franklin County Washington. My grandparents were among the original pioneers of the Columbia Basin Irrigation Project. Our family has been farming in the Basin since 1956 when they broke it out of sage brush. My father planted asparagus in 1986 and for the first twenty years of my 32 years, I have been involved in the production of asparagus. I am a board member of the Washington Asparagus Commission.

The Washington asparagus industry and the U.S. asparagus industry are facing two critical issues which, if left unaddressed, could lead to the elimination of our asparagus industry: unfair trade agreements and problems related to immigration.

Trade Agreements. I would like to describe the situation United States asparagus growers are facing as a direct result of the Andean Trade Preferences Act (ATPA).

Many U.S. asparagus growers have been economically injured as a result of a surge of asparagus imports that followed the implementation of the ATPA and the resulting elimination of the U.S. tariff on Peruvian asparagus. The intent of the ATPA was provide Peruvian drug growers an alternative crop to coca leaf and opium with the hope that it would reduce the flow of illegal drugs into this country. An important component of ATPA is that it must be renewed every 5 years.

When ATPA extended duty free access to Peruvian asparagus, imports of fresh Peruvian asparagus accounted for slightly more than four million pounds annually. In the absence of a tariff; however, a new industry was created in Peru. Now current imports exceed 87 million pounds (a 2000 percent increase). Imports of processed asparagus products have similarly surged from 500,000 pounds in 1990 to over 12 million pounds last year (a 2,400 percent increase). While U.S. consumers have benefited from year-round a supply of asparagus, that benefit has come at the direct expense of U.S. asparagus growers, their employees and the rural communities that they work in.

In the U.S., asparagus acreage has dropped from about 90,000 acres before ATPA to just under 50,000 acres in 2006. Prior to ATPA the Washington canned over 55 million pounds of asparagus, representing a little over two thirds of our industry's production. As of June 2005, the last of the three asparagus processors in Washington State relocated to Peru. The largest and most automated asparagus processing facility in the world was packed and shipped in its entirety to Peru to take advantage of the duty free access to Peruvian asparagus. The closures of these plants have caused widespread job layoffs in rural communities one of which had already been designated distressed. Due to the large volumes of Peruvian asparagus on the market, Washington growers are receiving the same price or less than they did prior to the inception of ATPA for fresh and, as of last year, processed asparagus. Significant volumes of Peruvian asparagus now enter during the U.S. industry's domestic season, with large portions of the U.S., the southeastern U.S. in particular, but also the East Coast that rely on Peruvian asparagus year around.

In Michigan, asparagus growers have lowered their prices by as much as 34 percent in a single year (\$0.63 per lb in 2000 to \$0.42 per lb in 2001) and have sold their asparagus at below the cost of production in 3 of the last 5 years in order to retain processing companies.

Sharply increased production from Peru has all but destroyed the U.S. export market for asparagus products. This asparagus import surge has also prevented domestic processed asparagus from entering the U.S. fresh market. The ATPA and the North American Free Trade Agreement have resulted in the loss of thousands and thousands of jobs in the U.S. asparagus industry.

Since the inception of the ATPA in 1991, the flow of drugs from Peru has continued. The benefits of ATPA must at least be questioned. Whatever benefits have been garnered from this increased trade with Peru, in the case of asparagus, it has come at a very high cost to asparagus growers and handlers in rural communities of California, Washington and Michigan states.

Recently, the U.S. Government signed a U.S. Peruvian Free Trade Agreement that will make permanent the duty free status of asparagus. The U.S. government had an opportunity to negotiate a truly free and fair trade agreement with Peru. Unfortunately this did not happen. The U.S. asparagus industry with the support

of the leaders from Washington, Michigan and California requested to Representative Portman that pre- ATPA tariffs be imposed during the three months of the year that constitute our domestic asparagus harvest. This would allow domestic producers to grow, harvest and sell asparagus without the unfair burden of competing with zero-tariff Peruvian imports. The U.S. asparagus industry agreed to support the free trade agreement with Peru if the U.S. and Peru would agree phase out the U.S. tariff over fifteen years, starting at the Most Favored Nation rate, for those months when the U.S. has domestic production in the market. Peru would have permanent duty free status for the rest of the year. That is no more protection than any other sensitive commodity would receive. And yet, it was more than our government could do for this industry that is small in national terms, but so important to local communities. Our government adopted the Peruvian government's position and gave our competition what it asked for. Our industry received nothing.

We believe the asparagus growers in Washington (and Michigan) deserve some compensation for having their livelihoods sacrificed for a failed drug policy, and the U.S. Government refusing to provide them with a transition period in the Peruvian FTA similar to what other sensitive commodities received. It is likely that Washington-Michigan growers' losses associated with this drug/trade agreement are about \$15-20 million, and we would appreciate the Congress providing a block grant to the Michigan and Washington State departments of agriculture designated for asparagus grower compensation.

In addition, we believe the Trade Adjustment Assistance for farmers is not working. The qualifying criteria are a fall in average national prices of 20 percent. The program does not recognize the loss of the U.S. asparagus industry, because while the industry is disappearing, average national prices for a twelve month period have not fallen by that amount. When this program is reauthorized in 2007, we request that the criteria be adjusted so that it takes into account the loss of acreage or an import surge in excess of 1000 percent.

Immigration. The second looming crisis facing our industry as well as others is immigration reform. Asparagus is harvested every day for 70 days, making it the most labor intensive crop in the Pacific Northwest. About 50 percent of our cost of production goes to employee wages, about 80 percent of our variable costs are associated with labor. We are dependent on migrant and seasonal farm workers. Historically, cutting asparagus has been a desirable job because it occurs during the time of the year when there are few other jobs and while the work can be physically demanding the pay is usually good. Our workforce is about 99 percent Hispanic. Approximately 98 percent of cutters originate from Mexico.

In 2005, our industry had barely enough workers to cut asparagus. In 2006, the supply of workers was adequate to harvest our fields. The Washington Asparagus Commission estimates that harvest of 10 percent of our state's asparagus beds ended prematurely due to the lack of workers. The cost to our local community due to the lack of workers is in the millions of dollars.

We have job opportunities that are not being filled by local workers. In order for our industry to survive we require a stable flow of workers from Mexico. We want to match willing workers with job opportunities. The workers with the desire and skill that we need are in Mexico. We must have a comprehensive immigration reform that includes a guest worker program that works for the asparagus industry. A guest program must be affordable. It must also be flexible to the point that we can hire the workers we need when we need them.

STATEMENT OF RON RIVERS

Mr. Chairman, members of the committee, on behalf of myself and all Oregon pear growers, I want to thank the House Committee on Agriculture for inviting me to testify today.

My name is Ron Rivers. My family lives and farms in the beautiful region of Hood River, Oregon. We are third generation farmers with the fourth generation ready to take over. We farm pears on just under 200 acres. Our family pear production exceeds six million pounds per year. All major pear varieties are produced by our farm.

I am here today to provide comments about the farm bill from a growers perspective. The 2002 farm bill began to recognize the importance of specialty crops and their economic importance within the agricultural sector. The majority of growers in Hood River, and in Oregon, are specialty crop producers. For example, Oregon's number one agricultural crop is nursery stock. Pears are not far behind at number nine in value. For years, specialty crop producers such as myself, have largely been unable to access funds and services provided by the farm bill until 2002. As you

know, as a specialty crop grower, I do not receive subsidies. I do not receive direct loan payments. I was pleased to see recognition of the importance of specialty crops in the 2002 farm bill. I would like to see that recognition increased and more programs tailored to our industries.

For example, under the Conservation Security Program(CSP), Middle Columbia-Hood watershed has more approved applications than any other watershed in Oregon. The Middle Columbia-Hood watershed has 246 approved CSP applications. Oregon overall has 718, representing a dollar amount of \$19,766,897 to local producers. These are local producers who have been and are continuing to use farming practices that enhance wildlife habitat, conserve water, protect water, lower farm chemical inputs, monitor soil health, use non-petroleum fuels, and generally conserve and enhance our natural resources. The entire public benefits from these practices. Until the availability of the CSP program, these practices were funded entirely by the grower yet benefited everyone who has an interest in clean air and clean water. CSP is a valuable program, extensively used, and should be continued and expanded.

A second program providing direct help for the improvement of our land and water is the Environmental Quality Incentives Program (EQIP). EQIP, like CSP, allows local producers access to programs to help meet the intent of State and Federal legislation, such as the Clean Air and Clean Water Acts. This program benefits everyone who lives in our State and Nation.

As one of the many roles that I have within the pear industry, I am elected by my peers as the Oregon grower representative on the board of directors of the NW Pear Bureau. The NW Pear Bureau is the marketing and promotion arm, operating under a Federal marketing order, for our pears. I cannot overstate the importance of the Market Access Program(MAP) to our industry. The MAP program allows us to continually open new markets for Oregon and Washington fresh pears. Approximately 35 per cent of all pears are exported. The 2002 farm bill increased MAP funds from 90 million to 200 million dollars. These funds are essential to our industry and I urge you to continue with them. MAP funds, although viewed by some as "corporate welfare", directly benefit me, the grower. Without the assistance to open foreign markets, the domestic market would need to absorb the pears that are currently exported. As you know, as a producer of a raw agricultural product, I must compete globally with other producers. These producers have far less regulations and much lower labor costs. MAP funds help "level the playing field" in the global marketplace.

Section 10603 of the 2002 farm bill is a very good start in providing more fruits and vegetables, and other specialty crops, for use in schools and food service programs. Given the documented problems with obesity and childhood diabetes, this 200 million dollars is a very good start. Not only does this program benefit our children who are participating in school lunch programs, it provides additional outlets for fresh fruit and vegetable producers. This program should be greatly expanded. The same can be said for section 4301 which deals with commodities for the school lunch program. Our pear industry participates in commodity purchases for the school lunch program.

Another program in the farm bill is Food Stamps. I would like to see what I call "Green Stamps" as part of this nutrition program. The concept is simple. "Green Stamps" would be food coupons that are required to be used on fresh or processed fruits and vegetables. A percentage of a client's food stamps would be in these "Green Stamps". Such a program would go a long way, once again, in fighting obesity and diseases related to it. It would also go a long way in meeting the recommended "5-a-day" servings of fruits and vegetables. A "Green Stamp" program would also benefit growers by increasing a market outlet for our produce.

Mr. Chairman, members of the committee. I do need to take just a few more moments to comment on immigration policy. Although immigration policy is not part of the farm bill, I am a grower of a perishable commodity. If I do not have the labor to harvest my pears, no number of farm bill programs or dollars from the USDA can keep me in business. Wages are not the issue. Available and willing labor is the issue. H-2A programs, without a huge overhaul, is not the answer. As a third generation family farmer, my son, Aaron, the fourth generation, will not be farming unless agriculture is granted a guest worker program. Without a guest worker program, Rivers Orchards, Inc will be history and the 2007 farm bill won't matter.

Thank you for the opportunity to testify before you today.

STATEMENT OF KRAIG KNUTZEN

The Honorable Chairman Goodlatte and Honorable Committee Members and Representatives,

My name is Kraig Knutzen and I am part of a 5th generation family farming operation in the Skagit Valley of Western Washington, which lies in the Second Congressional District. We farm 2000 acres of potatoes, green peas, grass seed, corn, and wheat. Potatoes represent half of our acres. We grow and pack potatoes primarily for the fresh market and export a portion of our crop to Mexico, Canada, and Asia. Potatoes have been a part of my life for as long as I can remember. I have also recently served as the Chairman of the U.S. Potato Board.

Today I am representing the Washington State Potato Commission as a member of the Washington State Potato Industry. The Washington State Potato Commission works with approximately all 350 potato growers throughout Washington. Potatoes are the second largest crop grown in the state, with an annual farm-gate value of approximately \$500 million. Washington State exports half of its potato crop and accounts for nearly one-third of all potatoes and potato products exported from the U.S., totaling nearly \$500 million in value added exports from the Ports of Seattle, Portland, and Tacoma in the year 2001 alone.

A study of the economic impacts of the Washington State potato industry show that potato farming and related processing contributes over \$3 billion annually to the Washington economy. This translates into over 27,000 jobs.

There is a disparity in the current farm bill that needs correction. Ninety-two percent of commodity spending was paid on 5 crops representing only a third of the growers in the U.S. The majority, the other two-thirds of the farmers, many specialty crop growers like myself, receive very little support from the current farm bill. Potato growers do not want traditional programs with direct payments but need assistance in other program areas.

The Washington State Potato Commission is part of a national coalition of specialty crop producers advocating for a change in this disparity. We are advocating for the following farm bill policies

1. Nutrition Programs—We support a strong new focus within the 2007 farm bill on increasing the access and availability of fruits and vegetables, particularly to children. We support the development of a new nutrition promotion program to assist producers in enhancing their markets and improving the diets of Americans, and a general requirement that USDA feeding programs and commodity purchasing comply with the 2005 Dietary Guidelines.

Funding State organizations such as the Access To Healthy Foods Coalition in Washington State, is another method to improve nutrition. Access works with foodservice providers and delivery points such as Seahawk Stadium, as well as schools and worksites, to promote policy change that makes healthy food available where citizens live, learn, work and play.

2. State Block Grants—We support an expansion of the State Block Grants for Specialty Crops program originally authorized in the Specialty Crop Competitiveness Act of 2004, and funded through appropriations in the FY06 Agricultural Appropriations bill. Due to the wide diversity and localized needs in specialty crop production, State departments of agriculture are uniquely able to assist local growers with the specific investments they need to increase competitiveness.

3. International Trade— We support programs to increase foreign market access, to increase funding for the Technical Assistance for Specialty Crops program, and creating a new Export Division within APHIS to attack with much greater vigor the real but too often hidden trade barriers facing our industry in sanitary/phytosanitary issues. We also strongly support the Market Access Program.

4. Invasive Pests and Disease—We support significant new investment in prevention of the unintentional introduction of plant pests and diseases. Investment in prevention is more cost-effective than mitigation. A recent find of the Potato Cyst Nematode in Idaho is an example of the need for tighter border controls. This find was the first in the U.S. of this devastating pest.

5. Research—We support significant new investment in research for specialty crops, through both the National Research Initiative and programs within CSREES and ARS.

6. Unique Attributes of Specialty Crop Producers—Due to the nature of high-value specialty crop production, many current farm bill programs and disaster programs are of limited benefit to specialty producers due to payment caps, limits on Adjusted Gross Income, limits on off-farm income even if integral to farming operations, etc. We support a thorough review of all farm programs to ensure that specialty crop producers have access to benefits comparable to other farmers, rather than being excluded or limited simply due to a higher-cost of production.

7. Conservation Programs—We support a mandatory allotment of funding for specialty crop production within EQIP similar to what currently exist for the livestock industry.

Thank you for this opportunity for the Washington potato growers to part of the dialog in developing this new Ag policy. Please feel free to call upon us as a resource in future discussion as we develop the new farm bill. I would welcome any question you may have.

STATEMENT OF CURTIS R. HENNINGS

Ladies and Gentlemen of the committee, thank you for the opportunity to offer you my views on current and future farm policy; in somewhat of a bullet point fashion.

I am here to present my input to you today as mine alone, although I have cast my net far and wide seeking input. I firmly believe that past and current farm policy has fallen short of the mark in preserving a vibrant and forward looking agricultural sector. We've spent way too much time farming the farm programs and far too little time farming the marketplace, and to be competitive with my neighbors, so have I. I truly believe that the Federal Government should gradually ease away from any type of commodity linked payments and serve in the role of a market solicitor and market enforcer instead. Gradually is emphasized, because to do otherwise would wreak havoc in the agricultural community. New Zealand saw a 300 percent increase in rural suicides when they went cold turkey on agricultural subsidies, besides the damage done to the rest of the agricultural infrastructure. We as a nation can't afford for this to happen.

The counter-cyclical safety-net program, however well intentioned, has enough holes in the net that a record number of PNW producers are falling through and either drowning in red ink or bailing out for survival. The USDA chose to set separate loan rates on every class of wheat, our major crop, at different levels for every class. I can understand this thinking, but when you calculate counter-cyclical payments on the average price of wheat nation wide and there is a \$1.50 price difference between classes, some are thrown a life preserver and others are left to tread water. In all fairness though, the price disparity is greater now than in most years because those receiving the high prices hardly have a crop to sell and those with a decent crop don't have a high enough price to turn a decent profit, if a profit at all. The safety net really doesn't seem to be functioning for this vital piece of the American food infrastructure.

CRP, otherwise known as the Codgers Retirement Program, has done more than even Wal-Mart, to destroy the economic infrastructure of our region. CRP had a head start. I am a strong proponent of conservation, as many civilizations have met their demise as their productive base was eroded away, but this program has run amok with the mismanagement at the hands of NRCS. Whole farm bids should not be allowed as they more often than not include land that is not highly erodible, and virtually eliminate the monies received from recirculating in the local economy. Retired farmers don't buy inputs and often leave for a good portion of the year, taking their money elsewhere. One farm was recently accepted as a whole farm bid, beautiful ground, 3000 acres, very productive, community of about 250 people. Imagine what a loss of at least \$300,000 is to that community. CRP and rural development can go hand in hand, or they can work at cross purposes to each other. Go ahead and keep the 25 percent of a county cap if need be, but also cap enrollments at 25 percent of a farm. CRP rental rates need to reflect productive value, as there isn't a single person that I know who makes their living from production agriculture that can compete with the Federal Government for land. CRP pays close to 2X the productive value for ground.

The Jones Act. Attached is a one page white paper on the failings of the Jones Act. If we as production agriculture are expected to compete on the world stage for market access, why is it that our own government essentially limits our access to affordable fertilizer, natural gas, and transportation to domestic markets with an antiquated law that actually hurts the maritime industry that fights tooth and nail to keep it in place? At what point does the union bravado stop supporting a law that keeps hundreds, if not thousands, of jobs from going off shore and brings them home again. If the U.S. maritime industry doesn't have deepwater vessels to ship fertilizer, natural gas, oil, or any other product from State to state, the least you can do is exempt these products from the Jones Act.

There is an economic principle that says, "Farmers will bid land to the point of marginal returns", and that is true. I will also create my own principle, "The agricultural input industry will squeeze farmers to the point of marginal return if they

know the amount of money available.” Unfortunately, farm program payments are factored into virtually everything farmers buy, whether it is a combine, seed, seed treatment, or a crop protection chemical. Farm program payments are also an escalating factor in land values, and land values are one of the factors that make us (U.S.) a high cost producer of food products on the world stage. (Sensing a vicious cycle here?)

Paradigm shift. Big Brother is now a term that means the one that goes out of his way to make sure that the bully doesn’t keep you from swinging at the ball or trips you before home plate. A vital agricultural sector is one that has access to multiple markets, options, no guarantees necessary. An easy example is the RFS that was recently implemented here in Washington State. The farmers of this State have been given to opportunity to grow crops for bio-diesel and ethanol, not a mandate but an opportunity, as at the end of 2007 the State will require blends of each in our fuel. If we do this we will introduce crop rotations, diversify crops, reduce pest problems, reduce risk, and reduce the amount of a crop that is currently overproduced. (SW wheat, price elasticity) To carry this thought further, Big Brother now creates a market for all kinds of bio-fuels and bio-based products and acts as an umpire, making sure that the new products division of American Agriculture has at least equal access to the market place. A vibrant agricultural sector of any economy is one that is in a full production mode and able to shift output as the needs of the economy dictate. If we have the industrial sector and the food sector competing for land usage, agriculture will be strong and able to meet the needs of our nation. How many of you have taken the time to look at the quote above the old Department of Agriculture office in the Capitol building; (When Tillage Begins Other Arts Follow, the Farmers Therefore are the Founders of Human Civilization.) Daniel Webster, 1840

Research is vital, we have to keep leading, lest we fall behind. No other nation has contributed more to feeding the world than the U.S.A. Basic and applied research is vital to all aspects of our competitiveness, don’t let short term budget issues blind you to where we need to be 10 years from now.

Last, but not least, we are sending way too much money to countries and people that would like nothing more than to see us fall on our face and fail. To every extent available in your power, do what you can to strengthen us here at home and give us back the independence this country was founded upon.

Chairman’s Column

Heading: American agriculture has a last chance, but not a lost chance.

American agriculture is operating in a strange and dangerous dichotomy. The independence that makes us strong as individuals may very well serve to be our undoing on State and national levels. The individualism we enjoy makes us weak as a group if we can’t cast it aside when speaking for the good of the whole industry. Mixed messages to Congress and other groups only leaves them confused and without clear direction, something we can’t afford. All too often it seems agricultural organizations get involved in turf wars and forget that to the rest of us, it’s all common turf.

In reality, probably only about half of one percent of the U.S. population qualifies as commercial-level farmers. We’re likely the smallest minority in the U.S. As such, according to a U.S. senator I talked with recently, “Either you get it together, united as the U.S. farming industry, or U.S. farmers will suffer.”

Why is this comment so important? Because we are inherently joined to Congress, that body of government whose responsibility is to look out for our interests in international trade and help us through the natural up-and-down cycles with farm programs. We have essentially one last chance to work together to continue that important relationship, or budget concerns will leave us in the dust. What is lost is seldom regained. The many separate, special interests that are tearing at each other, rather than uniting under the umbrella of American agriculture, will be our undoing.

The wheat industries of Washington State, and indeed the nation, are no exception to these battles. In fact, many other types of agricultural producers feel we wheat growers are at the head of the turf crowd. This column is not meant to denigrate anyone, but it is important that we in the State of Washington recognize that we have the opportunity and ability to pull together and set an example for the rest of American agriculture. It’s not just the grower groups that come into play here, because every part of our industry is intertwined. Everyone-exporters, warehouse companies, input suppliers, producers, and more-needs to look beyond their own boundaries to make a difference in adding revitalization and health to our industry. It was Ben Franklin who said, “We must indeed all hang together, or most assuredly, we shall all hang separately.” And we are indeed now expiring separately.

In 15 years, the number of wheat producers has been reduced by almost half. Half! The industry as a whole is not only unhealthy, but also shuffling towards extinction. And, to a large degree, it is because we haven't acted in a united manner. We have invited disaster on ourselves. Not a drought or hail storm, but a growing disconnect from Congress, the very group that represents the interests of Americans, and knows it is wise to help agriculture through drought, hail storms and more.

We must put a halt to the turf wars and unite on common ground. The philosophy that should be adopted immediately for the survival of producers-and all others dependent upon and supporting them-is this, "If one of us is bleeding, we'll all end up bleeding."

We must come to a consensus now. Then we must visit our congressional delegates as a united industry and ask them not to abandon a decades-long relationship-a relationship that benefits all petrochemical age. Let's not throw out the new, but maybe we should look at hybrid systems that blend both and give us a competitive advantage again. Face it, we're no longer the low cost producer and the rest of the world could care less about our costs of production.

I strongly believe that a paradigm shift is in order. For example, what is needed in our region that is currently being imported from other regions of this country or from outside our borders. One obvious answer is feed: whether it be poultry, cattle, horse, hog or bird food. A vast majority is imported at an ever-increasing freight rate that actually makes us more competitive as suppliers.

Suppose 25 percent of the land in the PNW produced in rotation, broadleaf crops such as canola, sunflower, peas or others. It would only decrease the supply of wheat out of our region for at the most 2 years, because at that time the rotational benefits will have expressed themselves.

The long term rotational research that has been done shows that wheat after most broadleaf crops produces 20 to 25 percent more than wheat after wheat; wheat after barley, 11 percent; and wheat after triticale or oats several percentage points greater than barley. You have the same number of acres and more crop to sell, less overall input costs because one crop helps clean up the other crop of diseases, weeds and insects, and your harvest and price risk windows are spread out. The downside, however, is that there will be more management time and a learning curve to familiarize oneself with other crops. However, these other crops have established markets, and your marketing skills will increase exponentially.

The WWC has set a course for itself to focus on increasing the financial health of our producers. What would happen if we focused some of our efforts on alternatives that enhance the cost effective production of wheat and put several more dollars in our producers pockets.

The other request that I would like to make is to implore the research community to step outside of their comfort zone and share observations with the grower community if something looks noteworthy. For a researcher to say, "I think I'm seeing this" gives us a heads up, doesn't carry legal liability, and might go a long way to enhancing our survival as producers. After four or five years you can still publish statistically proven results, but for someone you might have helped it may be too late. Please take no offense by this, but we're all in this together and we trust your observations and appreciate any help you can give whenever you can give it.

We have challenges ahead, but we're up to them. To paraphrase an often used quote, those who say it can't be done eat the dust created by others doing it.

The Jones Act. By Randy Suess, WAWG P.I. Committee, Chairman

Deregulation of industries has occurred almost everywhere, except in the Maritime Industry. Trucks, airlines, and interstate buses have all been integrated into a system that is more productive and provides better service. The Jones Act is one of the last holdouts to free trade in the transportation sector.

The act came about in 1920, and required goods transported between U.S. ports are carried only on vessels built, owned, and operated by the U.S. No other form of transportation has such restrictions. If competition leads to economic growth and innovation, why hasn't this Act been amended? Part of the answer lies in a tradition of protectionism dating back to the founding of the nation. The standards were intended to support a merchant marine for economic growth and support of national defense. Even with these measures, the American-flag merchant marine trade has declined. It is time to revisit this issue and see if there is a more equitable way to meet the defense needs of this country, and right the wrongs that have occurred.

Things have changed. Foreign-flagged carriers and U.S.-flagged foreign fleets have improved their technology and productivity, resulting in lower costs. Domestic carriers have the highest cost of any fleet in the world. Has the industry concentrated too much on protecting its status, rather than investing in cost-saving, productivity enhancing strategies?

Reform of the Jones Act could result in three benefits. First would be lower costs of transporting goods. It would create new domestic trading opportunities, and reduce imports in some manufacturing sectors. Studies by the International Trade Commission have shown an economic benefit of \$10 billion annually. The second benefit arises from more efficient use of existing resources, more transportation options, and increased competition with truck and rail. This will give domestic shippers, more options, and better service at lower costs. The third benefit is an increase in commerce will produce more jobs. A job shift may occur to other maritime sectors, but the domestic waterborne industry should rebound and become a vital force.

Studies by the Congressional Budget Office have shown that the protectionist policies costs consumers and manufacturers. The reduced options and higher prices of the Jones Act is a non-tariff barrier to free trade.

Some specific examples that affect farmers and ranchers, illustrate the importance as to reform. Flour mills in Hawaii import Canadian grain because the cost to transport it on foreign-flagged vessels is less expensive than getting the wheat from Portland or Seattle on a U.S. bottom. This is locking Pacific Northwest farmers out of our own market.

Getting fertilizer from Alaska to the lower 48 states is impossible. There are no U.S. bottoms to deliver the fertilizer, even though the cost of the fertilizer there is almost one-half the cost. This is essentially providing fertilizer to foreign countries cheaper than American farmers can get it. Does this seem right?

If the best defense for the Jones Act is a military defense argument, then why has there been a decline in the domestic deepwater transportation industry. As Sen. John McCain put it, "I think most people would agree that the U.S. military aircraft-manufacturing base is vital to the national security of the U.S. Similar to naval shipbuilding, military aircraft production has declined in recent years. Yet, domestic commercial air carriers are allowed to own and operate foreign-built aircraft in the domestic trade. Domestic rail and motor carriers are also allowed to use foreign-built trains and trucks."

There is a need to allow foreign-flagged vessels to operate in the domestic deepwater trade, after they comply with safety regulations and other requirements placed on other companies doing business domestically. There is also a need to permit foreign investment in U.S. flagged carriers. This will allow the maritime industry and its customers renewed prosperity, by freeing the industry from restrictions.

STATEMENT OF MONTE MABERRY

I am writing in regard to the upcoming farm bill and would like to testify on behalf of the red raspberry industry and give my full support to specialty crops here in the United States as it pertains to the farm bill.

It is a well known fact that specialty crops have, and are, becoming a very large segment of U.S. agriculture. In fact, they are now at or close to 50 percent of the dollar value in agriculture in the United States. As a producer of specialty crops, I feel it is time that we are recognized by the U.S. Government as an important entity not only in agriculture but also as a vital and important part of America's business future. Most of these crops are highly labor intensive which allows for many jobs here in the U.S. and are high value crops.

As an American farmer it is difficult for me to appear to be confrontational with another agricultural commodity but specialty crops have been neglected and severely overshadowed by Program Crops when it comes to funding. Program crops received a vast majority of the funds dispersed by the farm bill and it is time some equity is brought into the equation.

I am sure that much testimony will echo the same sentiments as I will as I now begin to speak about the industry that I participate in. I am sure there is not one of us here asking for a free hand out. In fact, in my view, Federal or State support, disaster relief, assistance or whatever you want to call it, is detrimental to the success of any agricultural industry. We need assistance in the areas in which will have a long lasting impact to keep Specialty Crops sustainable in the U.S.

Here are some of the issues that we face in the Red Raspberry Industry:

The No. 1 issue for our industry is fair trade. It is a fact and a reality that more and more fruits and vegetables are being shipped into the U.S. and there is a very small amount going out. In most of the Specialty Crop products, imports are coming in at an alarming rate and usually under the cost of production for us here in the U.S.—most all from Third World Countries. We all know about the cost of doing business in the U.S. compared to these countries and Fair is usually not a word we use to describe trade when it pertains to foreign imports. That being said here are some ways to help our industry and Specialty Crops here is in the U.S.

1. Promotion: The red raspberry industry funds its own promotion program. These programs have had some success but need more funding to be effective. The domestic industry promotes its own products with its own growers' funds through assessments. There has been success in the growth in all raspberry categories but the problem is imports have captured most of the growth. From 2004 to 2005 Chilean imports were up around 100 percent. Our industry needs assistance not only in promotion funds but an ally in our government when we pursue getting funds from foreign countries that benefit from our work in promotion. At the present time in our industry all foreign imports ride on the backs of our U.S. producers.

2. Research: Variety research is a must in order to compete in a global market. The only way to compete is to get our cost of production down to a level where we can sell competitively on the world market. This means varieties that yield more and can be mechanically harvested. It takes an enormous amount of dollars to create a single variety—up to a million dollars. Our University programs have not created a new variety that works for the industry for over 30 years.

Cultural research and training is also a must. As any agricultural entity, we face enormous scrutiny from the environmental regulatory side of our own government as well as our multi-national food corporations who demand and enforce strict rules as it pertains to chemical use in the U.S. Far more than our competitors oversee. Ironically, both our government and food corporations seem to be far less concerned with food brought into our country as they are with food grown here in the U.S. We need assistance and dollars to become less dependent on chemicals to grow these products.

Nutritional and health benefit research. Our industry needs assistance in getting its health message out to the general public. Red raspberries have one of the highest levels of ellagic acid of all the fruits. Ellagic acid is a proven cancer fighter. The red raspberry industry has in the past funded research on ellagic and the finding were very conclusive but no funds have been available to relay the message to the general consuming public. Once again, help is needed.

3. Research and Development: R&D work for creating new products that have red raspberries as an ingredient.

More and more we as producers are called on to create products for the end user. Whether it be in a fast food chain or a formulated product this kind of research takes time and dollars both of which is not there at the present time.

In conclusion, I fully support the Specialty crops principles as articulated by the farm bill Steering Committee organized by the United Fresh Fruit & Vegetable Association and their quest to be recognized in the upcoming farm bill.

STATEMENT OF SHARON LIVINGSTON

Mr. Chairman, Ranking Member Peterson, members of the committee, thank you for the opportunity to present the Oregon cattle industry's perspective on the upcoming 2007 farm bill. My name is Sharon Livingston, and I am a cattle producer from Long Creek, Oregon. I am the current President of the Oregon Cattlemen's Association.

As with most other agriculture industries we are paying very close attention to the development and drafting of the 2007 farm bill. As cattle producers, our industry typically prefers a hands off approach to the various programs that are included in the farm bill. Most producers would prefer to be left alone and not have the government intervene in the daily business of the cattle industry. As a result of this hands off approach, most cattle producers don't directly take advantage of farm bill related programs.

However, while cattle producers themselves don't typically take advantage of farm bill programs, the provisions of the farm bill indirectly affect the entire industry. Livestock consumes a large portion of the major feeds that are grown throughout the country. As our cattle are finished in feedlots they consume crops, such as corn and barley, which are milled into feeds. As the nation's largest segment of agriculture, the cattle industry is focused on continuing to work towards agricultural policy which minimizes direct Federal involvement; achieves a reduction in Federal spending; preserves the right of individual choice in the management of land, water, and other resources; provides an opportunity to compete in foreign markets; and does not favor one producer or commodity over another.

ENVIRONMENTAL PROTECTION

Cattle producers are intimately involved in the protection and utilization of the environment that surrounds us. Our livelihood depends on the sustainable use of

the land and other resources to ensure our families are able to remain on the land for future generations. I like to think of farmers and ranchers as the original environmentalists. We are constant stewards of the land because our industry depends on the continued resources that it provides us everyday.

Cattle ranching and environmental stewardship can go hand in hand in virtually all situations. Where managed properly, cattle can improve and enhance nearly all landscapes and terrains. Cattle can survive and thrive in all types of climates, from semi arid deserts to lush valleys near the coastlines. It is a constant goal of ranchers to operate their ranches as environmentally friendly as possible, which is where individual ranchers can utilize government conservation programs. Our highest priorities are to utilize these government programs to relieve regulatory burdens imposed under the Clean Air Act, Clean Water Act, and ESA. The programs most responsive to these needs are Environmental Quality Incentives Program (EQIP) first and foremost, and then Wildlife Habitat Incentives Program (WHIP).

The Environmental Quality Incentive Program (EQIP) is one of the most utilized programs for ranchers in Oregon. This program rewards and provides incentives to cattle producers for their environmental stewardship. Targeted spending within this program can have dramatic effects for landowners who want to be recognized and rewarded for their work. This program could be expanded with controlled spending to directly target additional partnerships with landowners.

Environmental programs such as EQIP, WHIP, and the Conservation Security Program (CSP) are valuable assets to producers who manage their land in accordance with USDA principles. We would like to see these programs continued and urge USDA to seek out additional partnerships that further promote conservation.

The farm bill programs we are talking about today are only effective if USDA has the personnel to deliver programs to producers. Farm Service Agency recently retracted a restructuring process of their offices. Although we didn't take a position at that time, I would urge FSA in any future restructuring process to ensure, qualified and competent employees are available for producers in localized areas to deliver the programs and technical advice that are offered.

RESEARCH

We would like to see additional money devoted to science-based research in the agriculture arena. Numerous issues, including regulations governing air and water, continually plague Oregon farmers and ranchers. Credible and unbiased research is desperately needed to defend against attacks from activist groups that intend to do harm to agriculture and other natural resource based industries. Fact based science is not only good for ranchers, but for everyone. Many millions of dollars will be "totally wasted" on environmental issues unless we know and understand the science of the issue.

In Oregon as in many other states, we depend heavily on our land grant university, Oregon State University (OSU). OSU manages and houses the extension and agriculture experiment stations that are located throughout the State. Farming and ranching industries need the research knowledge that is gained by these institutions each year. Those of us who are in the "harvesting and food production business" have benefited greatly from the research and Extension Service at OSU. Without it, many of us would not be profitable enough to stay in business. Research on animal diseases, overall animal health, nutrition, marketing, meat preparation etc. not only provides a benefit to ranchers like myself, but to the average consumer household as well. A recently formed forage/livestock endowment started at OSU, has great potential to help ranchers across the Nation with cutting edge research. This is a specific area we would like to see funded and expanded.

TAXES

Taxes are a large concern for ranchers throughout the nation. The Death Tax in particular is especially damaging to family farms and ranches. This tax has the ability to force a family that has been in business for multiple generations to sell out.

Contrary to the arguments of some, the Death Tax is not a tax on the rich. The rich have adequate funds to hire attorneys and accountant's to avoid the tax. In a land rich but cash poor occupation such as farming and ranching, a family may have only one option to pay a large tax bill upon a family members death: sell the assets. This unfair tax strips local rural economies of family businesses and diverts money to the Federal Government that could be better utilized in struggling local economies.

Water

Additional resources should be provided to fund the continued development of water storage. In the arid West, water has been, and will continue to be a major

source of contention from numerous parties. Funds should be dedicated to capturing more surface water during spring melt and wet periods, as about 95 percent of this vital resource flows to the ocean unused. By doing so we could potentially reduce much of the conflict over competing uses.

The ongoing conflict between water users in the Klamath Basin and fishermen along the coastline is an example of the competing interests for water. This problem can be traced to numerous issues including the Endangered Species Act, Federal mismanagement of resources, and changing natural conditions. Developing additional water storage capacity within the Basin would help this problem. The lack of storage capacity has the potential to decimate two industries, the farmers and the fishermen. This situation is a perfect illustration that no one wins but the lawyers.

Agriculture is losing the "water wars" because virtually no new water is directed towards production, but rather towards other uses. Presently, the "water pie" is finite and all parties' fight over their piece. Efforts and funds should be directed towards making the pie bigger. Incentives should be towards producing more water storage for multiple uses including irrigation when it is needed during the growing season.

PROPERTY RIGHTS

At the forefront of most battles fought in the cattle industry are private property rights. The right to own private property in this country without the fear of a "taking" is one of our most revered rights we all have. The Oregon Cattlemen's Association and I consistently defend the rights we have and regularly work with both State and Federal legislators to make our voice heard. The recent *Kelo vs. New London* Supreme Court decision is especially troubling to the concept of private property rights ownership. I applaud the Committee's work in this arena and specifically certain members of the Committee for their dedication to the continued protection of private property.

PUBLIC LANDS

Public lands' grazing is an integral part of the ranching industry in the West. Public agencies own a majority of the land in many of the 12 western states, and Oregon is no exception. Public lands ranchers rely on the administering agencies, BLM, U.S. Forest Service and various State agencies, to ensure that ranching remains a viable option on these lands. The profitability and uncertainty associated with these lands has eroded to the point that many ranching businesses are failing. While public lands grazing issues haven't typically been included in the farm bill, this is an issue that we ask that the Committee take note of and help these ranchers trying to utilize these marginal lands.

An area of concern to public land ranchers is the encroachment and advance of invasive weeds. These weeds displace forage that is vital for both livestock and wildlife. Some level of funding should be made available through the farm bill to control invasive weeds on both private and public land.

Most rural eastern Oregon towns rely on a ranching economic base. The ranchers that inhabit and sustain these towns typically have a private and public grazing land mixture. Because the Federal Government owns the majority of the land in eastern Oregon these operations rely heavily on utilizing these arid grazing lands. The continued use of these public lands is becoming increasingly contentious and uncertain for numerous reasons such as activist lawsuits, invasive noxious weeds, ESA listings, and wilderness designations.

Activist groups such as the Oregon Natural Desert Association and Center for Biological Diversity have found a niche in filing lawsuits against the public agencies administering these grazing lands. Most lawsuits that are filed are similar in nature charging the agencies are not properly following NEPA, FLPMA, EIS's, the ESA and various other policies the agencies are required to contend with. These lawsuits are typically filed against specific allotments that ranchers depend on for their livelihood. This normally forces producers to get involved in these lawsuits to defend their grazing practices. These lawsuits cost ranchers thousands upon thousands of dollars to defend their allotments and often times these individuals cannot pay the bill and are forced to lose their grazing rights. The misinterpretation and abuse of the above named policies are contributing to the extinction of ranching families and rural ranching towns.

ENERGY

We must put more effort into research and development of renewable energy. Fuel and fertilizer inputs are two of the largest costs for agriculture producers across the nation. In addition to oil prices, natural gas prices have severely elevated fertilizer and chemical pesticide costs.

Fuel production related to ethanol is an exciting opportunity to lessen U.S. dependence on foreign oil. Caution must be used to minimize the impact on corn supplies for livestock feeding. Livestock consume a majority of the corn that is produced around the Nation and as supplies tighten a potential exists to harm the livestock industry. Development of alternative fuel sources is a beneficial thing for the entire country but discretion should be exercised to avoid harming industries that currently depend on these products. A careful balance must be struck between providing ample feed supplies, renewable fuel sources, and price.

This is an exciting time to be affiliated with the livestock industry. While the future holds great promise, we must be careful to learn from new lessons each day. We are not asking for any handouts or special consideration in the 2007 farm bill. We only ask that policy be developed that will allow producers to remain productive and competitive in the global market. Often times this means that government must stay out of the marketplace and allow market forces to dictate. We look forward to working with this Committee in the drafting of the new farm bill and hope we can work together to find the most efficient way to use the limited funds available in an equitable program.

STATEMENT OF LINDA STONE

Thank you for the opportunity to provide comments to the House Agriculture Committee on the 2007 farm bill on behalf of the Western Region Anti-Hunger Consortium (WRAHC). WRAHC is an 11 State collaborative of anti-hunger organizations in the western States. Our States include Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, Oregon, Utah and Washington. Our members include food banks, faith-based organizations, children's advocacy organizations, anti-hunger advocacy groups and public-private partnerships.

Our focus is the nutrition title of the farm bill.

WRAHC takes very seriously the opportunity provided by the farm bill to improve the effectiveness of the Food Stamp Program, our nation's number one defense against hunger. In February 2006, 4,289,335 individuals received assistance from food stamps in our eleven states. This assistance keeps children fed and ready to learn, workers productive and reduces the need for further economic assistance. It also brought nearly \$5 billion into the western States in 2005.

We join the Agriculture Committee in our support for the system of hunger relief in our country, a system that showed its importance and its responsiveness last year in response to the Katrina crisis. Food Stamps form the foundation of this response system. The hallmark of the program is its flexibility to expand in time of crisis and contract as economic times improve. The critical importance of retaining the entitlement structure of the Food Stamp Program cannot be overemphasized. Further, Food Stamps provide a key economic support to community grocers, as well as farmers, processors and distributors, in time of recession.

We applaud the Committee for the significant improvements in Food Stamps made in the 2002 farm bill. WRAHC played an important role here in the west by convening not only advocates, but State administrators of the program, our D.C. colleagues, and others to form a coherent western perspective and set of recommendations for Congress. A number of our key recommendations, including expanding the reach of food stamps to more immigrants legally in the country, became part of the final reauthorization bill.

We also appreciate the attention given in the 2002 bill to improving program access for working families. While progress has been made in this area, there is still unfinished business to address in the 2007 bill.

We have all worked hard in the years since the 2002 reauthorization to encourage and assist our states in implementing the State options provided in the bill to expand access to working families, families leaving TANF cash assistance and others. In my State of Washington, our legislature passed the 2004 Act for Hungry Families to insure that simplified reporting and transitional benefits would be available in our State.

WRAHC has now come together to develop a 2007 farm bill agenda. Our work is not yet complete. We have active committees reviewing key elements of the Nutrition title and developing recommendations reflective of the needs of western states.

In sharing some of these developing recommendations with you in this testimony, WRAHC pledges to continue to refine our message to Congress concerning the 2007 farm bill and work with our members of the House Agriculture Committee and Congress overall to insure that the outcome of the farm bill debate does not forget the key role the Bill plays in fighting hunger in America AND that the final Bill expands assistance to America's hungry children and families.

Food Stamp Benefits and the Health of America's Children and Families

Among America's key health problems is child and adult overweight. In order to expand the positive impact of the Food Stamp Program on this health crisis, benefit adequacy must be addressed so that families are able to purchase more nutritious foods, in compliance with the Dietary Guidelines for Americans.

WRAHC recommends that Congress mandate that USDA re-assess the contents of the Thrifty Food Plan, ensuring that the foods used to calculate the cost of the plan are consistent with the Dietary Guidelines and include an adequate supply of fresh fruit and vegetables and other foods required for a healthy diet. There is no doubt that benefit amounts must increase in order to meet health and dietary guidelines. Perhaps rethinking of the plan as a "Healthy Food Plan" can address the combined goals of reducing hunger and reducing overweight.

Low-income families dependent on Food Stamps must also be able to access healthy foods. In both rural and urban areas, markets with a wide variety of fresh produce can be difficult to find. While it is in the best interest of grocers to promote the Food Stamp Program, there are instances in which they may need encouragement and guidance.

WRAHC recommends that Congress examine options for increasing access to healthy foods, including providing technical assistance and mentoring, as well as incentivizing sales of fresh produce by small-store food stamp-certified grocers in low-income neighborhoods to encourage and support their stocking and promoting fresh fruit and vegetables.

Other possible ways to increase access to and purchase of health foods include:

- Providing nutrition education to both grocers and food stamp participants on the benefits and uses of fresh fruit and vegetables.
- Encouraging use of food stamps in farm-direct sales of fresh fruit and vegetables through farm stands, CSA's and other routes. This includes financing through the Commodity title and other titles of the farm bill point of sale equipment for farm stands and farmers markets.
- Within the Commodities title, developing pilots for providing financial incentives to participants in the Food Stamp Program to purchase fresh fruit and vegetables by replacing on to their EBT cards some portion of the cost of fresh fruit and vegetable purchases and carefully evaluating any impact of food consumption.

Food Stamp Program Complexities: Barriers to Participation

Although food stamps are our number one defense against hunger, there continue to be significant barriers to program participation by eligible families, particularly working families.

WRAHC recommends that the gross income limit for Food Stamps be raised from 130 percent of the Federal Poverty Level to 185 percent of the Federal Poverty Level to better reflect the income level needed for families to approach food security. This change would make the Food Stamp Program consistent with the WIC program, a key nutrition support to young families. It also takes into account higher housing, utility and other costs in many western states.

In addition, Congress and USDA should examine other ways to streamline the program, reduce paperwork and expand access, while continuing to insure that those most poor and vulnerable families receive the help they need.

WRAHC recommends that a variety of program elements be examined for simplification, including Quality Control provisions that continue to make preventing errors a more important goal than increasing access. These include:

- Facilitate increased use of the child care and child support deductions and automatically include a deduction for child support for families paying support through State IV-D programs. Examine further modifications to make these deductions easier to use.
- Include seniors, the disabled, homeless individuals and migrant workers in eligibility for simplified reporting for food stamps.
- Make any senior eligible for food stamps automatically eligible for the Part D Medicare drug benefit.
- Increase resources available to states to start up on-line food stamp application technology. For example, Montana is still very limited by its computer capabilities in all public assistance programs and this often limits people from getting help quickly, or feeling that they have to go to the "welfare office". In addition, evaluate

the “simplification” process of current electronic filing to determine if it increases denials?

- Analyze ways to address high housing costs in the program while not increasing program complexity; consider limiting documentation required for the maximum shelter deduction.
- Adjust error rates to include increase in participation rates as a formula element.
- Don’t hold workers responsible for client error.
- Don’t make clients repay agency error.

Food Stamps for Everyone: Legal Immigrants, Able-Bodied Adults with No Dependents, and Individuals with Prior Drug Felonies

Changes in the Food Stamp Program in the late 1990’s restrict access to several groups of individuals that WRAHC feels should be restored program eligibility.

People who have immigrated to the U.S. form a significant segment of the population in the western states. Many of our states created State food assistance programs for legal immigrants excluded from eligibility in the Food Stamp Program by the 1996 Personal Responsibility and Work Opportunities Reconciliation Act. Our members of Congress have led successful efforts to restore eligibility to many legal immigrants.

Unfortunately, legal immigrants continue to be ineligible for Federal food stamps unless they are under the protection of asylum/refugee status or in the U.S. more than five years. In addition to denying assistance to some individuals legally in this country, the complexity of the eligibility provisions cause confusion and reduce access to needed assistance.

WRAHC recommends that Congress restore Federal eligibility for all qualified legal permanent residents.

Sponsor deeming requirements (adding income of immigrant + income of “sponsor” who signed affidavit of support) discourages and disqualifies many immigrants in need of assistance. While a hardship exemption exists, its application is uneven and inconsistent.

WRAHC recommends that Congress simplify deeming requirements, broaden hardship exemptions and reduce required documentation.

Sponsor liability for repayment of benefits has chilled many potential applicants. Legal services providers are unable to fully endorse applications for food stamps because of the uncertainty surrounding legal liability of immigrant sponsors.

WRAHC recommends that Congress rescind the requirement that sponsors names are forwarded to State attorneys general and threatened with the possibility of benefits repayment.

Able-Bodied Adults without Dependents (ABAWDS) were restricted to three months of food stamp eligibility in every three years if not working. Implementation of the work requirements for this change in the program has been cumbersome and ineffective. Work programs established with insufficient funds have not produced outcomes. Pockets of high unemployment are difficult to segregate for purposes to waiving the work requirement.

WRAHC recommends that Congress restore eligibility to ABAWDS in the 2007 farm bill.

Individuals with felony drug convictions were summarily banned from receipt of food stamps for life. This penalty is focused only on this group and prosecutors, law enforcement and others around the country have joined advocates in declaring this provision unfair. Oregon, Washington, Montana State legislatures have voted to exempt individuals from this ban.

WRAHC recommends that Congress rescind the lifetime ban on receipt of food stamps by individuals convicted of drug felonies.

Food Stamp Nutrition Education (FSNE): Improve Program Effectiveness and Respond to the April 2004 GAO Report to the U.S. Senate Committee on Agriculture, Nutrition, and Forestry entitled Nutrition Education: USDA Provides Services through Multiple Programs, but Stronger Linkages among Efforts Are Needed

WRAHC recommendations include taking steps to insure the system is:

Cost effective. Approaches used should be cost effective—e.g., large numbers of people should be reached relative to dollars spent.

Complementary. Approaches should complement existing efforts from other Federal nutrition programs.

Focused on systems and environmental change. Approaches should focus on changing systems, policies and organizational practices that influence the food environment.

Incorporate physical activity. Approaches should address physical activity in equal measure to nutrition.

Incorporates Federal nutrition program outreach. Approaches should incorporate outreach to Federal nutrition programs such as food stamps, school meals, etc.

Helps to establish EBT systems at farmers' markets. FSNE funding should support the primary goal of increasing fruit and vegetable consumption by food stamp participants by increasing the number of venues where food stamp recipients can purchase fruits and vegetables.

WRAHC recommends administrative changes to facilitate the above effective system include:

Participatory annual guidance. Changes to FSNE annual guidance should be noticed for public comment and comments received should be incorporated into final guidance issued.

Simplification of documentation. Documentation requirements for nutrition education administrative expenses offered for FSNE reimbursement need to be simplified.

Multi-year plans. Allow states to submit nutrition education plans for at least a three-year period of time.

Increased fiscal flexibility. Give states greater flexibility in utilizing FSNE funds for legitimate nutrition education aims.

Good faith targeting. Relax targeting rules and allow states to document genuine efforts to target eligible populations.

Food Stamp Outreach: A Key Tool in Reaching Needy Families

Outreach has proven effective in the last several years in expanding access to food stamps for eligible families. In Oregon, participation increased from lower than most states to the highest in the Nation due to strategic policy change and targeted outreach.

WRAHC recommends that the following changes are made in the activities eligible for reimbursement under the Food Stamp Outreach program Federal match:

- Allow outreach to rural stores, farmer's markets, and other areas with low grocer participation to encourage them to accept food stamps by installing an EBT machine.

- Allow transportation costs to be an acceptable outreach item—giving out bus tickets and/or transporting people to the Food Stamp office.

- Providing enhanced outreach dollars (75 percent Federal match) for certain outreach activities such as hotlines with live, trained staff who answer, and development of electronic application process.

- Make the program more complementary with the FSNE program so that staff can do both activities together in order to make the most efficient use of available resources.

- Require engagement of food retailers in outreach efforts for the Food Stamp Program as a condition of certification as a vendor.

Commodity Programs: The Emergency Food Assistance Program (TEFAP) and Commodity Supplemental Food Program (CSFP)

Along with the Food Stamp Program, the farm bill includes several commodity programs that provide significant assistance to seniors and families through community emergency food providers.

WRAHC believes that all current Federal nutrition programs play key roles and are necessary to address hunger in America. Recommendations for commodity programs include:

- Inflation proof TEFAP over the next five years so that the network of emergency food providers across the country have a reliable and predictable source of commodities.

- Develop pilots with additional funding to implement local purchasing programs, including purchasing of fresh fruits and vegetables, for TEFAP.

- Preserve CSFP and develop an incremental plan to expand the program to serve all eligible seniors over the next few years.

WRAHC recommends that Congress and USDA improve the profile of all agriculture commodities programs to ensure that they feature ample supplies of fresh fruit and vegetables and meet the recommendations contained in the Dietary Guidelines for Americans.

Thank you for the opportunity to provide testimony on the farm bill to the House Agriculture Committee. We will continue to monitor progress on bill development and would be happy to answer any questions you have concerning hunger and food assistance in the west.

Food Bank of Alaska, Alaska Food Coalition, Arizona Association of Food Banks, Community Food Bank of Tucson, Arizona Community Action Association, California Food Policy Advocates, California Food Bank Association, California Hunger Action Coalition, Desert Cities Hunger Action, California WIC Association, Colorado Anti-Hunger Network, Kauai Food Bank, the Idaho Food Bank, Montana Food Bank

Network, Food Bank of Northern Nevada, Oregon Food Bank, Oregon Hunger Relief Task Force, Utahns Against Hunger, Children's Alliance, Washington, Washington Food Coalition, Food Lifeline, Northwest Harvest, Second Harvest Food Bank Inland NW

STATEMENT OF MIKE YOUNGQUIST

I am substituting for Monty Maberry as a representative for the Washington Berry industry and I totally support his written testimony, the National Berry Crops Initiative, and the Specialty Crop Industry Priorities for the 2007 farm bill.

I personally appreciate the pilot income insurance programs for berries and vegetables. I support maximum limits be raised to two million for eligibility. This program if properly administered would greatly enhance the specialty crops economic reliability and bank ability. This program would also be a good substitute for disaster assistance.

It is extremely hard to concentrate on the existing programs in the farm bill when the overriding issue with the most negative ramifications is Immigration Reform. It is foolhardy for any one in high labor agriculture to invest in any crop or processing facility without a secure functioning legal supply of labor.

The dilemma we are now in is the result of congressional inaction and the failure to put together a functioning program over the last 30 years so that poor, limited language people can safely enter this country to work in agriculture. The current solution that passed the U.S. House of Representatives is counter productive to our country and the rhetoric has been so caustic that it has inflamed racial tensions and is an embarrassment to a civilized society.

Some of the issues that need solutions are:

- A guest worker program that is smooth and efficient.
- A sponsorship program for close relatives of U.S. citizens.
- The ability of existing persons to be first in line to return as permitted visa workers.
- A bonding program to insure the return of permitted persons when a visa has expired.
- A health check/vaccination program for permitted persons.
- A graduated earned permit program, starting as; a guest worker, to a Work Visa, to a Temporary Resident, to a Resident, to a Citizen.
- A method to use collected FICA, SUI and FUI taxes to provide health insurance, emergency care or education expenses.
- A vehicle insurance bonding requirement.

We must provide a means for energetic people to better themselves in a safe protected program. We must take the underground away from the coyotes, gangs, druggers, counterfeiters and profiteers that prey on human dreams, suffering and weakness.

We in non-program agriculture are having a very difficult time adjusting to the rapidly changing World Market economics and feel we have a very insecure future. I feel if Congress cannot solve the immigration issue there is a high probability our agriculture economy will be sacrificed to put a bank machine on every corner of the world.

Thank you,

STATEMENT OF LARRY OLSEN

Thank you, Chairman Goodlatte for providing me this opportunity today to testify on Federal farm bill policy. It is my pleasure to welcome you and your distinguished colleagues to the Yakima Valley.

My grandfather migrated from Norway in 1906 and planted some of the first apple trees in the valley in 1908. My brother Dick and I started our own farming operation in 1972 on 80 acres of apples and cherries. 35 years later, we grow 465 acres of apples, 150 acres of cherries, 270 acres of concord grapes, 800 acres and 18 varieties of wine grapes, 385 acres of hops, 35 acres of blueberries and 70 acres of wheat.

Apples in Washington State, representing about 183,000 acres of irrigated farmland, are grown on over 5,600 orchards. Washington apples are a billion dollar plus crop. About 60 percent of the Nation's apple production comes from this state, which leads the Nation. About 30 percent of our State's yearly crop is destined for overseas

markets, contributing favorably to the balance of trade. Of all U.S. apples which are exported, over 70 percent originate from this area.

Sweet cherries are also a very important crop to this part of the country. In about one week, we will begin harvesting cherries at Olsen Brothers, at which time, my workforce will increase to 500 people. The Pacific Northwest has some 3,500 cherry producers and the market value of this crop is approximately \$430,000,000. The Pacific Coast dominates national sweet cherry production, with our State leading the way. About 30 percent of our annual cherry production also, is sold overseas each year.

I was invited to testify today on the 2002 farm bill and how current and future challenges might be addressed in the next farm bill.

While chairman of the Washington Apple Commission and later the United States Apple Association, I frequently requested support from Congressman Larsen and Congressman Hastings for a variety of programs needed by specialty crops producers and apples in particular. I must admit feeling that fruit and vegetable growers have been treated, in the farm bill, like stepchildren in favor of program crops. However, I am not here to advocate price supports for fruit growers. Instead, I ask that this Committee provide additional support for programs that enable growers like me to compete in free national and international markets.

Let me highlight a few of your programs most important to Olsen Brothers.

1. Thank you for increasing funding for the Market Access Program (MAP) to its current level. It is a fabulous foreign market development tool for Northwest Cherry Growers and the Washington Apple Commission in their programs coordinated through USDA's Foreign Agricultural Service. The Technical Assistance for Specialty Crops (TASC) has also been helpful in our fight to keep export markets open.

2. I hope you agree it is in the public interest to fight the current obesity epidemic and other nutritional challenges, by encouraging the consumption of fresh fruits and vegetables in our schools and within Federal feeding programs such as WIC. This will aid producers like me while improving the health of our nation's children and the general public. Significant funding needs to be committed to this overdue effort.

3. And finally, a pet peeve of mine which is research. It is frustrating to frequently fight rear guard actions against administration efforts, both Democrat and Republican, to cut research funding. Thank God for Congressman Doc Hastings for protecting research which enhances my ability to compete with foreign producers, often heavily subsidized by their own governments. All of us in labor-intensive agriculture are very concerned about the immigration issue. I implore you to fund research into labor saving alternatives such as are being promoted by our Washington State Tree Fruit Research Service. If you only remember two words of my testimony, I hope they are "Technology Roadmap". The most successful companies and countries are those that invest heavily in research and development.

In closing, I urge you to heed more detailed farm bill testimony that will certainly be offered in the coming month by groups such as USApple, The United Fresh Fruit and Vegetable Association, and the Northwest Horticultural Council. I hope your visit is enjoyable and that my testimony assists in your important deliberations.

STATEMENT OF LARRY STAP

Good morning Chairman Goodlatte, my Congressman Rick Larson, and other members of the committee. Thank you for holding this hearing in Washington State to hear from farmers regarding issues we deem important to our industry. My name is Larry Stap and I am a 4th generation dairy farmer in the county of Whatcom near the town of Lynden. My great grandfather bought a parcel of land in 1910, cleared it, built a barn and house on it and it has been in our family ever since.

I am past president of the Washington State Dairy Federation, an organization that was formed to deal with legislative and regulatory issues over 100 years ago. I am currently president of Western States Dairy Producer Trade Association. This is an association of State associations formed to work on issues that we have in common. Member states are Washington, Oregon, Idaho, Utah, New Mexico, and three organizations from California. Nevada is an associate member. There are numerous issues I would like to discuss, for starters I will begin with our Federal dairy price support program. This program is our safety net. It benefits all dairy farmers in the country equally and does not discriminate based on size, location or anything else. It is also a budget neutral program as the CCC sells the dairy products purchased back to the market when prices rise. Still it gets a huge "score" both at home and at the WTO and that is wrong. Next up is trade. First and foremost is "don't give away the farm." WTO and free trade agreements are often not looked at kindly by agriculture, as we seem to often be the sacrificial lamb. USDA needs

to fully and aggressively fund the DEIP program because when you combine that program with the Dairy producer self-funded CWT program we would have incredible export power on the world market. As far as imports are concerned USDA has to do a much better job of regulating them. All too often import quotas are exceeded and the USDA fails to take action to impose the additional legal controls and tariffs.

Immigration is an issue I'm sure you have heard a little about lately and I believe good progress is made on many of the agricultural issues. The one point I would like to make loud and clear is we as employers are not immigration officers and do not want to become one either. It is the government's job to verify legality of the immigrants and not ours as employers.

Federal Milk Marketing Orders (FMMO's) are another extremely complicated issue. We as an industry fully support them and the stability they afford us. There is a mechanism in place to deal with the changing issues and market conditions called a "hearing process." We as an industry would like to see the congress not mess with the rules of the Federal order system but what we would like congress to do is give the FMMO system the tools and a mandate to respond quicker to hearing requests and proposals. Six months to a year would be a very noble and doable goal instead of the 18 to 36 month that it now takes.

On the environmental front there are numerous issues we are dealing. Probably the biggest and most volatile is the fact that the environmental community has gotten the judicial system to interpret the dairy industry as major polluters under the Super Fund Law (CERCLA) and manure has emissions that are reportable under Federal emergency and community planning laws (EPCRA). What makes it worse is there is no credible science out there to determine what emissions are being released from our dairies. This leads to two issues: First is please use your influence in whatever way you can to stop this as I am sure Congress never intended our dairy farms should be regulated under either EPCRA or CERCLA and second our land grant universities funding to do the research necessary for emission release research to meet our obligations under the Clean Air Act.

Our environmental solutions toolbox has one good tool, one promising tool and one dreadful tool.

- The EQIP program has worked relatively well for our industry. The challenge for you is to not tie a lot of strings to these programs and reduce their effectiveness and participation by our industry.
- The Conservation Security program is a companion program to EQIP. This program will become very important if WTO agreements ever start to reduce "amber-box" direct farm payments. This program had loft goals in the last farm bill but its funding level has relegated it's authorization to a very few watersheds. It needs more gas in the tank to run right.

The Wetland Reserve Program has been touted as a success but it has also come at a terrible price in some areas. Many acres of Prime farmland have been "sold" to the Federal Government under the auspices of "wetland enhancement". The program allows a farmer to sell into the WRP program up to a 600' upland buffer. This massive buffer is not supported by science as supporting wetland functions, yet these USDA rules has led to Federal purchases of thousands of acres of prime farmland in the name of "wetland restoration". Taxpayer dollars have been wasted to buy cropland never to be farmed again and never to support our farm communities again.

Animal ID is a program that is near and dear to me as I am participating in one of the national pilot projects. As you may well remember Washington State had the first BSE positive cow in the Nation only a few miles from where we are today. The length of time and frustration it took to trace herd mates and other imported cows was way to long. Some were never found. In the most recent Alabama case, after weeks of searching, the birth origin and life history were unable to be determined. This is unacceptable. If a highly contagious disease were to hit, we would be unable to stop it without destroying large numbers of animals unnecessarily and crippling the livestock farmers of America. Fund and promote animal ID to the maximum.

Another animal health issue we ask you to do your utmost to fund is the National Johnes disease program. This is a disease that needs to be eradicated to protect animal health. Quicker and more accurate testing methods need to be researched as well as the removal of existing infected animals.

MILC is another program that has been to say the very least controversial. The biggest challenge for this program is that it comes directly out of our government's budget. It would be much better if we had available a price safety net that comes out of the market place. Of course this presents a challenge for you, do you want less taxpayer money spent and allow the consumer to pay slightly more or do you want to continue the cheap food policy that has been in place for years.

Finally I leave you with a challenge. Do not ever let our country become dependent on imports for our food supply. We must produce our food supply on our own soil. Look what has happened to us as we have become dependent on foreign countries for our oil supply. Study history. When a country invades another country and wants to control its people, they take away their food. When you have control of their stomachs, you have control of the people because little else matters when you are trying to just live.

Thank you again for listening to me and coming out west to visit our beautiful State.



Hop Growers of Washington

301 W. Prospect Place ♦ P.O. Box 1207 ♦ Moxee, Washington 98936 U.S.A.
(509) 453-4749 ♦ Fax (509) 457-8561

June 10, 2006

TO: U.S. House Committee on Agriculture

FROM: Hop Growers of Washington

RE: Comments for June 10, 2006 Hearing on the Farm Bill

Members of the Committee:

We are deeply honored that you have chosen Yakima as the location for this important Field Hearing – the heart of the U.S. hop industry! The Yakima Valley produces 70% of the U.S. commercial hop crop, with the balance produced in neighboring Oregon and Idaho. Although the industry is small, with 30,000 acres in 3 states, we are the 2nd largest producer of this important commodity, providing 26% of the world's supply. Each year we export nearly 70% of the crop to customers around the globe in the form of value-added products, resulting in substantial support for the economy through jobs, transportation, port activity, and positive balance of trade.

However, the U.S. hop industry has struggled for the past decade as it has faced a severe new disease outbreak; substantially increased costs for labor, fuel, and other inputs; currency exchange rates that have not been favorable to U.S. exports; and a shrinking grower base with inadequate financial ability to develop the new technologies that are necessary to mechanize, develop alternative uses for the crop, and dramatically reduce the cost of production. An inadequate work force is also causing considerable impact on this labor-intensive industry. We are in serious need of a more stable work force and mechanization to relieve these shortages.

Agricultural producers are generally unable to adjust the selling price for their commodity to compensate for increasing input costs. Hop growers, who forward contract for 3 to 5 years in advance, are even more constrained when production costs rise. The investment in land, trellis, harvesting facilities (stationary combines, recleaners, kilns, and balers) is huge. Harvesting facilities alone require an investment of \$3 to 5 million per farm, and are used for 30 days per year. The entire crop must be artificially dried in large kilns, resulting in huge impacts from increased fuel prices. As a result of the lack of profitability faced by the industry, we have lost one third of the U.S. acreage in the past 10 years, and the number of growers has dropped by half in the past 20 years.

Historically, specialty crops like hops have not been substantially impacted by the Farm Bill. However, we urge the Committee to consider opportunities to support specialty crop producers through this vehicle with specific attention to research, trade barriers, phytosanitary issues, harmonization of regulatory and technical standards to facilitate export trade, Market Access Program and other marketing assistance, block grants to state to deal with local/regional issues affecting specialty crops. Competition from foreign producers that enjoy substantially lower labor and regulatory expenses threaten the continuation of production of many crops on U.S. soil. The option is to import these crops from other countries. Do we, as a country, want to go down this path? What is the value of domestic food security? Do we only want this security for

a handful of major crops, or do we place enough value on a varied and healthful diet, rich in fruits, vegetables, and other specialty crops to warrant equal consideration for these producers?

Research: New technology is critical to keeping U.S. specialty crop producers "in the game". Labor, fuel and other input costs are unlikely to decrease substantially in the future. Our option is to mechanize or develop other new production systems that decrease reliance on these expensive inputs. As specialty crops are, by their very nature, specialized, the development of a new machine or system is likely to be useful on a limited number of acres. For instance, a new hop harvesting system that replaces hand labor may have a potential to benefit 30,000 acres. However, it may require a similar development investment as a new grain harvesting system that could potentially be used on millions of acres. Growers cannot finance this development. They are lucky to squeeze repayment of their annual production costs out of each crop. Equipment companies will not pursue this development. No company is going to invest a million dollars to develop a new mechanical system for hops, when they have a potential market for fewer than 100 units in the U.S. That's it – 100 units will outfit the entire industry. After that you're in the business of replacement parts. Hundreds of specialty crops face the same dilemma. New technology development is needed for production, harvest, and post-harvest crop handling equipment, plant protection and fertility management, water usage and quality issues, and many more areas of research. Without it, specialty crop production in this country will continue to wither away.

Trade Barriers and Phytosanitary Issues: Many specialty crops face trade barriers when exporting. Although the hop industry is fortunate that so many foreign breweries seek our product, we still encounter frequent sanitary and phytosanitary barriers. The U.S. hop industry is recognized as an industry leader when it comes to establishing international chemical residue tolerances. Our work in Japan has allowed the hop industry to successfully navigate Japan's recent transition to a "positive" pesticide tolerance system. We also are active in having hop tolerances established in the European Union, Canada, and at in the international Codex system.

Much of this work has been possible because of a small, but very effective grant program called Technical Assistance for Specialty Crops (TASC). This program, with a \$2 million annual budget, allows for commodity groups counter trade barriers they face when exporting. Funds are used to challenge phytosanitary barriers that are not based on sound science or to eliminate unintended barriers, such as the lack of a pesticide tolerance in a foreign country. As a result of this small program, millions of dollars of U.S. agricultural exports that would not have otherwise occurred took place.

As with any limited program, there are more needs than funds to go around. Therefore, the U.S. hop industry asks that the next Farm Bill include a substantial increase to the TASC program to \$25 million. Additional funds will allow more industries to challenge unfair trade barriers and results in opening new markets for U.S. exports.

Market Access Program: The U.S. hop industry participates in the Market Access Program and supports its continuation and expansion. Funds from this program are used to promote U.S. hop use throughout the world.

Short-term Crisis Issues: While long-term solutions to issues like the current increases in fuel costs are certainly necessary, we also need a mechanism to deal with the short-term impact on growers' ability to stay in business until the long-term solutions are available. Using fuel costs as an example, conservation opportunities are limited. Growers still need to work the fields, harvest and process the crops, transport inputs to the farms, and transport crop to markets. In the case of hops, we also need to dry the crop before it can be marketed, which requires fuel for large kilns. The increase in fuel costs is every bit as much of a crisis to growers as weather-related crop losses. We need a program similar to FSA disaster assistance to help specialty crop growers with these devastating cost increases. Program crops can seek enhancements to their support payments, but non-program crops currently have no options.

Thank you for this opportunity to provide input. We look forward to working with you during the upcoming Farm Bill process.

For additional information, please contact:

Ann E. George, Administrator
Hop Growers of Washington
Washington Hop Commission
U.S. Hop Industry Plant Protection Committee
P.O. Box 1207
Moxee, WA 98936
509-453-4749 voice
509-457-8561 fax
ann@wahops.org

*Testimony of Rural Community Development Resources'
Center for Latino Farmers
Yakima, Washington*

*Submitted to the Yakima, Washington Farm Bill Hearing
of the House Committee on Agriculture
June 10, 2006*

Chairman Goodlatte, Members of the Committee...

I am Eric Alegria, Manager of the Center for Latino Farmers (Center) a program of Rural Community Development Resources' (RCDR) based in Yakima, Washington. I appreciate the opportunity to submit testimony on behalf of our clients, Latino Farmers, who reside throughout the State of Washington.

The Center was established to work with primarily Spanish-speaking, immigrant farm workers in their transition to farm ownership. The program was designed to empower the agricultural communities of Washington State through the development of the individual.

The Center was formed in late 2001 as part of a grant award from the United States Department of Agriculture (USDA) to empower new and emerging farmers to efficiently and effectively run their businesses by connecting them to USDA services, providing training workshops, preparing Farm Service Agency (FSA) loan packages and providing them with one-on-one technical assistance services. Currently, the Center offers training workshops in computer skills, marketing, crop insurance, real estate purchasing, water rights, pesticide management and an FSA certified borrower training course. Its service area is primarily focused in the Washington State counties of Yakima, Benton, Chelan, Okanogan and Adams.

In its initial stages the Center developed a needs assessment survey for Latino farmers to determine their needs, skill level and knowledge of USDA programs. The survey was developed with the guidance and assistance of a USDA Subcommittee. The survey consisted of questions related to farming operations, marketing, finances, and training needs.

Based on the survey results, several barriers were identified (1) 95% of Latino farmers were born in Mexico, (2) the average educational level was 6th grade level, 80% were illiterate, (3) language and cultural barriers were important, 90% preferred to have their information in Spanish, (4) a lack of knowledge of government programs for producers, specifically USDA and the Washington State Department of Agriculture, (5) lack of knowledge of the marketing aspect of their fruit and their lack of control on the value of their fruit, 80% identified the marketing of their products as essential. (6) In addition, 79% did not have crop insurance.

The most recent statistics gathered by the 2002 United State Agricultural Census indicate that Latino farmers are the Future Farmers of America. Specifically, the number of Latino farm operators throughout the United States has doubled, but in Washington State the number has tripled (from 625 in 1997 to 1,821 in 2002 according to the 2002 NASS Census on Agriculture). It has been speculated and is my belief that these statistics although significant, do not properly reflect the true number of Latino farm operators in our Country. In fact, the Center is currently working with USDA's National Agricultural Statistics Service to improve the accuracy of the gathered data in the upcoming 2007 Census on Agriculture. But even though it's difficult to gauge the true number of Latino Farmers in the United States it is certainly safe to say that they are increasing rapidly. So, If Latino Farmers are the fastest rising populace in agriculture, where are they accounted for in the Farm Bill?

With the knowledge of the rise of socially disadvantaged farmers we urge this committee to include language in the 2007 Farm Bill that considers all of the following interrelated points which reflect the realities of the new American farmer.

- *Diminishing returns of product quality brought by diseconomies of scale in the fruit industries*
- *Decrease of competitiveness of small farmers resulting from a lack of "good faith" in contractual agreements between vertical integrators and growers*
- *Loss of farm succession brought by a lack of support for family farms and their coexistence with the global economy*

The Socially Disadvantaged Farmer

The creation of the Center was a direct result of the demand for services by many of the immigrant and socially disadvantaged small farmers. As agricultural industries changed through the dynamics of globalization, many of the wealthy farmers decided to "throw in the towel," knowing that they would never again see the profits that they had previously maintained and the evident lack of interest in farm succession by their children, the farmers began to subdivide their land and sell parcels averaging 30 to 40 acres to their loyal Latino foremen. Around 74% of Latino farm operators operate farms between 1 and 179 acres (2002 Census on Agriculture). Of all the Latino farm operators, close to 77% make \$24,999 a year or below (2002 Census on Agriculture). Often times, this money is used to provide for a family of four or more persons. These new farmers although knowledgeable about farm operations, have little knowledge about business development and how to gain market access.

Diminishing Returns of Quality

There are still many challenges faced by small farmers in the fruit industry due to the competitive nature of the business and the globalization of the marketplace. In each

market, there is a point at which as the use of an input increases with other inputs fixed, the resulting additions to output will eventually decrease. Although only economist and market analyst can truly determine when a market has reached this point and I do not attest to be either, I do want to caution us to be weary of this point. The possibility of the distortion of the economies of scale in the fruit industry can result in the deterioration of fruit quality. With the recognition of these possibilities, the Center and its farmers plan to fully utilize the marketability of quality fruit because although these small Latino farmers are not in a position to compete based upon the quantity of fruit they produce, they can compete based upon the superior quality of the fruit they produce.

Marketing Cooperatives

Of the new Latino operators, 90% run their farm with the participation of their family or alone (2002 Census of Agriculture), but according to a 2004 Center survey 76% of area farmers are interested in being part of a cooperative. For this reason, the Center has been instrumental in the facilitation and development of two fruit cooperatives in the Pacific Northwest and plans to facilitate the development of direct marketing relationships to ensure survival for Latino farmers in the global marketplace. Since most of the farmers in Washington state are small and don't have the leverage to negotiate prices or means to sell their years harvest because they don't own a packing facility, they have no choice but to hand it over to a large packing facility for processing, packing and marketing. In these contractual arrangements, the risk is not shared equally as the packing facilities commonly first secure their return on investment and then distribute the remnants to the smaller farmers. The consolidation of these farmers could ensure their market presence and give them the negotiating power required for their sustenance. That is why the next step in the evolution of the new and emerging Latino farmers is the understanding and participation in cooperatives as a marketing tool to maximize profits

The 2007 Farm Bill...

Given the current context of agriculture and corporate control, the 2007 Farm Bill should put in place support measures for small and socially disadvantaged farmers.

Specifically, The new Farm Bill should **allocate resources for the training of immigrant and socially disadvantaged farmers**. An educated farm operator is valuable to his family, his community and this Country.

In addition, the Farm Bill should **incentivize participation in marketing cooperatives** among small and socially disadvantaged farmers. Increased participation in cooperatives will leverage the increase of "good faith" of vertical integrators in the negotiation process with small growers.

Also, additional stipulations should be included that **legally ensure "good faith" in contractual negotiations between vertical integrators and small growers**. Suggested approaches are contracts that require vertical integrators to justify packing and

marketing decision-making throughout the process. As indicated above, currently small farmers have no power in the decision-making that directly leads to possible returns or losses. Vertical integrators should have to make sound, rational decisions and be able to defend their decision-making processes. Although some vertical integrators do voluntarily exercise "good faith," it has become apparent that the government needs to monitor this new corporate control. Protection of small and socially disadvantaged farmers will maintain the high level of quality products that this Country has become known for. The increased transparency of decision-making will ensure that the quality of agricultural products in the United States is sustained.

The farming culture that founded our country is gone, but **the stability of our economy and the security of our borders from imported goods** still rests in the utilization of our resources and production of homemade quality products. We need to defend the new generation of immigrant and socially disadvantaged farmers who are the "Future Farmers of America." **We need to maintain quality and ensure farm succession by forcing accountability in corporate decision-making.**

It is important to note that our organization is not advocating the outright interference of government entities with the market. We recognize and understand that the globalization of agriculture is a reality. Rather we are advocating that adequate resources, technical assistance and attention be focused on the socially disadvantaged farmer. Our most important capital as a Country is human capital. Lets invest in it.

This committee is in a unique position to affect positive change in the lives of many new and old American families. So rather than ignore the evolution of agriculture towards corporate control we urge you to continue to **focus on the strength of the many people that feed our Country whose livelihood rest in the land.** Someone right now, in virtually every corner of our Country is tiling their soil, picking fruit from their trees or watering their vegetables with a hope that this crop will be enough to sustain them for one more year. We urge you to give them their due attention in the 2007 Farm Bill.

Thank you for the opportunity to present my views.

The House Agriculture Committee
Farm Bill Hearing
Yakima Convention Center
10 North 8th Street Yakima , Wa.
June 10, 2006

Conservation Reserve Program (CRP) : Our State has a problem with the acreage limitation of 25 % of farm lands in County. We have seven or eight county's with in our state that are over the 25 % limit. In Douglas County we are at 33.4%. In 2009 there is 30,000 acres of CRP coming out, all of the acres will not be renewed because of the limitation. In 2010 another 14,000 acres that expire will not be renewed also. The 44,000 acre reduction in true numbers is 23% of the County CRP. We are asking that a revision be made to Section 1410.4 Maximum count acreage. **Wildlife-Species of concern,**

Candidate, and Endangered Species per the Endangered Species Act. Be added to the provisions of the Section. If Douglas County loses 44,000 acres of habitat for The Sage-Grouse and the Sharp-Tail Grouse in our county. It will slow down the population growth in the Species in our county. Douglas County is the only County in the state of Washington with both species with in it lands.

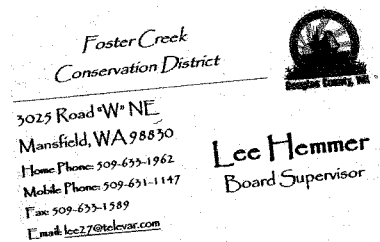
We also need a Federal Priority Area in the western United States To help protect The Sage-Grouse & Sharp-tail Grouse on private lands.

Conservation Technical Assistance: With all of the programs the NRCS has to administrate they do not have the personal the cover the ground. We are asking to fund the program at a higher level in the new farm bill.

Equip: Keep the local exertion groups involved. Increase cost-share from 50% to 75%.

Conservation Security Program (CSP): We support the program. We would like to see CSP fully funded.

Foster Creed Conservation District



REVIEW OF FEDERAL FARM POLICY

MONDAY, JUNE 26, 2006

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Canandaigua, NY.

The committee met, pursuant to call, at 9:35 a.m., in the Grand Ballroom, Canandaigua Inn on the Lake, 770 South Main Street, Canandaigua, NY, Hon. Bob Goodlatte (chairman of the committee) presiding.

Present: Representatives Moran, Hayes, King, Neugebauer, Kuhl, and Holden.

Staff present: Pete Thomson, Alise Kowalski, Tobin Ellison, Mike Dunlap, Lindsey Correa, Russell Middleton, and Nona Darrell.

OPENING STATEMENT OF HON. BOB GOODLATTE, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF VIRGINIA

The CHAIRMAN. Good morning. This hearing of the Committee on Agriculture to review Federal farm policy will come to order.

I have an opening statement. I'll keep my remarks brief to allow plenty of time for our witnesses to share their thoughts with our members.

First and foremost, I'd like to thank you all for joining us here today for the committee's eighth field hearing to review the 2002 farm bill.

In our seven previous field hearings we've heard from a variety of witnesses representing various regions of the country and the unique agriculture environment of each region. I'm pleased to be here today in Canandaigua to hear from our witnesses about how the current farm bill is working here in this part of the country.

The purpose of this hearing is to gather feedback from producers on the 2002 farm bill which is set to expire in September of next year. To ensure that American agriculture remains competitive and that our producers can continue to provide fellow Americans with a safe, affordable, and wholesome food supply, we must make sure that our producers are equipped with an adequate safety net. As we travel throughout the Nation, the feedback we receive from our producers will give us a good sense of how these policies work in practice and what improvements can be made within the budgetary constraints we face in Washington.

I'd like to thank Representative Randy Kuhl, the committee's sole New York State Representative, for hosting today's hearing. I thank Representative Kuhl and his staff for all their efforts in facilitating this hearing.

Additionally, I would like to thank the witnesses who will be testifying today—these witnesses, themselves producers with livestock, crops, fields, and dairies to tend—and I appreciate the time that they have taken out of their busy schedules to speak with us today.

In early May we launched a new Web form on the committee Web site that will allow producers throughout the country to provide their input about the future of farm policy. So far we've heard from over 500 producers and non-producers alike, and I want to ensure that everyone is afforded the opportunity to provide the committee with thoughts about farm policy. Therefore, I would like to extend an invitation to everyone here today to solicit our Web site and tell us what you think about the current farm policy and what you would like to see for the future. We do have cards available with more information about the Web form which you can pick up on your way out today. While the information submitted on the Web site will not be part of the official record, it will be valuable to our Members as the farm bill debate gears up early next year. We look forward to receiving your input.

Now let us get down to the business at hand. I look forward to the testimony of the witnesses before us today, and I respectfully request members submit their opening statements for the record so that we may proceed with our first panel of witnesses.

With one exception. I now am pleased to recognize Congressman Tim Holden. The ranking member of the committee, Congressman Collin Peterson, was unable to be with us today, but Tim is the next senior Democratic member of the committee and the ranking member of one of our important subcommittees, and I am very delighted that he could be with us today. And it is now my pleasure to recognize him.

OPENING STATEMENT OF HON. TIM HOLDEN, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF PENNSYLVANIA

Mr. HOLDEN. Well, thank you, Mr. Chairman. And thank you for holding this hearing today. And as you mentioned, I'm pinch-hitting for Congressman Collin Peterson today, but I want to commend two other ranking members for their leadership as we travel throughout the country trying to get your ideas in order as we begin to prepare for next farm bill.

And as a ranking member of the Conservation, Credit, Rural Development, and Research Subcommittee, I also want to thank Chairman Lucas for holding a similar meeting to discuss farm bill issues on May 1 in Harrisville, Pennsylvania. We heard from local agricultural producers about issues concerning conservation, credit, rural development, dairy, specialty crops and bioenergy. And I look forward to hearing from witnesses today because I'm sure we'll have similar interests.

Mr. Chairman, agriculture is vital to the economic health of northeastern States. The region's agricultural base is highly diverse. Dairy, specialty crops, forest products, and some traditional program crops all form a major part of the farm economy. The Northeast is home to more than 135,000 small and midsized farms. It has a total population of more than 60 million people. The liveli-

hood of 4 million people in the region relies on agriculture. But the northeastern farmers, from Maine to Maryland, receive less than 2 percent of Federal agriculture subsidies.

During the last farm bill debate we discussed the regional inequality of some farm bill programs. Most farmers in the Northeast region do not benefit from traditional agricultural programs since they simply do not grow traditional crops in the numbers that other regions do. That's why specialty crop marketing and research, some risk management programs, and conservation programs are important. They offer them a way to continue in agriculture.

The current farm bill has some successes we can point to. The Dairy Safety Net, through the Milk Income Loss Contract Program, is the largest investment in conservation in the history of farm bills. What we've heard in the past field hearings around the country confirms this. The current law is working well for producers, and though there is always room for improvement, the farmer-friendly spirited the farm bill's greatest success, and we must maintain that focus.

As Congress continues to face the problem of budget and appropriations cuts to the farm bill programs, northeastern producers seem to be hit particularly hard, but they are certainly not the only ones affected by congressional appropriators' unwillingness to fund farm bill programs at the authorized level. With less money and growing needs in our farm communities, we all have to fight for every penny we can get for American agriculture.

Mr. Chairman, when we consider the next farm bill, I think we need to study whether current conservation programs are working for all regions, accounting for the rising cost of energy and its effect on our farm families And examine the diversity of crops across the Nation. I hope we can look at these regional discrepancies and ensure that all regions will be receive the funding they need.

Mr. Chairman, again thank you for holding this hearing, and I look forward to hearing from our witnesses.

The CHAIRMAN. Thank you.

It is now our pleasure to welcome our first panel: Mr. Ron Robbins, a crop and dairy producer from Sackets Harbor, New York; Mr. John Lincoln, dairy producer from Bloomfield, New York; Mr. Lew Gardner, a dairy producer from Galeton, Pennsylvania; and Ms. Sue Keister, consulting forester and forest landowner of Wayland, New York.

I would remind all of our witnesses that their written testimony will be made a part of the record, And ask you to limit your oral comments to 5 minutes.

And Mr. Robbins, we'll start with you. Welcome.

**STATEMENT OF RON ROBBINS, CROP AND DAIRY PRODUCER,
SACKETS HARBOR, NY**

Mr. ROBBINS. Good morning, members of the committee. As was said, I am a dairy and crop producer from Sackets Harbor, New York. My wife Nancy and I own a diversified agricultural business that includes a 4,000-acre crop operation, a 500-cow dairy, a trucking, grain drying and soybean roasting service, and agri-tourism business.

The crop operation includes 4,000 tillable acres on which we grow corn, soybeans, wheat, barley, alfalfa, hay, and provides all feed and forages for the dairy. North Harbor Dairy is our 500-cow dairy operation. We currently milk just over 450 cows each day and raise 600 head of dairy replacements of various ages. Robbins Corn and Bulk Service includes a trucking, grain drying, and soybean roasting facility with storage capacity for 150,000 bushels of grain and related infrastructure. Old McDonald's Farm, our ag-tourism enterprise, was founded by Nancy in 1986. And this enterprise includes over 200 farm animals, tours of the dairy facility, a farm market, and an ice cream cafe. Open May 1 to October 31, this business attracts thousands of visitors each year and provides an opportunity for our nonfarm guests to learn about modern agriculture.

Nancy and I began our farm in 1977 with 100 acres of rented land. In 1989 we bought out the family's 70-cow dairy and grew the herd to 100; until 2001, when we expanded to the current 500-cow operation. Since 1977 we have transformed and in some cases merged our four agricultural enterprises to the point where we feel our business is an example of how a small family farm can grow, add value to its products, and maintain and expand upon its viability and profitability.

The farm that Nancy and I own is a fourth generation operation, and it is moving toward the fifth generation. Our son Brian, he's 27, is the assistant crop manager. He left New York in 2000 to attend Colorado State University and stayed in Colorado for 2 years after graduation, working for USDA NRCS. He returned to the farm in 2004.

Our daughter Julie, age 24, worked with her mother at Old McDonald's Farm since its beginning, when Julie was just 3 years old. She graduated from SUNY Cortland in 2004, worked for USDA Rural Development for a year; last fall took a position in St. Louis at an advertising agency specializing in agricultural clients, but returned home this past May. She is currently marketing director and manager at the ag-tourism business. Our other son, Jeff, 25, is a 4th grade teacher at a local school.

Since its inception our farm has been involved in Federal Price Support Programs, including currently the Direct and Countercyclical Program, Marketing Loan Program, Price Support Loan Program, Loan Deficiency Payments, Farm Storage Facility Loan Program, and the MILC Program.

In the past few years New York has evolved from a grain-deficit State to a grain-surplus State. This shift has caused basis levels to erode in our cash markets over the past several years, to the point where Commodity Program payments provide a significant contribution to a crop producer's overall farm profitability, even in a fringe State like New York. USDA data for fiscal year 2005 reveals nearly \$33 million paid to New York farmers for the Direct and Countercyclical Program, and \$36 million in loan deficiency payments, along with \$28 million for commodity loan programs.

These dollars are then spun back into our rural economies by farmers in order to pay for the rising costs of crop inputs, equipment, supplies, and family living. It's also important to recognize that, in my opinion, the current farm bill has functioned as it was

designed: to pay more money to farmers in times of low prices and to pay out less when prices are high.

Some may argue that bioenergy production in a growing global economy will take commodity prices to a new plateau, eliminating the need for Price Support Programs. While I agree this may be possible, I would caution that this will not happen overnight, and we must be sure to closely monitor the potential transition and its impact for farms, ranches, and rural economies.

I'm an active participant in the Federal Crop Insurance Program. I have purchased 70–100 crop revenue coverage for the last 10 years. In 3 of the last 6 years, severe weather greatly reduced our yields, and crop insurance kept me in business. I would strongly recommend increased subsidies buy-up levels of Federal crop insurances in lieu of crop disaster allocations.

And In closing, I served as State Director for the USDA Farm Service Agency for 4 years, from 2001 to May 2005. During that time I saw firsthand the positive impact that Commodity Program payments have on all crop and dairy farms, as well as rural economies all across our region. Any effort to balance payments to a wider cross-section of agriculture should take into account the potential negative impact of payment reductions for crop and dairy producers. Thank you.

The CHAIRMAN. Thank you, Mr. Robbins.

Mr. Lincoln, welcome.

**STATEMENT OF JOHN LINCOLN, DAIRY PRODUCER,
BLOOMFIELD, NY**

Mr. LINCOLN. Thank you for the opportunity to provide comments to the committee about the effects of the 2002 farm bill and how the current and future challenges might be addressed in the 2007 farm bill.

I speak to the committee as owner and operator of Linholm Dairy. I am a first generation farmer; however, my ancestors have farmed and lived in the Canandaigua Lake region since the early 1700's. I developed a strong interest in farming growing up in the rural farming community of Bloomfield.

I began my farming career by raising 4–H calves and heifers. And my interest continued through my education at Cornell University's College of Agriculture.

Today at Linholm Dairy, LLC, it's a 550-acre corn and alfalfa. We have 170 milking cows and 150 young stock of registered Holsteins. Our son Mike and our daughter Julie are partners, along with my wife Ann, in the LLC. We are currently involved in an expansion project as a transition to the next generation to continue in our business.

I want to make clear to the committee that our farm's development and success has been made possible in part by a strong rural community and educational infrastructure. We must make sure to maintain strong land grant institutions like Cornell and the related community agricultural supports that come from Agricultural Cooperative Extension.

In the 2002 farm bill there was a grant for value added that we used in New York to set up a New York Farm Viability Institute, which is farmer-based, farmer-driven, for applied research, edu-

cation, and value added. We'd like to see that continued in the 2007 farm bill.

I am optimistic about the future of our dairy farm and am equally optimistic about the future of the dairy industry and agriculture industry in the State. My comments are intended to make sure that my opinion about my farm's future is a reality.

First, as a dairy farmer, the most obvious to address is milk pricing and marketing. The Dairy Price Support Program provides a general safety net to the industry, and it's important that we move it forward into the next farm bill and that we do not remove this basic support.

The MILC Program acts as a safety net to help farmers weather the extreme cyclical price fluctuations that the dairy industry has experienced. On our farm we received about \$35,000 in 2003 in MILC payments. Milk prices have fallen below the trigger price of the MILC Program, so in May the payment of 86 cents per hundredweight was paid to our farm.

The DEIP Program, the Dairy Export Incentive Program, is also a value to our farm as it helps to export products and establish markets. Conservation programs have been touted as a means for providing WTO-compliant support in the future, and they play an important role on our farm. We have utilized the EQIP for nutrient management and storage facilities for manure. Given the increased pressures for agriculture to move to ever higher standards for land stewardship, programs like EQIP help to ensure that regulatory burdens can be managed financially without putting farmers in a financial jeopardy situation.

Other conservation programs, like the Conservation Security Program, might be more extensively utilized in the future, but these programs must be more user-friendly to farmers and less restricting.

Crop production costs are high. When you add the actual cash costs, depreciation, land, equipment, taxes, and labor into crop production, it is evident investments needed to produce crops for feeding operations are extremely high. Safety net programs are needed to provide stability.

Last year on our farm, the Loan Deficiency Program for corn silage was 40 cents per bushel, which provided cash flow to the business to help offset high crop inputs like fuel.

We currently have a buy-up policy on alfalfa, but I want to point out that if farmers are to increase utilization of crop insurance programs, the policies must be more flexible and meet a wide variety of production and crops.

One type of risk management tool that really has the potential and would have been effective in our dairy over the last 3 or 4 years, if it had been developed, is the Farm and Agriculture Risk Management Accounts. FAARM accounts would allow farmers to set aside tax-deferred income in good years and draw money out in low years to better balance the income flow from year to year.

I hope the committee realizes the importance of including within the next farm bill these programs that have been successful in the past and as well as the modifications and additions that will be effective to maintain a viable and productive agricultural industry. Healthy, safe, available and reasonably priced food for our Nation's

consumers is essential. A viable farm bill will enable the next generation in agriculture to be prosperous and ensure that food security dependence on important food from other countries is not a rule.

I want to thank the committee chairman, my congressman, Randy Kuhl, and others for being here and holding this hearing in the beautiful Finger Lakes. Thank you.

The CHAIRMAN. Thank you, Mr. Lincoln.

Mr. Gardner, welcome.

STATEMENT OF LEW GARDNER, DAIRY PRODUCER, GALETON, PA

Mr. GARDNER. Thank you, Mr. Chairman, for this opportunity to testify before your committee. I have a dairy farm just south of here in northern Pennsylvania which I operate with my wife and my two sons and their families. We've been farming there for 30 years. We moved there from southern Pennsylvania in the late 1970's. We milk about 250 cows and crop about 500 acres, 100 owned and the rest we rent.

We do participate in various programs that the farm bill provides, like EQIP and the Conservation Program. We have a neutral management plan. We're very conscious about conservation and the environment. And we do participate in the MLIC Program, even though it has restrictions because of our size; we can only use that part of the year.

The dairy in our region has been declining because of low prices, small farms. We moved there in 1978. There were 15 dairy farms in our area. Today there is one other dairy farm besides our own. So we've learned to become quite self-sufficient, And that's why we're at the size we are.

I would like to talk a little bit about the benefits of the farm bill to our farm and the continuation of those benefits. The Safety Net Program provided by support programs and programs like MILC are very vital to the existence of our farm.

To give you an example, when prices fall like they did in 2002, without any kind of price support or MILC or anything like that, our farm could fluctuate in income of over \$100,000, which is very hard for a farm our size, or any size, to be able to absorb.

The cost of these programs I realize with a budget and everything else are hard. But dairy farming in the Northeast part of the United States as well as the rest of the country puts a tremendous amount of money back into the economy. It creates jobs. And so these programs are very vital, not only to dairy farming, but for the whole region to keep the rural areas vital.

The Farm Service Agency needs to recognize that the CCC today is buying powder, milk powder, and they need to reflect the cost of making that powder. It changes, and they have to be a little more timely in their reaction.

The Government safety nets are just a device for the collapse of dairy farmers, such as many dairy farmers would be forced out of business if we didn't have the support prices. Dairy farmers have worked on self-help programs like CWT, increased export activity to try to have a more market-driven business. I think we all run our farms as a business, and we like to have that. But without the

safety nets it would be very hard. We deal with a very perishable product. As the Government supports and the world supports, and world regulations throughout. So it's very important that we continue to do that even though we try to help ourselves. The environmental programs are very beneficial to our farm.

One program I would like to mention, the CREP, which has been sort of detrimental to farms in our area. The CREP is a program that pays landowners or farmers to take land out of agriculture, out of production.

As a farm who rents a lot of ground and participates in a program that supports my crops and my acreage, it makes that ground very valuable to these programs. And non-farmers buying this ground take it and put it in the CREP, collect huge payments, and that ground is no longer available to farmers. So I want to just point that out to you. This is a program that I believe was designed to help farmers, and on the other hand, it becomes detrimental.

The SETSIS Program or the Superfund of animal waste is an area that I think a lot of you have signed onto and are working on. It's very important that it's done. It seems very strange to me to have animal waste listed as a hazardous substance when I can go to any garden center here and buy dried cow manure. That doesn't make much sense, and that needs to be addressed.

The 2007 farm bill, I would ask or suggest that we extend what we have today. It's very useful, it has all the ingredients and is working well. And the reason I would ask you to extend it until the WTO talks have come to a conclusion, I would hate to see us give away any kind of leverage we have in WTO before we are forced to do that through the WTO talks. And so that's why I would suggest the continuation of things like the Price Support Program and other programs that we have in the present farm bill until those WTO talks are concluded.

The Federal marketing orders work very well for us in the dairy business. But unfortunately, in the market we're in today, which is very volatile and very fluctuating, the Federal Milk Marketing Orders need to be more timely reactive. Today we ask for changes, and those changes take a year, 18 months, or longer. And that's entirely too long to react in the vulnerable market we have. And I would just bring that up to you. I realize that's a Federal order position, not a legislative position, but if Federal order cannot react to it, we might have to come to you as a legislative issue.

Our dairy farm, as I testify here today, is not for me but for my sons, who are 30, 32 years old, and other families like them. They could have the ability to run a business that's vital to the community, vital to the Nation. That you have support for them to go forward.

It's very hard to run a business that we're in today without any kind of support from the Government and have programs that benefit dairy farmers. So I testify on their behalf more than my behalf that the future of dairy farming is very important for all of us.

Again I thank you, Mr. Chairman, for the opportunity to testify. And I'll be glad to answer any questions you have later on. Thank you.

The CHAIRMAN. Thank you, Mr. Gardner. We appreciate your testimony.

Ms. Keister, welcome.

**STATEMENT OF SUE KEISTER, CONSULTING FORESTER AND
FOREST LANDOWNER, WAYLAND, NY**

Ms. KEISTER. Thank you. Do what we always do and get what we've always gotten. I am here to say as a forest landowner, private consultant forester, and wife of 25-plus years of a New York State forester who has worked with Government posturing programs throughout his career, what we have today is what has resulted from what we've always done is not what we want.

Yes, according to the National Forest Service inventory, the number of acres of forestland in New York State continues to increase; but what types of trees are on those lands and in what condition? Yes, thanks to our land grant colleges and other institutions of higher learning, like my alma mater, the SUNY College of Environmental Science and Forestry, we have the scientific knowledge of how to manage the forests. We are limited in our ability to implement this knowledge through the frequent change in landownership, production challenge, and now our newest threat, local Governments enacting regulations which, in some instances, compete with even the possibility of conducting a properly planned and executed wood harvesting.

Therefore, as it is presented in detail in my written testimony, I would like to ask to please consider the following as you prepare and draft the upcoming farm bill.

Number 1, if we are serious about achieving meaningful forest management, we need more money. My experience with both FLEP and its predecessor, FIP, was that cost share allocations were approximately \$10,000 per county per year.

Since, in my experience, the average cost share practice received approximately \$1,000, this meant that only 10 or so landowners per county per year received any funds, and, in many years, no funds were available at all.

Number 2, please do not reinvent the wheel. We have the basis of a cost-sharing program in place right now. It is called FLEP. Private foresters, public foresters, and the forester owner community know about this program. Modify, tweak, revisit, but do not reinvent the mechanism. To do so, in my opinion, would waste valuable cost-share dollars.

Number 3, involve the logging community as part of the solution to the problem. Consider subsidizing these professionals to do the timber stand improvement work at the time of a commercial harvest. They are trained, they have the equipment, they just need the incentive. It is hard to get approved to cut a truckload of low-grade wood which should be removed from a stand in order to improve its residual condition when the gross yield for this effort is approximately and only \$200. Compare this to the potential value of the same size truckload of even medium-grade saw logs. That load would be worth approximately \$4,000.

And do not depend on new energy plants and alternative markets to help. Unless these markets are able to adequately compensate the loggers for the cost of production, sawmill residue, not logs produced as part of a timber stand improvement operation, will be supplying these new markets.

Number 4, augment the costs of management through the funding of professional advice. State forestry programs funded by Federal dollars are one way to accomplish this. Subsidizing costs of private consultants or even industry foresters for companies which have private wood lot management programs is another way to accomplish this goal.

I think as a Nation we all talk about wanting to have quality forests, but my experience is that individual landowners can be short-sighted when it comes to paying for the advice and/or the activities needed to achieve that goal. Fund the activities. Get the work done.

Number 4, protect private property rights and the right to practice goals. This is essential to forest owners, and these rights are currently being jeopardized by well-meaning local government officials who pass what they believe are minor harvesting regulations but which in effect have a potential of shutting down our industry. Local registration, yes. Routing restrictions on town roads linked to weather conditions, of course. But the specific regulation of the harvesting industry by nonforestry professionals, no.

Thank you for the opportunity to present my thoughts in this matter. Thank you for coming to New York.

The CHAIRMAN. Thank you, Ms. Keister.

We'll now begin our round of questions. I'm going reserve my questions for the end, so this gives me the opportunity to start introducing the rest of our members of the committee that are with us today.

And it's my pleasure to start with one of our most valued subcommittee chairs, Congressman Jerry Moran of Kansas, who is the chairman of the General Farm Commodities and Risk Management Subcommittee. Mr. Moran, we're delighted to have you with us. Jerry is the only other member of the committee who has so far attended all of the full committee hearings all over the country.

Mr. MORAN. Mr. Chairman, thank you very much. I like farmers, and I appreciate seeing that even in New York the image that we have of New York is not what it is; when I get here it's much different. I appreciate that. Although, Mr. Robbins, I smiled when you called this a fringe State. Sometimes in Kansas we think that, but I think that's to the city folks from New York State.

I appreciate very much, Mr. Chairman, the chance to be here. Randy Kuhl, I appreciate the leadership that you provided in our Agriculture Committee. And getting acquainted with Randy has been a real delight. And he has been an advocate on behalf of this region of the country and this part of New York and in educating us about the issues that you all face in regard to production agriculture.

I come from a State in which we admire trees one at a time. We have no forests. We are the fastest growing dairy State in the country, but mostly relocations from other regions because of feed grains and land values and environmental rules and regulations. So I'm delighted to be here and glad to learn what you all have to tell me.

I was pleased, almost by exception you all talked about the next generation. That's something that I think is awfully important in agriculture and doesn't happen often enough in my State. The av-

erage age of a farmer in Kansas is about 59 years old, and there's almost no next generation to succeed the parents.

I want to revisit with you just briefly, Mr. Gardner, you talked about extension of the current farm bill. That's been a significant topic of conversation among agricultural organizations, farm groups, Members of Congress.

I actually think it would be a mistake, at least to start at this point, with the concept of extending a farm bill. I'm much more comfortable with Congress making determinations about the policy of the next farm bill than I am with turning our fate over to the negotiators of 140-some countries in Geneva and then us trying to come up with a farm bill that complies with what they may agree to.

So I'm hopeful we can get a farm bill in place and then expect our negotiators to support and defend that position. I'm also somewhat skeptical about any significant agreement resulting from the discussions in Geneva.

One of the reasons I think we need a new farm bill—and I would like your input on this—is with increasing input costs, fuel, fertilizer, natural gas, it seems to me if we're going to develop a safety net, that the safety net we developed in 2002 under the current farm bill is probably inadequate due to increased input costs.

If you could just put a face to kind of the story of what energy costs have done in your dairy or farming operations, that would be useful to me.

Mr. Robbins, if you'd like. Mr. Gardner.

Mr. ROBBINS. I can start. At the end of this year when we reconciled our budgets for our operation for 2005, it was a real eye opener to look at the line item for fuel and what a negative impact it had on our operation. It was kind of unique to look at things like labor and purchase feed and crop input supplies and those things that I feel like I had control over, we met our budget almost dead on.

But when we got into things like fuel and parts and supplies and all the things that tend to be impacted by rising fuel costs, we missed the mark unbelievably bad.

Fuel, for instance. Traditionally we would average on a yearly basis \$5,000 to \$6,000 per month for our operation. That bill is exceeding currently \$12,000 to \$15,000 per month. And that's just for fuel. Again, it's not the things like parts and delivery charges and fuel surcharges and all the other things that impact everything that arrives at our doorstep every day.

Mr. LINCOLN. Well, and I would have a similar story, actually. I serve as the New York Farm Bureau president, serve on the American Farm Bureau Board, so we have a lot of discussion on energy and possible extension of the farm bill.

But speaking to the energy cost, it's not just fuel, I mean, I had looked up fuel costs going back 2 years ago and we were paying about a dollar and a half for diesel per gallon. Last year that cost went to something like \$2.29. This year it's close to \$3. And that's buying in bulk. So you buy diesel fuel out of the pump, it's \$3 and change in upstate New York. Certainly fuel costs have had a major impact.

I think one of the major factors that's affecting the dairy industry, we had come off from 2 years of good milk prices, as I said in my testimony. If there was tax incentive, farm account type of bill where people can set aside for the rainy day, I think that would be a major asset for dairy farmers. For anybody. But coming off from that, coming into low prices, but not only low prices, but high costs and energy, our electric bill, we had been on a time—well, we're on a time use, but we had been locked in with our electric rates, and the company just came off from that, so they're double now what they were a few months ago. And again, on a dairy farm you use a lot of electricity.

I think some of the exciting things that I see as far as moving into the next farm bill—and some of those are things that we are doing in New York under what I call the New York Farm Viability Institute—is working on how we can translate some of this production of fuel to the farms, whether it's ethanol production or ethane generation, to be a little more self sufficient.

So I think that's an important concept to carry forward as far as research on a go-forward basis to help offset some of these costs, as Ron says, we don't have a lot of control over.

Mr. GARDNER. I think with my farm it's quite similar. Not only the fuel costs, but fertilizer costs. I live in an area where we either buy commodities from Buffalo, which is 150 miles, or from Lancaster County, which is 200 miles.

So we buy anything, the cost of the product is 30 percent, and in the end 70 percent is the cost of transportation to get it there. So we're affected every time the fuel goes up.

Our fuel costs more than doubled, our fertilizer costs are almost double, and then the cost of transporting our product to market. Markets are more consolidated. Because of that, that's another added cost.

My comments on the farm bill were meant toward we didn't create a farm bill that reduced in participation, more so maybe than growing that. I don't disagree, Congressman, that I would love to see Congress make a bill and we have trade negotiators that uphold that. Unfortunately, in the past that hasn't happened, and that's why my comments are what they are.

Mr. MORAN. I'm very sympathetic to your point of view. We have to be very careful in Congress that we develop that farm bill, and we need to make certain we have the adequate resources. We always talk about that.

My guess is the next panel of specialty crop producers are going to talk about how we want to propose different issues for the debate. You have 29 Members of Congress in New York; we have four in Kansas. The debate actually starts when we get into the economics, that includes how much money that's expended.

My time is expired; I have 5 minutes. I have to abide by the same clock as you do. But I would offer if anybody wants to revisit with me about crop insurance I will be back here again. Thank you, Mr. Chairman.

The CHAIRMAN. You have heard already from Congressman Tim Holden. Congressman Holden represents the district in central Pennsylvania, and he is the ranking member on the Conservation, Credit, Rural Development, Research and a whole host of other

things, the subcommittee of the committee, and is a very valued member of the committee. Congressman Holden.

Mr. HOLDEN. Thank you, Mr. Chairman.

For the three dairy farmers, you all mentioned the MILC Program. I would like to take some time to let you elaborate on it. The chairman held hearings in Colorado and Texas, and let's just say it was not as well received in other regions of the country. A lot of that is probably due to the 2.4 million cap, which I think that's a herd of about 150. Maybe you can talk about the importance of the program and what the average size of farms are in New York, and I think in Pennsylvania was larger, I think about 100, would normally be about 250. And so if you could comment on the program and how it's utilized in New York and Pennsylvania.

Mr. ROBBINS. Well, I certainly can start from my own perspective. Of course, 500-cow dairy, shipping a little over a million pounds of milk per month, we took the payment this time around, April, May, and we'll tap out after about 10 days to 2 weeks of production in June. So we no longer will have that safety net available to us.

I feel strongly that the program discriminates against producers like myself. Just because we've chosen for our business to milk 500 cows, I don't believe that makes us any different than somebody milking 60 cows or 70 cows. I think it offers an opportunity for prices to stay depressed maybe longer than what they might had the program not been in place, just because of that fact that not all producers are able to participate in that program on an annual basis.

I even take size out of it, for instance, and simply look at maybe you and I, Congressman, each milking 200 cows. And you do an excellent job of running your business and your cow averages 80 pounds of milk per day. And I do kind of a poor job, I don't get out in the field timely and my cows only average 60 pounds of milk per day. I actually get rewarded for doing a poor job because I get the payment longer than you do and it takes me longer to cap out.

So, I would suggest that any time—we go back to Commodity Programs. We farm 4,000 acres, we participate heavily in Commodity Programs. But, we have considerably more risk in our operation than somebody maybe only farming 500 acres. But we all compete on equal footing. They have as much opportunity to Commodity Program payments than I do, and I think if we're going to have a MILC Program it should be run the same way.

Mr. LINCOLN. Well, I mentioned still the value of the MILC Program to our farm a couple years ago. I realize it's a controversial program. We get to face that discussion every year at the American Farm Bureau. And it still depends upon which side of the Mississippi, basically, you're on.

But I think what I'm talking about is more the concept of safety net. The MILC Program had been one of those designed. I think, as I mentioned, in my opinion a far better concept is allowing the rainy day savings accounts. So you have a good year, put them aside with tax-deferred payments, tax deferred until the year you withdraw.

I think there's other things we can do. Risk management programs. I feel there has been a lot of work done on the adjusted

gross revenue programs. Again, I think in the Northeast, one of the things that our members would like to see is the ability to utilize a dairy contest, which again, would not require Government payments but would allow the price to be adjusted to the consumer to help offset some of the low times for the dairy farmers. So I think there's safety nets.

Another thing we've talked about internally as an organization is a trigger program where if you have price falls similar to where—and this is probably a bad road to be going down because it's not going to hold up under WTO—but some of the programs for dairies or corn and wheat and so forth those commodities have.

But I think there's lots of other options we can look at that's a fairer program and more equitable for all producers and provide that safety net.

Mr. HOLDEN. What's the average size of a dairy farm in New York State?

Mr. LINCOLN. I think in New York we're just about 100 cows, or a little over 100. Although, I would say that we range all the way from 25 to 4,000 cows in New York, which a good many people don't believe we have herds out that large in New York, but we do.

Mr. HOLDEN. Do you want to add anything?

Mr. GARDNER. I think that for our farm we have to pick the best we have, and so I would like to see that restriction gone. But as a dairy farmer from Pennsylvania, the average farm in Pennsylvania is less than 80 cows. And our farm is doing that safety net. We would all like to see the safety net never have to come in place, prices are high enough. But in fact, there's things that happen that cause prizes to go down. In 2002 that was the 9/11. And now we're at a thing where we're increased in production of milk, with little consumption. So I think the MILC has been a very important part of that.

Mr. HOLDEN. Mr. Chairman, my time has expired, but if you could come back to me.

The CHAIRMAN. Why don't you go ahead?

Mr. HOLDEN. Just curious about your credit needs. Are your credit needs being met? Are you having difficulty with commercial banks participating, or are you totally dependent upon Farm Credit?

Mr. ROBBINS. Well, I have some personal experience in that area too, Congressman. We did business with the same bank for 25 years, and actually did business with the same lending officer for those 25 years. And in 2003 I got a phone call from that person, loan officer, and he said I'd like you to come in and see us for a minute. The bank, not to name names, I guess, but was HSBC. So I'll be blunt about it.

And he said, I wanted you to be the first to know that we're closing down our agricultural credit portfolio. About the same time we had some banks in Western New York falling under some troubled times as well; Wachovia Bank in Pennsylvania was doing some of the same things. We were in the middle of an expansion of our dairy operation and we were left mid-summer, mid-crop season basically with no bank.

Our loan portfolio was purchased, we didn't have any input on where that was going to go, and we immediately kicked into gear a process to find a new lender.

Fortunately for us, Farm Credit stepped in and filled that void. It's been 3 years now and a very healthy relationship for us to do business with Farm Credit, not just from a lending needs perspective, but also from the perspective of the support that they provide to us with consultants and business management practices and business planning. All those kinds of things have been really beneficial to our business.

I know there's some controversy too in regard to Farm Credit getting involved on the agriculture supplier side and financing and other sectors of agriculture. Without agri-business infrastructure, farming, we'd have a tough time succeeding, and there's a void there as well, I believe. So that's my 2 cents on the credit side.

Mr. HOLDEN. Anyone else care to add anything?

Mr. LINCOLN. Yes, I would add, I guess. We have been Farm Credit members, Western New York Farm Credit, from the very beginning. And Farm Credit has been good to our family. It has always been there. We've used them also as consultants, as we did set up an LLC a few years ago to bring the next generation in. They were there to help us in that whole process. We've used them as our tax, people. So they've also been a huge benefit there.

I too echo the need for flexibility as far as Farm Credit. Especially here in the Northeast as the number of farms decrease, we still need the support, we need processors here, we need to have the suppliers here, and Farm Credit needs to be the source of credit for them also, so to complete that package for agriculture. So I feel the farmer isn't going to exist and thrive unless you have the rest of the system there.

So I'm a firm supporter of Farm Credit. They've been good to our family, and we will continue to use Farm Credit as long as our farm is in operation.

Mr. GARDNER. Our farm, like Mr. Robbins', experienced the same thing in 2000. In 2000 we expanded from 80 cows to 250. And we had financials from a bank in Pennsylvania, which merged several times and became Wachovia. And in 2003 we found out that they had sold our loan to a company in Iowa or Nebraska. For no other reason than they decided to be out of agricultural lending.

So our farm had to go through a process of financing to buy out that loan because it was just an investment company, it was did not want to finance farms. And for us to do that we needed Farm Credit. Our local bank, even though we had a good plan, a good base, said we only lend so much money. Small bank. And we were able to get economic or business development from Pennsylvania, which I think was an important step. Pennsylvania passed a thing where they recognized farmers as a business, which was the first time in a long time that needed to be done.

So we ended up with a loan structure that needs several things. But Farm Credit is an important part of that, and I think that without that it would be hard for our farmers today to have financing.

The CHAIRMAN. I thank the gentleman. It's now my pleasure to recognize the gentleman from North Carolina. Congressman Robin

Hayes represents another eastern agricultural district. He and I share that interest in common with all of you. But he's also the chairman of a very important subcommittee, our Livestock and Horticulture Subcommittee. So, issues related to livestock—except for dairy, our dairy chairman is not with us today, unfortunately—but also horticulture.

People call things different things in different places. In Washington we refer to specialty crops as sugar, tobacco, and peanuts. Here you refer to it as a whole array of other things. We call that horticulture in Washington. So we brought the right man here to listen to you about those. The second panel will have a great deal to say about that.

So, Congressman Hayes, welcome.

Mr. HAYES. Thank you, Mr. Chairman. And thanks to the wonderful community on this beautiful lake here. Your hospitality has been spectacular. I look forward to coming back when the sun is out and seeing how healthy the small mouth bass population is.

Thank Congressman Randy Kuhl. He's been a wonderful addition to our Agriculture Committee and represents you all very aggressively and enthusiastically.

I would like to ask two particular questions. I want to have our dairy farmers think about the Animal ID Program. In dairy you have a great Animal ID Program, and we're working to establish a voluntary program, confidentiality, and other issues and provide protection for exports all that. I want your thoughts on that, and I want to start with Ms. Keister. As we drove in yesterday I think our pine trees grow faster than your corn does. Denver has more softwoods, but we do have some hardwood industry.

And I had an interesting experience. You spoke about having really up-to-date management. We had a consulting firm out of Columbia, South Carolina. I'm from North Carolina. A lot of people in Washington don't know there's a difference. But our management consultant brought in a logger who was more sophisticated than I can ever imagine. Those guys came in—they did not only not use chainsaws, I don't think they could even spell chainsaw. Other than to get out of their pickup truck and get into the equipment that they were operating, their feet never touched the ground during that day.

And at the end of that process a lot of issues that you spoke about in your written testimony, waste products, grapevines and all that, went through the chipper. A lot of those things were exported.

And not only was that a pretty clean operation when they finished, but they came in with a stump grinder and they went through those decks and completely loaded everything into the stub grinder, which went into alternative fuels, to the brick plants, places like that.

How much forestry management is there in New York? How big a part of your agricultural production is that? And what's the future here, and do hunting leases provide any additional income for the farming community?

Ms. KEISTER. Well, those are all excellent points. And I'll start with just walking you quickly through the difference between the Carolinas and New York.

First of all—and I don't mean to say it because I've actually never been to Carolina, because I'd like to go there someday—our land ownership patterns in New York are typically nonindustrial, private forest landowners and holders of less than 50 acres.

And to really simplify, simply put, is to have an operation such as you've just described requires a resource of a size that makes sense. You can't move that kind of equipment in on a site for a 10-acre treatment or a 15-acre selection cut.

I work very diligently with a low-grade producer and have done a lot of work in that way. And I have to tell you that the industry is going the way of mechanization; that's what you're describing. For safety reasons, the average age of a logger in New York State is 52 years old. Talk about your farmers. The average of our loggers is 52. And there's nobody going into it. Safety is one reason, capital up-start costs is another. The systems that you're describing, of course, are very expensive.

There's a couple of issues that come to mind with those systems, and they're really driven by markets. I have one producer right now who made a huge investment in equipment just such as you described, and he got a contract from a pulp mill in Pennsylvania that guaranteed him so much intake so he could then make his financial plan to afford that equipment, the whole thing.

The mill is in the process of being sold and are shut down, and the industry itself moving offshore. So a healthy American pulp and low-grade economy is absolutely important to our industry. He's just devastated. He is producing these items and he's got nowhere to sell them. And talk about your impact of high fuel costs. He had like 15 loads in the ground and they told him he could bring three to the mill. And he was trucking each load 8 hours one way.

So as an industry we need to be more local, we need to have—in New York State we need to have more local markets, we need to get at the transportation and the fuel costs that challenge us. And that's why, to get back to my testimony just quickly and say we can talk about how markets such as you described, the chip market, the alternative energy market, and those types of things, could be a way out in theory for our wood owners to do a management; because we do have good management, we have a wonderful State Forestry Program, we have an active consulting community, we have very well-educated landowners. But the challenge is connecting the dots between the resource and the woods, the production, and the end user. And unfortunately in New York State we don't have end users.

Mr. HAYES. Thank you. Sorry the time is short. Quickly, on the animal ID, your thoughts. We think we had the USDA moving in the right direction, they made some progress, then they kind of bogged down.

What we're asking you to do is to give us those items that are important for food safety and exports and then let the industry maintain the database. Your thoughts.

Mr. GARDNER. I think that animal ID, countries like Australia have a good Animal ID Program. They have a system where they can identify multiple cows, move them through the chute, it's simple, it's a little bit expensive, but it does what we need to do, be

able to trace them. And I think we don't need to reinvent the wheel. If you look at other countries and borrow, if you will, some of that technology that have a unified animal system.

I think the dairymen, for all of us, we ID all of our cows, calves, and everything, and we're just sort of waiting; what kind of tag do you want us to put in the ear? I think the beef industry sort of wants to do something a little different, and we need to have a unity. And I think we need to move on and get that done as soon as we can.

Mr. LINCOLN. I feel I would agree as far as the dairy industry. I do an ID Program. I know that the American Farm Bureau discussion gets over into the other livestock, particularly the beef industry.

I think two major issues are confidentiality of that information and the cost to the producer. And developing a system that is usable in States like Texas and some of the western States where you got a lot animals running in open space, where it may not be as confined as here in the dairy industry. So I think those are the challenges there. But there are systems that are workable. And I think the dairy industry is very well placed as far as ID.

Mr. ROBBINS. And I'll just echo that I feel like it's a process that we need to move towards. The dairy industry should be used as an example in the other livestock sectors need to step back and take stock of what resources are out there and what they can learn from it and what's going on in other parts of the world as we said. And we need to make this happen. For consumer confidence I think it's really important.

Mr. HAYES. Thank you for your input. We will assure you that we are working to make sure the Government minimizes their contact with the process. We don't want to slow down the development of technology which provides lower costs, more competition. And we will keep pushing. We are looking at all of the other options. It's good to know where you all are. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, gentlemen. It's now my pleasure to recognize Congressman Steve King. Congressman King represents the district in western Iowa and has agriculture similar to what Mr. Moran has in Kansas, but some differences as well. And we're delighted that you came all the way to New York to hear about what's going on here.

Mr. KING. Thank you, Mr. Chairman. I want to also thank Congressman Kuhl for hosting this, the hospitality here and the work that he's done on the Agriculture Committee. I look forward to continuing that process. Also I thank the witnesses.

I'd like to start off first with Ms. Keister. This midwesterner has to do a doubletake when I see that you sent Christmas trees to the Middle East and you went to SUNY College in New York. So we have to go back and read the acronym to get it straight. But I appreciate your contribution.

And just a curiosity question. I see that you went to about three countries, Afghanistan and Kuwait and Qatar, but not Iraq. Was there a reason for that?

Ms. KEISTER. I don't know, that was a program organized by—at this moment it escapes me—but was organized and participated in by the Christmas Tree Growers of the United States. And I don't

know if it was just a battle zone or culturally. I was curious myself as to how Christmas trees would be dispersed, but we were very happy to participate in it. And I just can't imagine being a long way from home and having sent a pine delivered right to your doorstep. It was great, and we're going to do it again this year.

Mr. KING. I want to thank you for that. And in your industry, as you heard in the President's State of the Union speech when he talked about cellulosic ethanol, and he didn't go into details, but advancements have been made in enzymes that make this possible, and we think down the road 5 or 6 years it's going to be viable.

Are you starting to work towards that direction within your industry that might in a way save some of your fuel costs by being able to consolidate especially your chips in an area where you can convert that to ethanol; is there enough material here to do that?

Ms. KEISTER. I think there is enough material here to do that. The economics is what is challenging. I know the College of Forestry has received a grant and has been funded to do some of that research.

Again, I think it's going to start with the sawdust, because that's where you can envision the chips and such being already in a centralized place for transportation systems. And I do think eventually over time it will work its way back into the wood lot. But I don't think it's going to be a short-term solution.

And so I do think the cost-sharing programs that we've had in the past that subsidize the kind of noncommercial work in the forests that have been funded in the past are going to be important for a while yet to bridge that process through.

Biodiesel I think is also very important since they can begin to run their trucks in something that is home grown and made here.

Mr. KING. I point out on that subject and—I think in my district alone I think there's over a billion dollars in capital being invested in renewable fuels in just the district of Iowa this year.

And as I see this grow, I think it's going to grow out, the limits of the corn bill, the limits of the soybean bill, and as the cellulosic comes in, we don't know what the limit is that will be limiting the farm bill.

I wanted to, if I could, maybe direct a question first to Mr. Gardner. Then, on down the line. As you testified, the size of the average dairy operation in Pennsylvania is about 80 cows. What's the labor requirement per cow; how many cows can one man or I guess, say, one person manage? Is there a standard in the industry?

Mr. GARDNER. I think the standard in Pennsylvania is probably 40 to 50 cows per person. Most small farms have a husband and wife or a father and son. My operation, we have 250 milk cows and another 150 to 200 young stock, and there's myself and my two sons, my daughter-in-law. And we have one full-time employee and some part-time people that help on the weekend. But that would be right in that range. And I think larger farms, that number might get up to 70 or 80 cows.

Mr. KING. Depends on mechanization and technology.

Mr. GARDNER. That's right.

Mr. KING. Is that consistent with your experience as well, Mr. Robbins, about 50 cows per worker?

Mr. ROBBINS. Yes. And actually, our farm gets up in the high 60's, and that's where it comes down to. Labor efficiency and larger farms can run more cows per man-hour and—but on the smaller dairies 50 cows is an industry standard.

Mr. KING. Mr. Hayes and I revel in the opportunity to debate the livestock identification issues around this Nation, and I just want to point out that I did go to Australia and I did look at their program there, as well as Canada's and some of that in Europe, and introduced legislation called the LIMO Act, the Livestock Identification and Market Opportunity Act. And I don't know, has anyone on the panel had the opportunity to review that legislation? And if not I just suggest that you might take a look at that. I'm still looking for someone to submit an amendment that might improve it. I'm always looking for improvement in those kind of ideas. But I want to encourage the panel.

If I could then, Mr. Lincoln, what is going on with ethanol in your area? Is there capital being attracted; anybody working to develop economic production?

Mr. LINCOLN. Yes, that's, very exciting in New York. Currently we have four ethanol plants that are either in the process of being constructed, and one of them actually will be going on line and producing in 2007, which is about a 100 million-gallon capacity plant. The others are about 50 million gallons. So a lot of excitement.

I think beyond that, though, I would like to talk about the cellulosic energy and see the Farm Viability Institute I mentioned a couple times in my comments; I chair that group. We met recently with Larry Walker from Cornell. And Cornell through a SUN grant has been doing a lot of work on cellulosic. The technology is there; it's refining the technology to get the economics down so that it's really cost effective.

But I think in the long run that's going to be the more exciting renewable energies for States like New York. One of the things once you set up a plant you've got to have a source that's year-round. So some of it can be from the wood, the trees; some of it can be switchgrass; some of it can be waste, food waste or animal waste. So various components and to a cellulosic ethanol plant.

Mr. KING. If I could just very quickly. Are DDGs and the food product from ethanol production compatible with dairy in this area? Are you comfortable with that?

Mr. LINCOLN. I think that's the one reason dairy is two-thirds the gross income as far as New York agriculture by the time you take the milk sales and cattle sales. It's one reason why our dairy farmers are comfortable with the ethanol plants coming in because it will probably have an effect on the cost of feed to the dairy industry. If you dry them down you can move them, but otherwise with the wet product it's going to be that transportation area would be 50, 70 miles.

Mr. KING. Thank you very much.

Mr. ROBBINS. I might add, Congressman, that along that same line, if I could, the oil extraction technology of basically extracting some of the oil of the DDGs is becoming relatively popular. There's some new technologies being looked at, especially in the Midwest, will do two things: It will reduce the phosphorous levels in the distiller, which is important for the dairy farms, and it will make it

more compatible in a feed ration to maintain milk component levels. So any efforts along those lines can be very helpful.

Mr. KING. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, gentlemen.

Congressman Randy Neugebauer hails from High Plains country of west Texas. And Ms. Keister, by way of note, he gave me a photograph—actually, it was Mike Conaway gave me a photograph of a town that used to be in Congressman Neugebauer's district, now is in Mr. Conaway's district, named No Trees, Texas.

Ms. KEISTER. That shouldn't be allowed.

The CHAIRMAN. Literally. But we're very pleased that he has come to New York to hear about very different agriculture. Congressman Neugebauer.

Mr. NEUGEBAUER. Thank you, Mr. Chairman. We don't have to worry a lot about that forestry issue in that part of the world. We're pleased to be here in Congressman Kuhl's district. This is a Randy caucus down here.

We heard Mr. Robbins and Mr. Lincoln mention, and as we've gone around the country we've heard a lot about safety nets and how the 2002 farm bill has in many ways provided a safety net. But it's a safety net if you make a crop.

The safety net that I think is just as important as we look at new foreign policy in 2007 is improving the safety net for our crop insurance or our risk management tools that we make available to producers today.

One of the things that's going on in west Texas, and I would assume is going on in New York, because it's going on in California and Kansas and Georgia and all of the other places we've been, is that in agriculture there's a lot of consolidation.

Mr. Robbins, I know from your testimony you've been building that farm's land over the last few years, and I assume those were people that have gone out and so there's been a consolidation. Then we've talked a lot about the efficiency of getting larger in labor and other opportunities.

But one of the things is as you get bigger, the risks get bigger also. And so I think it's important that as we have producers taking bigger risks, and literally in my district, and I assume in New York too, literally farm families have their life savings on the line every day, and so one of the things I feel very strongly about is I've been in the private sector for a number of years, just recently coming to Congress, is when I was taking big risks I had insurance products available to me to mitigate some of those risks. Not all of them, but some of them.

And so one of the things I feel very strongly about is that we raise the level of coverages that are available to our producers to cover some of those risks.

And I think, Mr. Lincoln, in your testimony you mentioned it, there's been some bad crop years and so that the yield averages were down over the last 3 years. What that does is lower the coverage you can cover, then causes credit problems because the lenders are concerned about whether they can lend and get coverage levels that we're going to get back.

I've introduced a bill, basically, that would allow you to add on top of your multi-peril policy a GRP-type product, which would

allow you to insure up to 100 percent of your crop yield value. What that does is in the event if there's a region-wide weather event, it actually triggers the GRP policy.

The reason I like that is that, one, what coverage you have; and second, you're going to get your money. Right now we've had a number of areas in the country where people have asked us to consider introducing a disaster bill because those areas have had 2 or 3 years of dry weather. Mr. Moran in Kansas has had extremely dry periods of time.

But the problem is we don't know whether that's going to pass or not. And that's not good policy for you to depend on Congress in the political environment in our country whether you're going to be able to get any remuneration for bad weather patterns.

I just ask if any of you have seen my crop insurance bill, and do you have any other suggestions on how we might do a better job of making sure that you have appropriate risk management tools. Mr. Robbins?

Mr. ROBBINS. Well, I've not seen your legislation, and I'll take a look at that. We've had some work done here in New York and Pennsylvania where the adjusted gross revenue type products, mainly geared towards small, diversified operations that have multiple crops, fruit, vegetable operations, specifically that can be stacked on to typical multi-peril crop insurance products. There's been some issues there. But they've started to get the kinks out of those things.

I think it's a great concept because you're absolutely right. I mean, we've had crop revenue coverage, as I said, for our farm for the last 10 years; 3 years of low yields out of the last 6, it kept us in business. But it barely keeps you in business.

We have a lot of risk, we have employees that have to be paid every day, year-round. We have equipment payments that have to be made; land taxes, land payments, everything else. That all comes whether you produce a crop or not.

And it's important for us to manage our risk in a way that we can maintain our operation and be viable into the next year. Great example: I mean, 3 years ago we had the lowest yields ever on our farm. Last year we had record yields. It's just weather plays hell with our operation on a daily basis. So I think that concept is great.

Mr. LINCOLN. Well, yes. And I have seen your piece of legislation, so we've had some discussion at the American Farm Bureau level. I think the challenge gets to be, and in my testimony I think two things I'll bring back out to you, the farm accounts concept. We do have good years, and to be able to save a tax-deferred account for a rainy day is an important tool. But also beyond that an adjusted gross revenue product.

As Ron was indicating, what's available is still—it's small scale; it may be not flexible enough. But also the APH, which you were referring to, is something that needs to be built in better flexibility and that taken into account.

I think the challenge and our—well, Mr. Stallman's subcommittee, which I have served on, and risk management, the challenge is to develop a program that provides the necessary risk management to the farmer without creating production where it shouldn't

be located. And I think that's a challenge in developing any kind of a product. Or a challenge—or else creating production greater than what the market can absorb.

So I think we need to add risk management, but they need to be properly designed so they're not distorting the marketplace or they're not having the food industry located where maybe you don't have frosts every year or something. We certainly support those concepts.

Mr. NEUGEBAUER. Mr. Gardner.

Mr. GARDNER. We just finished putting our crops in, just put all that money out, and we're hoping we get enough rain and long enough season to grow that crop. And you are right, if you have a couple bad years you're reducing your return, and that doesn't pay for your costs. I think that's a good idea.

Mr. NEUGEBAUER. Thank you, Congressman.

The CHAIRMAN. I thank you, gentlemen. It's now my pleasure to recognize your own Congressman, Congressman Randy Kuhl. We're delighted to be here in his congressional district. He has taken great responsibility his first term in Congress, and he's succeeded someone who's a good friend of mine, Congressman Amo Houghton, but he wasn't on the Agricultural Committee, and we're glad that you are. Your timing is very good as we look forward to writing the next farm bill. So Congressman Kuhl is recognized.

Mr. KUHL. Thank you, Mr. Chairman, for being here. Obviously I feel a little isolated, not because I'm down at the left end of the table and next to being shoved off the end, but being the only member other than Congressman Holden from the Northeast.

So I just want to tell you how much I really appreciate your holding this hearing in the Northeast, because I think it's very important for not only the members of the committee who are here, I think it's wonderful that we've got the great representation we do; Kansas, North Carolina, Texas, Pennsylvania. We really have a good cross section of the country here agriculturally.

And oftentimes people in New York, most of the people in this room when they're traveling elsewhere in the country, when they say we're from New York they say: New York, I've been there. Those skyscrapers and all that glass, and I went to a play or something like that. And they don't have any awareness of what New York really consists of and the diversity of New York. It certainly is an immense role that agriculture plays here.

So I just thank you for, again, holding this hearing and exposing, in essence by the hearing, the country to the importance of agriculture here in New York. It is a major player.

Years ago when I was in the State legislature, in 1986 I was elected to the State Senate. And my first assignment from a leadership role was as chairman of the Senate Agriculture Committee. I served in that role for 12 years and became very conversant with many of the people in this room and understanding their problems.

As a matter of fact, one of the things that I thought was very important was to get feedback from the people who were in the agriculture business as to what their long-term viability was. And so we conducted the survey, sent a survey out to over 30,000 farms across the State. And asked questions like will you be in business at the end of this year? Will you be in business at the end of 5

years. And surprisingly enough and alarmingly enough, 7 percent of the people said they would be out of business in the agriculture business by the end of the first year; 17 percent said they would be gone in 5 years.

So one of the next questions, and this is just kind of leading into my question that I think it's important for the committee to hear, the members to hear from these people, as to what the problems they are facing. And you've heard it to some degree in the testimony here.

But we asked the question to list the issues that were important to you and what would drive you out of business and what is causing you some harm. And as you might know, in New York taxes is one of the issues that they listed right up front. But there are other issues that we're dealing with. Things like the labor supply. And we're now hearing about that, and it's become part of the debate in immigration.

But price of product is another issue. And of course, we have a support system through the MILC Program here, which is extremely important for dairy farmers; that's an important issue also.

So I'd like to ask our panel members—I mean, I know that 5 minutes to talk and summarize your statement is a difficult time to get all of the questions out, but I think it's important for the members of this committee to know what is the most impress—or important issue that's pressing you today for long-term viability. Is it a support system that isn't working; is it the high cost of doing business in the State; is it an inability to the sell your product for a price that's competitive?

You all know, you live it every day. And it's not only dairy farmers, it's the forestry industry too. And certainly the wine industry. So it's kind of an open-ended question, really a way to get your full feedback because I am, I guess, the last panel member to be able to ask a question before we go on to the next panel. So just kind of round out your testimony here. Just like to share with the panel Members what are the important issues pressing and how can we help either through the Farm Bureau or the bill that's coming up in this next year or some other means; from the Washington level how can we help you do your job better and more profitable. Mr. Robbins?

Mr. ROBBINS. End user consolidation has decreased our marketing opportunities. And I think you see that all across the country, but specifically pronounced here in a State like New York. I think things like ethanol production may be coming to our State, and the opportunity to create some new markets through bioenergy production is going to be a big plus.

My personal opinion is we need to step back and take stock of our resources here; the fact that we're close to major metropolitan markets, from the dairy perspective, we're never going to be Idaho, never going to be California. We need to take a step back and take stock in where we are and what markets are available to us and maybe figure out what our plan needs to be to fully capitalize on those opportunities.

Mr. LINCOLN. Well, I appreciate the question. Yes, certainly, first off, I would say research. Research is what's got American agricul-

tural in the position it is today, and it will be what carries us into the future.

Second, I think one of the biggest challenges we have is the regulations. The regulations that farmers face today and the cost of those regulations. That's why I think programs like EQIP are so important to us as dairy farmers. We face not only the air quality, but also—well, water quality we've been facing, but we will be facing air quality as we move forward. So that's a huge burden to the industry, and a huge burden to the next generation coming on and being part of the industry.

Certainly taxes. Although in New York we have been successful at helping to reduce some of the local taxes for the agricultural community. But taxes are always a factor in most States.

And markets. I think farmers historically have been producers; we haven't looked at what the marketplace is, what's the need for our products. And I think we're doing a better job than we have, but I think there's lots of opportunities. And I see in a State like New York we are close to the east coast markets. From Boston on down to Washington, DC. That's an easy-access market for us.

Value-added products for many of our producers is the way to go. And also for some of us in the dairy industry, we belong to the Upstate Milk Cooperative. One of the new plants that they've just put up is a yogurt plant, which I see a great future in that as far as returning additional dollars back to produce it.

So I think we need to look at the marketplace, how we can serve that marketplace. I've served on the USDA Trade Advisory Committee, handled their products. I think that we need to have market access.

There's a key to our trade negotiations, but if we have a competitive, level playing field, New York and U.S. producers can be a player in open markets. Again, some huge opportunities in some of these developing countries to buy many of the products that we produce because protein in their diet is one of the things that they're looking for.

But we need to have a level playing field, and we need to reduce some of the European subsidy levels, the tariffs that you talk about. We need to provide that equity. But so market access.

So I think really there's a number of things that encourage—I think the biggest challenge bringing the next generation in is that it's not an 8 to 5 occupation, and I know one of our family—we have two girls and two boys, and one of our sons is a CFO for a company in Cleveland, Ohio, and probably earns twice what our son on the farm does. And he goes to work at 9 o'clock the morning and is finished by 5 and plays golf on the weekends.

So I think with research and larger operations and technology, I think farming isn't the burden it was a few years ago, and that will make us a strong industry in the future.

Mr. GARDNER. I think, Congressman, like I said in my testimony, I'm here speaking for my sons, their generation. And I guess I'll bring up one thing. My son said to me when they decided they wanted to come back and farm, they said we want to farm; we wouldn't want to do it like you did. We want to have time off, we want to make a comparable income. A lot of competition for young people to stay in agriculture.

I think agriculture is a good industry, a good industry, good future, good career. But I think for what help you, the Congress, could give us, is develop policies that have flexibility and variability for us to operate in a very volatile market. It's a little hard for us sometimes to realize we went through a period in the 1950's, 1960's, or 1970's of price supports that warn the price to the 1980's, 1990's, and 2000's where we live under a market-driven price, and sometimes those prices are so low that we cannot even bear our cost, that we need programs to support us in those times.

We also need policies that don't limit our ability to export or expand markets and grow our markets. And recognize that we're a different kind of agriculture today than we were 10, 15, 20 years ago.

Ms. KEISTER. And last but not least, from the forest industry perspective, the forest owner, because we do own, my husband and I, 150 acres of red oak forestland, as well as Christmas tree stock.

The biggest issue I think facing the forest industry in the years ahead is quality. I know we can all leave this room today and look out over the hills and see trees. But I'm here to tell you they're not the trees that were here 20 years ago, 30 years ago, 40 years ago.

As a working forester, as a forest owner, the biggest challenge I face is how to do I perpetuate forests, good quality trees going forward. Not just trees, but good quality ones. Ones that if someone wants to make a piece of furniture out of it they can. Or if someone wants to watch and look at it, they can. Because a healthy forest always gives people the most options of anything.

And I will only own my forest for so long. Somebody will own it after me. If I leave a healthy forest, if I perpetuate a healthy forest, in my home, in my job, then I've given the future generations the most options I can.

And I can't emphasize enough that in my—the quality degradation is the No. 1 single issue facing northeastern forests, and it should be the number one single issue that the farm bill, as it addresses forest issues, attempts to resolve.

Mr. KUHL. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. I'll now recognize myself. I've not introduced myself to you. I'm Bob Goodlatte, and I represent a district in the western part of Virginia. The Shenandoah Valley is the primary part of my district.

And Ms. Keister, you will be glad to know that unlike several of my colleagues here, I have a lot of forests in my district and am very, very interested in those issues. So let me ask you to describe a little bit more about something that is apparently happening here that we're not yet seeing in Virginia, but I worry that we might. And that is the efforts by the local governments to restrict forestry in some of the communities here in New York. I wonder if you might tell us a little bit more about that.

It concerns me that on a national level we have under the jurisdiction of this committee 191 million acres of national forestland, and there are many extreme environmental groups that do not believe there should be any commercial timber harvesting in that enormous, enormous area of land when trees are, as you've noted, a renewable resource, we are responsible for taking care of them. But also if you have all of our forests mature, that they become

greater subject to insect and disease. And we fight forest fires in our communities; I think most people expect us to do that. So if you don't have a proper thinning and management of our forests, I think you're asking for long-term trouble.

That has put a lot of pressure on the private forestland in my district because 98 percent of the timber harvesting comes off half of the land in my district that is private land, and only 2 percent comes off of the other half of the forestland that's publicly owned.

I don't know what the circumstances are here in New York, but tell me more about why people think it's a good idea not to harvest trees for some reason.

Ms. KEISTER. In New York State it's very similar. Nationwide most of the forestland is, in fact, owned by what we call nonindustrial private forest owners, and I think it's similar to the farming operations and the dairy farms.

And my understanding and that is—I'm actually from Long Island to start with—so I'm one of these transplanted suburbanites up into the country. But I've chosen to blend into my rural and agricultural community, so I welcome that. But unfortunately, some of the people that are moving out don't blend in and don't understand our industry.

It's always interesting to me that when you come and cut a corn crop nobody complains that the field is barren when you're done. When you come and cut a tree crop, and we sort of have that same impact, with knowledge that you're doing it with regeneration provided for and those issues, that's offensive to some people.

And we're facing issues, watersheds and I don't want to look at it. And road issues. You can understand about the roads, the hauling issues.

I have a client right now, she owns 700 acres, and her last comment to the town was, well, if you don't let me get my trees off I'm going to go look at some windmills. Because she's saying I have agricultural crop and I want to get it off, and they're saying you can't use the town road.

I think what it has become is myopic. That you have some interests, well, I'm a watershed person so I want to protect the water quality. Absolutely, they should. But I'm a forester and I want to protect the water quality too. And I think we need to work together. Instead of putting the rights of groups and single-minded issues, we need to work together to use our scientific knowledge to do the things correctly.

And I guess the frustration is, Congressman, that we have that knowledge. But unfortunately, it doesn't seem like we're having the conversations or the trust between the professionals and the lay regulators to get that bridge and that communication, get those conversations going.

Just quickly, some of the things you're talking about are requiring engineering plans equivalent to a subdivision. Well, you don't get enough money out of a timber harvest to afford to hire a professional engineer to go and do grade work and site work and all those kinds of things you would require for construction of a Wal-Mart.

The CHAIRMAN. Seven hundred acres can put a lot of Wal-Marts and other things and subdivisions and vacation homes, that if a

landowner is not allowed to derive some reasonable benefit from the use of their land they're liable to sell it for some other purpose.

Ms. KEISTER. Exactly. And then you've lost that footprint of woods forever. So I think it's education, but I also think a right to practice forestry, to give it onus.

For example, in New York we have a right to mine law. Where they supersede the State level over local jurisdiction. And something like that, where the local jurisdictions can continue to monitor the activity, however, it is, after all, in their township. But with professional oversight and some good science behind it I think is what's required.

The CHAIRMAN. Thank you. Mr. Lincoln, in previous testimony before this committee some dairymen have suggested modification be made to the Federal milk marketing order. I know we talked about the MILC Program, which is, as you all made very plain, a very controversial program. But the Federal Milk Marketing Order Program, the underlying foundation of our Federal dairy policy, doesn't always work the way we'd like it to, and some of us would like to see it made possible to expedite the process as amendments are made to it. This a topic of great interest.

And I wonder if you or any of colleagues, Mr. Gardner, Mr. Robbins, might want to comment on the changes that have been made to the California milk marketing order, which does have an expedited system. Would you like to see that here in New York and nationally?

Mr. LINCOLN. Well, yes, certainly the expedited system as far as being amendments to the Federal orders, we would be very supportive of that. And the California situation, where you had milk moving from one order to another without paying the order price. So certainly that needed to be corrected and is corrected.

So I think the Federal order system overall has worked well for us, so I think we need to be careful about getting into making major modifications to it. But I think those were well received and necessary amendments.

I guess a couple other comments since this might be been my last time, the immigration is very key to us—

The CHAIRMAN. We're the House of Representatives; we don't filibuster here.

Mr. LINCOLN. Well, my congressman had mentioned it, so I got it off my list kind of. But without a favorable immigration guest worker program I think a lot of this discussion today will be of little value to us because we're likely to lose a third of our vegetable producers and fruit producers and the dairy industry without a good immigration bill.

And finally from being in New York and living in New York, if we don't have proper tools at the local level as far as how we plan land use, that's a major challenge to us. So scattered development, Wal-Mart expansions and those things as far as the use of agricultural land. So we need to put some good thought into planning and how we maintain the availability of our land base, particularly in the eastern States where you got 20 million population competing for that land.

The CHAIRMAN. Very good. Mr. Gardner and Mr. Robbins, getting back to milk marketing orders, do you like the expedited system in

California; and if there are, are there any specific amendments, specific modifications that you would like to see occur in the Marketing Order Program?

Mr. GARDNER. I think what they're doing in California is in the right direction; that's the kind of direction we need to go. Maybe not exactly, but that type of legislation or change in the Federal order. The fact that it takes a year and a half to 2 years to change marketing conditions when those conditions are costing dairy and the industry tremendous amounts of money seems to me is not working.

And I go back to what I said before. In the past with the Federal order system the support price was the price, that price would continue on. We're living with the market price that seems to react much quicker. So I think the Federal order I believe is studying ways to expedite that decision-making process, but that needs to be done.

The CHAIRMAN. Very good. Mr. Robbins?

Mr. ROBBINS. Echo, same line Mr. Gardner said earlier, that we're not the same agriculture we were 5 years ago, 10 years ago, and on down the line. Our businesses changes daily, the industry changes daily, market trends change, consumer trends change. I think it's very important that the Federal order system be designed to react to that change quickly.

California has set the tone for that. They've done just what I said earlier, we were talking with Mr. Kuhl, they've taken stock in what's happening in their region and looked at opportunities to capitalize on opportunities that are presented to them. And we need to have a Federal order system that's able to accomplish that, I believe.

The CHAIRMAN. Thank you. We're not going to do a second round of questions of this panel because we have to get on to our other panel, but I do want to yield briefly to the gentleman from Pennsylvania.

Mr. HOLDEN. Thank you, Mr. Chairman. If I can just ask one more question. Mr. Kuhl mentioned that he and I are the only two from the Northeast on the Agriculture Committee. It gets a little lonely here sometimes. But he also asked a very important question. He said what's the biggest challenge that you're facing.

I asked that at a subcommittee hearing in Harrisburg, Pennsylvania, and there's tremendous developmental pressure on farmers in Pennsylvania. In the last farm bill we had \$985 million in farmland preservation. Pennsylvania leads the Nation in farmland preservation, particularly in central and southeastern Pennsylvania, although I'm not sure how successful the program is.

And I'm just curious in New York what are the developmental pressures and is the program working.

Mr. ROBBINS. Well, they're certainly alive and well even in my area, and I live in the north central part of the State, directly off the east end of Lake Ontario. We have Fort Drum, home of the 10th Mountain Division 20 miles just to the east of our farming operation. We're seeing a lot of development pressure come from the military installation. But more importantly, we're seeing development pressure come from people moving from southeastern Pennsylvania, New Jersey, Connecticut, just basically wanting to own a

piece of America. And they'll come up there and buy 100 acres of what used to be a dairy farm. They'll pay whatever it takes, \$1,200, \$1,500, \$2,000 an acre for that.

They don't really care if anything happens to that land; they might want to put it in the CREP they might just want to brush out some trails to ride a four-wheeler on. They really don't care if they rent the land for crop production, if improvements get made to the land. We're seeing a lot of that happen. It's going to limit our ability to continue to grow our agriculture in our region if that kind of thing continues.

Mr. HOLDEN. Ms. Keister, if you don't have anything you want to add to this.

Mr. LINCOLN. I'll add to it. I know another member of our organization will be testifying more, Mr. Nolan, he's from Long Island specifically, and that's why I brought it up again in my testimony here, it is a factor. We're 25 miles south of the city of Rochester, and the city itself keeps losing population, but they keep spreading further out.

And what I see in our community is more scattered development, and scattered development is—in my opinion it's the farmer's worst enemy because oftentimes we as farmers ourselves sell off road frontages as you need to pay for a college education or you need to fund money for an expansion or whatever, but what happens is then you begin to have lots of neighbors that border your farm and feel they begin to have concerns; whether it's manure spread or whether it's pesticide use or whatever.

So I think proper planning by communities. I know communities need to grow, but they can grow in a way where you don't have a lot of scattered development in our part of the State. So now if you get down to Hudson Valley and Long Island, it's a different situation, we do have purchase development rights programs that are funded through the State, and I know there's Federal dollars. But I think Mr. Nolan will talk to you more on that impact to Long Island in particular.

Mr. GARDNER. I think the program in Pennsylvania has worked very well, Congressman. And I think the problem with Pennsylvania is escalating land prices really takes a lot more money today; each year it's more and more money. And Mr. Lincoln mentioned in northern New York, we have the same problem in northern Pennsylvania, and we have people come up to buy a piece of land and they buy a whole farm and they really don't care whether the ground is farmed.

In the past people come up and buy a farm, they want to work the farm or actively take care of the land, and today that's not the case. So we need to have something done with respect to that.

Ms. KEISTER. My input would be a conservation program. That it would not be a preservation program, but a conservation program in that if you do set aside or buy out development rights to a piece of property, be it farmland or forestland, that it continue be managed and not like a moratorium on cutting, like this forever wild kind of stuff. But be part of that and say OK, we're not going to develop here but we're going to allow it to be grown and used for forestry.

Mr. HOLDEN. Thank you.

The CHAIRMAN. We are going to now transition to our second panel. I want to personally thank each member of this panel, you've done a great job. But for all of you in the audience, we're going to do this quickly, so why don't you take the opportunity to stand up and give a round of applause to these great witnesses all at the same time, because in about 2 or 3 minutes we're going to start up again.

[Recess.]

The CHAIRMAN. The committee will reconvene. We now would like to welcome our second panel to the table. Mr. John Martini, wine grape producer from Penn Yan, New York; Mr. Jim Bedient, wine and juice grape producer of Branchport, New York; Mr. Mark Nicholson, apple producer, of Geneva, New York; Ms. Maureen Torrey Marshall, fresh market vegetable and dairy producer of Elba, New York; Bob Nolan, vegetable producer of East Patchogue, New York; and Mr. Tom McCormick, a potato and dairy producer of Bliss, New York.

I would remind each and every one of you that your full statement will be made a part of the record and ask that you limit your comments to 5 minutes.

And we have invited the Commissioner of Agriculture for the State of New York, Mr. Patrick Brennan, to say a few words at the outset, just say something about the New York agriculture. And we are very honored that you have taken the time to be with us both last night and now today.

So Commissioner Brennan, welcome.

STATEMENT OF PATRICK BRENNAN, COMMISSIONER OF AGRICULTURE, STATE OF NEW YORK

Mr. BRENNAN. Mr. Chairman, as the Commissioner of Agriculture here in New York State representing Governor George Pataki and the agricultural industry, it is an honor to provide remarks.

In the interest of time and knowing that not only you as a committee, but the general audience behind me want to hear from the producers, I am going to request that I be able to submit my formal remarks for the record and just talk a little bit about what I see with regard to the future of American agriculture. But before I do I want to thank Congressman Kuhl. He mentioned that he went in the New York State Senate in 1986, and I always have to apologize to him because when I seen him I always refer to him as Senator Kuhl. It is not meant out of disrespect in any way, it is the great admiration and appreciation as a New York farm boy for the good work that he did as the chair of the Senate Agriculture Committee here in New York State and the leadership that he provided. We're extremely proud that he represents New York agriculture on the House Agriculture Committee, Congressman Kuhl.

Again, I'm going to be brief in my remarks. And I so much appreciate the opportunity to be introduced to each one of you last night and your staff who traveled with you at the reception. And as the former USDA Rural Development State Director here in New York, immediately after being introduced to you I thought about my former counterpart in your respective States, who I carry on a

great personal and professional relationship with, and that I was very pleased to do that and meet all of you.

Chairman Goodlatte, when we were listening to the last panel, certainly the MILC Program and the Federal market orders came up. And also I would like to say that certainly we talked about ethanol production and biodiesel production and cellulosic production.

Back in January when the Governor presented his budget to the State legislature for their consideration, as a part of that budget he provided a \$20 million grant program for the development of a cellulosic ethanol pilot plant here in New York State. That component of his budget was supported by the legislature, and we certainly appreciate that.

Two weeks ago the Governor released that application. That RFP went on the State Department of Agriculture's Web site and NYSEDA's Web site here New York. And I can say from the moment he delivered his budget address in January, that component of the budget, that \$20 million for cellulosic, to speed up the realization of the promise of cellulosic, created a buzz across the Nation.

Shortly after being confirmed myself in the middle of February I represented the Governor at the Governor's Ethanol Coalition meeting in Washington, DC. And several Governors throughout the country approached me and asked me about what our designs were for that \$20 million.

And then just this past week I was at a meeting in New York City, the Renewable Energy Finance Forum, and the audience down there were the largest venture capital and private equity type investors in this Nation. And they were talking about all the dollars that have been invested in renewable energy initiatives just in this last calendar year. But that \$20 million for cellulosic still was creating and generating a buzz amongst those big money investment-type people.

With regard to dairy, certainly the MILC Contract Program has been extremely helpful. And as you heard from the real experts, the dairy farmers who presented testimony before me, that program, although it has been extremely beneficial to the dairy industry, it also has created some division with regard to large farm versus small farm. And as the Commissioner of Agriculture, I represent all of agriculture, all size farms here in New York State, and certainly I would echo the sentiment from the three dairy farmer panelists before me.

I would like to mention with regard to dairy, a little over 2 weeks ago I had the great honor to serve Governor Pataki down in Pennsylvania in a LIASDA meeting, and we took that opportunity to be together, the Secretary of Agriculture from Pennsylvania and the Secretary of Agriculture from Vermont. The three of us signed what had we believe will be a historic Memorandum of Understanding in collaborating the dairy industries from the three States.

When you take into consideration the volume of milk produced in Vermont, New York, and Pennsylvania, it is some 25 billion pounds. And as a mega milk region, we then can compete certainly with any other region in the Nation, and we intend to do so. What that does on its face, that agreement between States, is to better

coordinate research and development dollars. It is also an opportunity for us to be more efficient with the taxpayer resources that we have responsibility for. When we decide what types of research are needed, we will be better able and in a better position to coordinate those dollars.

I was pleased that John Lincoln, the president of New York Farm Bureau, who also serves as the chair of the New York Farm Viability Institute, referenced several times about how excited we are about that initiative. We truly believe that is the new vehicle, the best and most efficient vehicle to make sound decisions with regard to where those research and development dollars need to be expended. Why? Because the board of directors of the Farm Viability Institute are farmers. They know first and foremost what obstacles they have in front of them with regard to profitability. They're the ones that are making the decisions.

And I will say back in 2003 when I was the State Director of Rural Development, we administered one of those 10 agriculture innovation grants that there was \$10 million made available from USDA Rural Development. I would say that certainly you folks all deserve a lot of credit as well, because that 10 million was part of the \$40 million that you all allocated to us to administer the time for the Value-Added Grants Program. We were fortunate enough to get one of those million-dollar grants here in New York. We were able to work with the State Department of Agriculture and Markets at the time, and certainly Cornell University. And we had collaborators of great support here in New York, certainly including New York Farm Bureau.

We took that million dollars and between the Governor's office and the State legislature in New York, we have invested \$8 million to that \$1 million of Federal investment. Those are the types of exciting opportunities that we need to continue to capitalize on and take advantage of.

And again, Mr. Chairman, I told you I would be brief, I wasn't as brief as maybe you all had hoped, but I am very pleased and honored to serve as the Commissioner. You have an exciting panel that you're going to be hearing from here momentarily, and New York certainly it's more than just dairy, and certainly is more than just energy, although I think energy holds great promise for the future of American agriculture.

You're going to hear from some of the most progressive specialty crop producers, if you will, in this entire country. And they will share with you how successful the specialty Block Grant Program has been and what promise it holds for the future, certainly depending on the decisions that you all take into consideration.

Again, it's an honor. I'm going to take a seat in the back row and let Mr. John Martini take the seat that he certainly deserves to be in.

Mr. Chairman, thank you very much. Congressman Kuhl, thank you for inviting all these fine people to the Finger lakes. It's a beautiful place.

The CHAIRMAN. Thank you, Commissioner Brown.

Mr. Martini, welcome. You're our first witness. I have to say, we're here in New York State, you're in the wine and spirits business, it must be a wonderful life.

Mr. MARTINI. It is a wonderful life.
The CHAIRMAN. Welcome.

**STATEMENT OF JOHN MARTINI, WINE GRAPE PRODUCER,
PENN YAN, NY**

Mr. MARTINI. Good rainy morning, actually. I was in Washington, DC last night, and I'm sorry I brought this stuff up here with me.

I'd like to thank you for holding the hearing here in the beautiful Finger Lakes region in New York State and for inviting me to comment. I'm president of Anthony Road Wine Company with my wife Ann, own Martini Vineyards. Ann and I started our farm in 1973 with no true knowledge of the complexity that growing grapes entails, and we started the winery in 1989 because market forces indicated to either get out or get deeper. I do not regret either of the decisions. Two of our children work with us; Peter manages the farm, and Elizabeth manages the tasting room.

The philosophy of our operation is that we're farmers first and we're a winery second. If we don't do the first one well, we won't have good wines and nobody would want to come and taste them. Wines are produced essentially in the vineyards and then secondarily in the production facility. Winery and vineyard establishment requires a significant investment, at least \$10,000 per acre, and then hundreds of thousands of dollars for tanks and other equipment to process the grapes into wine. Grapes and wine are the ultimate high-value specialty crop. They are capital and labor intensive.

In the Finger Lakes region the wine industry is an economic engine. Our operations have 16 full-time employees and a like number of part-timers who work in the tasting room. Our payroll exceeds \$400,000. We grow the majority of the grapes needed for our wine production on the 70 acres of vineyards that we farm. We sell the balance of the fruit to other wineries. We also purchase an additional \$75,000 worth of grapes that we do not grow from other Finger Lakes growers. We buy wine tanks and equipment from a local metal manufacturer—a fabricator. Our office plumbing, electrical, and lumber supplies from local purveyors in Penn Yan. We have invested over a million dollars in buildings. Our gross sales are just shy of \$2 million.

In fact, a recent economic survey by the MKF Research Group in California has shown that the grape, grape juice, and wine industry contributes \$3.4 billion to the New York State committee.

When Ann and I started our vineyard operation in 1973 there were perhaps 12 wineries in the State. There are now well over 200. Each contributes not only to the local economy, but also to the State and Federal treasuries.

The growth of the industry has prompted Cornell University to offer degree programs in oenology and viticulture, as it recognizes the potential and need for the future. A family can operate a small vineyard and winery operation on 25 to 30 acres.

Grapes are the sixth largest crop and the largest specialty crop in terms of value to the U.S. agriculture. I believe it is time to recognize the contribution of specialty crops to the U.S. economy, our balance in trade and providing healthy food for our tables.

I'm not looking for checks in the mail; what I am looking for is a partnership with the Federal and State Governments to assist not only my industry, but to encourage the production of other specialty crops and products.

I would request in the 2007 farm bill you consider the following: Greater emphasis on specialty crop research, and seeing that research results get to the producers through extension. One would think after thousands of years of growing grapes and making wine we would have figured it out by now. However, that's not quite the case. Varietal selection for soils and climates, consumer preferences, sustainability, and many other issues require constant research. And then the extension to educate growers and wineries to put our grape product producers in the forefront of world quality.

Authorize in the farm bill appropriations of up to \$5 million a year in ARS funding to support grape industry efforts through the National Grape and Winery Initiative, to coordinate research and extension activities designed to further the goals mentioned above.

Research and extension has been the crucial element in the success of U.S. agriculture, and it is ever more so today. We need to grow the best and healthiest foods possible for the American consumer and encourage them to enjoy a balanced diet of fruits and vegetables and more.

Provide APHIS with the tools and flexibility to protect us from unwanted and dangerous pests that will affect the viability of our operations. As the world has gotten smaller, exotic pests with no local natural enemies to keep them in check wreak havoc on our crops. It is far more cost effective to prevent the introduction of the pests and diseases than it is to eradicate them after an infestation is established.

Continued investment in the Market Access Program. They combine private sector funding matched with public funds. Our winery has been able to utilize the benefits of this program to sell wine into the Province of Ontario.

Strengthen and improve the Crop Insurance Program to viticulture and other specialty crops. Allow growers in New York to insure variety separately on each farm as opposed to co-mingling that occurs now and puts high-valued grapes in categories that do not represent the true risk and non-risk reality.

Establish and mandate funding for a Clean Plant Program that will give growers pathogen-free stock that will produce quality fruit, not be subjected to declines that result in replant situations.

And State block grants. Expand the State block grants for Specialty Crops Program originally authorized in the Specialty Crop Competitiveness Act of 2004 and funded through appropriations in the fiscal 2006 Agricultural appropriations bill. Due to the wide diversity of localized needs in specialty crop production, State departments of agricultural are uniquely able to assist local growers with the specific investments they need to increase competitiveness.

Thank you for the opportunity to testify today. And we look forward to having you come back again to the Finger Lakes when the sun is shining.

The CHAIRMAN. Thank you. I would very much like to do that. Mr. Bedient, welcome.

**STATEMENT OF JIM BEDIENT, WINE AND JUICE GRAPE
PRODUCER, BRANCHPORT, NY**

Mr. BEDIENT. Thank you. My name is Jim Bedient, and I grow both wine and juice grapes on a farm in Branchport, New York, which is just a few miles up the lake from Congressman Kuhl's home. The economic value of grapes is very well known in western New York. Chautauqua and Yates County have the two largest grape acreages in New York State, and Yates county has the highest acreage of wine grapes in the United States outside of California.

A recent study of the New York grape industry revealed that for a farm value of over \$30 million the total economic impact of the grape juice and wine business in the State is \$3.4 billion. To increase the worth of a product by 100 times bring many other benefits to the State economy.

The market for juice grapes and grape juice products, primarily Concord grapes, is no more important anywhere in the world than here that western New York. Juice grapes account for a majority of the acreage in New York's vineyards. In my own farm about half the acreage is sold for juice and jelly products and the other half for wineries.

One of the biggest problems facing future generations in this country is childhood nutrition. New studies recommend 5 to 13 servings of fruits and vegetables daily, and yet childhood obesity and diabetes are on the rise. Grape juice, as well as all fruit juice, should be a larger part of all Government-sponsored nutrition. While we don't have the advertising budget of Coke or Pepsi, we certainly produce a product far superior for the health of our children.

Federal support of crop insurance was undertaken to alleviate the need for annual disaster declarations and bailouts for the farms that were affected. The program was originally set up for annual crops, and I believe it works fairly well for the producers of those crops. The program is also used on many perennial crops, such as grapes, but the usefulness is limited by the very nature of the crops that permanently planted in the ground.

Grape growers have a huge investment, between 10 and \$20,000 an acre, before they even harvest their first crop. If a disaster occurs during the crop season, the grower must still maintain the vines for the future. A row crop farmer has the ability to cut his losses and not put his future years' crops in jeopardy.

Summer Vision should be made to make the program workable for grapes and other perennial crops. Producers should have the option of coverage up to a level of 85 percent higher than the 75 percent level because of the higher initial investment and the cost necessary to maintain plants, even with a total crop loss, 75 percent of an average yield does not keep the farm in business very long. Often an act of nature in one growing season has a negative effect on the following year's crop.

The consumption of grape juice in U.S. is many times more per capita than any other country in the world. While new grape juice drinkers are being discovered as close as Mexico and Canada and as far away as China, very little in the foreign market has been tapped. The current Market Access Program is a beginning to ex-

plore some of these markets. It's already been used successfully by New York's wine industry to bring our products into Canada and the United Kingdom. That in turn has generated articles of several worldwide wine publications, further enhancing the reputation of New York wines. The continuation and expansion of MAP would be of great value to all grape growers.

The State Block Grants for Specialty Crops Program has been an excellent way to fund a very diverse number of specialty crop programs. By allowing each State to have the authority to issue the grants, some of the very issues of smaller size and greater diversity of specialty crops is accounted for. New York has funded a study on the health benefits of Concord grapes, of which there are many. It's also funded a program called New York Wines and Dines, which introduced New York grown foods and wines into many New York City restaurants. Most of New York City's population of 8 million or so don't know what great products can be produced right here in their own State. The program has been so successful that the New York Marriott Marquis restaurant now has an extensive list of New York wines. I recently heard that there are other upscale restaurants in New York City that are following their lead and are starting to feature many New York wines.

The program for State Block Grants for Specialty Crops should be expanded and fully funded in future years. It's an excellent tool to help a large segment of agriculture where diversity is the key to strength.

Here in New York we've begun to develop a set of guidelines for sustainable viticulture. I'm very proud to say that my farm will be participating in this project. The sustainable viticulture will be a very nice fit with the provisions of the Conservation Security Program. Many of the best practices in the sustainable program rank very high in the goals of the CSB. I would hope that the CSB has continued with funding made available to producers utilizing sustainable practices and funded at a rate where all watersheds can participate in a timely manner.

Obviously the biggest key to the grape industry staying viable and competitive in the world market is research. ARS funding for the new National Grape and Wine Initiative should be at a level of at least \$5 million. This is still less than 20 percent of what Australia spends on research for growing, wine making, and marketing in a very young wine industry. Funding and research benefits all growers from across the United States and can be done most cost effectively on a national basis.

The CHAIRMAN. Thank you, Mr. Bedient.
Mr. Nicholson, welcome.

**STATEMENT OF MARK NICHOLSON, APPLE PRODUCER,
GENEVA, NY**

Mr. NICHOLSON. Thank you. Can you hear me have all right? I must confess I am one of the third generations who did say to my father I don't want to do it like you did and I'd like a few more hours off a week. We'll see if this is going to hold true.

Good morning, Chairman Goodlatte and distinguished members of the committee. Welcome to Canandaigua in New York's beautiful Finger Lakes region, and thank you for the opportunity to speak

with you today regarding my family's grape farm and the Federal farm policy.

My family immigrated to this area from Long Island in 1958. Yes, that is a little bit of humor. But my grandfather purchased a small mixed crop farm named Red Jacket.

Today Red Jacket Orchards is a 500-acre fruit farm operated by my brother Brian, sister Amy, father Joe, and myself. We primarily grow fresh market apples but over the past 10 years have also diversified into stone fruits and berry crops. We also press apple cider and other 100 percent fruit juices in our cider mill. The majority of our fruit and value-added products are marketed and sold wholesale in the Northeast with an emphasis in the Metro New York region, as well as in a retail store in Geneva, New York.

The U.S. fruit and vegetable industry in this country operates on a free market system. And I strongly believe we are better for this. Generating a profit in this industry, however, has never been more challenging due to many factors for which I'm sure you're very much aware. It is my hope that this committee recognizes the unique challenges specialty crop producers face in remaining viable in the new global marketplace, and that this knowledge and understanding translates into effective foreign policy that will guide us to 2012 and beyond.

I believe Federal farm policy will greatly benefit apple producers and the fruit and vegetable sector if the following priorities are taken into consideration during its formulation for the coming months and year.

One: Fruit and vegetable consumption must be expanded in this country, with an emphasis on battling the obesity epidemic and improving overall individual health. And two: Investment in specialty crop research must be increased in order to provide the resources needed to survive in a rapidly evolving global marketplace.

In the orchard we like to pick the low-hanging fruit first. And if I may be so forward, I'd suggest this first priority is dangling in your faces. I believe it is imperative we seek to positively influence consumer eating habits by encouraging them to meet 2005 dietary guidelines, and we must do this at early enough age that these positive consumption patterns can increase their lifelong health. To achieve this the 2007 farm bill should include a Fruit and Vegetable Nutrition Promotion Program.

Other important programs that greatly assist fruit and vegetable growers expand consumption and includes healthy eating are the mentioned Block Grant Programs administered by State departments of agriculture, as well as the School Fruit and Vegetable Snack Program, DOD Fresh Program, and food stamps.

Let's return to the low-hanging fruit analogy for my second priority. The people helping to make the fruit lower and easier to pick are the research community, and they need resources now more than ever. I cannot think of one operation on our farm that has not in some way been developed or improved by the research community, and much of their work positively impacts virtually every painstaking step we take to get the fruit from the tree to the table.

Federal farm policy should emphasize the need for significant investment in specialty crop research in order to assist fruit and vegetable producers remain competitive in what has been a rapidly

evolving and highly competitive global marketplace. Of particular interest to us as apple growers are these research programs, and ones that improve rootstocks and varietal selection, production efficiency, fruit quality, and other challenges to the future competitiveness of this industry.

Unfortunately, our time here discussing the future of specialty crop agriculture may be for naught. While I recognize the topic of immigration does not fall under the jurisdiction of this committee, I do feel compelled to comment on immigration on specialty crop agriculture. If in the process of securing our borders, which our industry favors, we do not develop a workable guest worker program for agriculture, the time here will be spent for naught because our industry may cease to be viable. This, as I see it, is the greatest threat to my family's farm.

Furthermore, I believe this country is completely unaware of the repercussions for our national security of moving our fruit, vegetable, and other intensive-labor agricultural industries to foreign countries, which is exactly what may happen if a comprehensive solution is not implemented.

In conclusion, the 2002 farm bill was a refreshing start in the right direction for specialty crop producers. It is my hope that the unified voice that you've heard here today, and I think you've heard across the country from this sector, would have an even greater impact in 2007.

Thanks again for the opportunity to share these thoughts. I hope your itineraries do allow some time to explore the bounty and beauty of this productive area. If not, a quick stop next door to our newly-opened wine and culinary center is a great way to get a flavor of what this great State has to offer.

The CHAIRMAN. Thank you, Mr. Nicholson. That indeed was our first impression last night when we were welcomed over there.

Ms. Marshall, pleased to have your testimony.

**STATEMENT OF MAUREEN TORREY MARSHALL, FRESH
MARKET VEGETABLE AND DAIRY PRODUCER, ELBA, NY**

Ms. MARSHALL. Good morning, Mr. Chairman and members of the committee. I am Maureen Torrey Marshall, and I work at Torrey Farms with my two brothers. Torrey Farms is eleventh generation in this country, family farm operation that specializes in fresh market vegetables, which we ship 12 months out of the year, even here in New York.

We also grow processing vegetables, grains, and in the mid 1990's decided to get into the dairy business and currently have two dairy farms. We're located in Niagara, Genesee, Orleans, and Yates Counties in New York. And with my husband I own a trucking company that specializes in fresh produce and frozen fruits and vegetable hauling. As you can see, I wear many different hats every day.

As the current chairman of the United Fresh Fruit and Vegetable Association, I appreciate the opportunity to testify before the committee regarding the future direction of the 2007 farm bill and the role Congress and the administration will play in shaping policy for fruit and vegetable growers across the United States.

However, today I take off my United hat and talk about the State of the produce industry as I see it from a New York farmer that is proud of her east coast agricultural roots.

At Torrey Farms we believe Government policy should provide incentives for private investment, tools to increase profitability, and help to those producers who are committed to constant improvement to better serve consumer needs. We do not want policies that sustain yesterday's business, we want investment in the future.

Ultimately the goal of any fruit and vegetable farm policy should be to enhance the tools necessary to drive demand, utilization and consumption of our products and not distort the production of those products with respect to domestic and international markets.

Four years ago during testimony before the House Agriculture Committee regarding the reauthorization of the 2002 farm bill, the produce industry presented broad-based recommendations of the produce industry. We believe that the Farm Security and Rural Investment Act of 2002 took a right step in the right direction for the produce industry; however, we believe that there are additional areas where the Federal Government can assist in maintaining the competitiveness of the produce business.

As a fruit and vegetable crop production across the country varies in different States and regions, so do the individual elements that impact production, from weather to land values to local regulation and local pests and disease pressures. We also face additional costs to maintain a viable production, whether it's investing in the trees for several years that are not mature enough to produce a crop, or costs to maintain multiple crops on the same acreage in a given year. Therefore, I'd like to highlight today some of the policy areas that we believe Congress should incorporate into the 2007 farm bill that will help the fruit and vegetable industry and enhance the foundation of policy tools available to this important segment of U.S. agriculture.

The fruit and vegetable industry strongly supports maintaining or strengthening the current U.S. planting policy, which restricted producers from growing fruits and vegetables on acres receiving program payments. Fruit and vegetable producers are concerned that any alterations in this provision would allow commodity producers to migrate and start-up costs or migrate risk inherent to fruit and vegetable production resulting in unfair competition. If the restriction is lifted by Congress, the industry believes hundreds of millions of dollars of negative economic impact will be felt by our industry.

The fruit and vegetable industry has the good fortune to offer consumers a healthy and nutritious product that is recognized as critical to preventing cancer and other chronic diseases, reducing obesity and diabetes, and maintaining overall good health. The Dietary Guidelines for Americans call for the consumption of 5 to 13 servings of fruits and vegetables a day as a cornerstone of good health. Yet on any given day 45 percent of our school students eat no fruit at all, and less than 20 percent eat less than one serving of vegetables a day.

The School Fruit and Vegetable Snack Program is an effective and popular nutritional intervention program proven to increase

fresh fruit and vegetable consumption among children in participating schools. This program allows children to experience the great tastes of fruits and vegetables and thereby has the potential to build lifelong healthy eating habits. This program should be significantly expanded in the 2007 farm bill.

The industry also supports continued expansion of the State Block Grant Program for Specialty Crops. This program allows States to invest in programs and projects that support production-related research, commodity promotion, food safety, and other programs that enhance the competitiveness of specialty crop producers. Due to the variety of crop production among the States, the State grant nature of this program is essential to the success of the program and beneficial to all of us local producers. Fruit and vegetable crops and their research needs are unique and important.

Federal investment in agriculture research dedicated to economic viability and vitality of the United States produce industry has been extremely limited. Therefore, Federal investment in research and development for fruit and vegetable crop production, such as plant breeding, pest management, and marketing, which influence public access to these vital commodities, must be re-emphasized in the next farm bill. Increased funding for nutrition provides significant return on investment to better health among the U.S. population and at the same time enables the specialty crop producers to secure competitive positions in the global marketplace.

For the produce industry there continues to be mounting pressure of decreased availability of crop protection tools that can be used to provide an abundant and safe food supply the consumer demands. In turn, environmental regulations continue to put pressure on the industry's ability to be competitive in a world economy. Because of these factors, the industry supports expanding cost share incentive programs such as the Environmental Quality Incentives Program and the Conservation Security Program that encourages producers to invest in natural resource protection measures they might not be able to afford without such assistance.

There's also a need for targeted technical assistance to help fruit and vegetable producers' access conservation programs, providing both education on the available programs and technical assistance in preparing documentation and farm assessments that are necessary to apply for the conservation programs.

With the United States' 2006 trade balance forecasted to be at its lowest point in 20 years, serious attention must be made to our current trade policies which help expand market access. Without improvement in international trade policies that advance to open and fair trade practices with global market, the U.S. surplus in agricultural trade which has declined over 90 percent since 1996 will continue to fall.

U.S. fruit and vegetable growers face significant obstacles in the development of export markets for their commodities and unique challenges due to the perishable nature of our products.

The produce industry relies on agricultural labor in all areas of production across the United States. Immigrants have historically provided much of that labor. In time those immigrants and their children move up the economic ladder, following the American dream and being replaced by new immigrants behind them.

For this reason we strongly support programs that are designed to facilitate the lawful entry of farm workers into the United States. As Congress continues to debate immigration reform, the produce industry urges Congress to support comprehensive immigration reform which includes a strong temporary worker program that will match a willing foreign employee with a willing work employer when no U.S. workers are available.

As a member of the produce industry, I know that many of the labor-intensive crops of planting, harvesting, packaging fruits and vegetables, and also the milking of our cows and the care of our young stock are done by a temporary workforce. More than any other sector of the economy, seasonal and physically demanding farm jobs do not attract enough native foreign workers to get the job done.

In addition, as——

The CHAIRMAN. Ms. Marshall, you need to wrap it up.

Ms. MARSHALL. I'll wrap it up. I'm sorry.

I strongly support homeland security, which includes increased border enforcement and security. But however, an enforcement-only approach offers only an incomplete solution.

In conclusion, many of the pressures that fruit and vegetable producers face are similar to those of producers of other commodities; increased regulation, high energy costs, transportation costs, and input costs. But the perishability of our crops result in different marketing strategies, market requirements, and the need to move our products to market quickly.

We hope that these unique characteristics can be addressed through agriculture policies that drive domestic consumption, expand foreign market access while investing, and research food safety, conservation, pest exclusion policies that benefit members of the produce industries.

All too often fruits and vegetables are ignored when it comes to development and implementation of U.S. farm crop policies. Like producers of program crops, fruit and vegetable growers face significant challenges in the production and marketing of their commodities that must be addressed if we are going to stay competitive in an increasing global marketplace.

We ask that the committee continue to work with the produce industry to ensure that fruits and vegetables are appropriately addressed as you move forward in the development of the 2007 farm bill.

The CHAIRMAN. Thank you.

Ms. MARSHALL. That was very short for me.

The CHAIRMAN. Thank you, Ms. Marshall.

Mr. Nolan.

STATEMENT OF BOB NOLAN, VEGETABLE PRODUCER, EAST PATCHOGUE, NY

Mr. NOLAN. Thank you, Mr. Chairman. My name is Robert Nolan, and I'm a fourth generation vegetable farmer from Long Island, New York. My 30-acre farm is located in the hamlet of Brookhaven in Suffolk County. My great grandfather started our farming business in the early 1900's in Middle Village, Queens.

As land was brought for housing because of the increasing population, we moved east on Long Island three more times, and we finally ended up in the hamlet of Brookhaven. We've been on this current farm for 53 years.

I took over farming operations from my uncle in 2001. I grow many different varieties of lettuce, spinach, and cabbage. Much of this is shipped to the Hunts Point Market in New York City. I also have a road stand where we direct market our products. I have about 15 employees at the height of the season. My wife, son, and daughter are all involved in the farm operation. So it's a family affair, and I'm fairly confident we will be a fifth generation.

I'd like to tell you about the story of farming on Long Island. And basically we are farming in the suburbs. We have housing developments surrounding many farms. Complaints from neighbors about noise, dust, and odors are all too common. Our cost of production is very high. Land taxes, energy, labor, and transportation costs are just a few of our problems. We also need a strong legal workforce to help us in our industry. We need a high return on our products to stay in business. It's a matter of economics. If we can't recoup our costs of production and make a little profit, we can no longer continue to farm.

We were in a highly competitive business and we welcome the competition; however, some of our current trade agreements are a problem. Free trade is not necessarily fair trade. With Canadian farmers being subsidized by their government, they can ship their products down into the Hunts Point Market in high volumes which depress the price. Often, as a result, our products get sold for cost or less. And this has driven many small family farmers out of business because they can't compete against the bigger companies with the higher volumes. This has been a huge problem that needs to be fixed. I think there should be some congressional oversight of these trade agreements to see what impact they have had on farm economy.

I'd like to talk about some of the conservation programs now. The Conservation Security Program is a great idea and every farmer should have an opportunity to participate. However, on Long Island many farms do not qualify for that program because of our soil index rating. Our intensive type farming, plowing and disking, prohibit us from participating. I think this rating should be changed to allow the farmers on Long Island to participate.

I would also like to see more funding in the next farm bill to go towards the EQIP. Many of us here on Long Island have participated in the program and have found it to be very helpful. I personally have constructed buffer zones along a river and have used other practices to reduce erosion. And there are many more farmers on Long Island who would love to participate and enjoy the benefits of the program but can't because there is not enough funding available, they are unable to participate.

The Farm and Ranch Lands Protection Program is another program that Long Island farmers would love to participate in. Suffolk County had the first Purchase of Development Rights Program in the country that was started in the 1970's. As a result we have preserved 15,000 of the remaining 34,000 acres of farmland on Long Island, and we continue to participate in State, county, and town

farmland preservation programs. However, the restrictions in easements on the Federal level make it almost impossible for any farmer on Long Island to participate. We need to be able to diversify our farming operations as we see fit in the ever-changing agricultural picture. Many of us don't want to be restricted in what we need to do to make farming work here on Long Island. I think the supplying of grants to State governments for the purchase of development rights would be a more efficient means of utilizing this program.

We also need a better Crop Insurance Program. Many of the crops that are grown here on Long Island, such as potatoes, vegetables, and fruit, are not eligible for crop insurance programs. And those of us that qualified can't afford the high premiums. We are not interested in subsidy programs and Government handouts here on Long Island. A good Crop Insurance Program would eliminate the need for disaster programs and low-interest loans.

Another area that should be adequately funded in the next farm bill is agricultural research. With the pesticide Aldicarb being discovered in the groundwater in the early 1980's here on Long Island, we have seen the need to search for safer crop protectants in order to protect our drinking water. Continued research at Cornell University and research labs around the State is a vital part of our agricultural industry. We have been good stewards of the land and we will continue in our efforts to strive for the most efficient means to produce crops.

With over 30 percent of our food being imported from other countries, it is my concern that this may become a security issue someday. That is why I think it is important to keep agriculture in this country strong, so we can be self-sufficient. Having said that, with eight States receiving over 90 percent of the farm bill money, I think it is imperative that the share the northeastern States receive be increased. I think that it is only fair and will help equalize the agricultural industry in this country.

I thank you for the opportunity to participate in this hearing. On behalf of all of the farmers on Long Island, we thank you for your time and concern on these very important issues. It is my hope that the next farm bill will strengthen agriculture so it can remain viable in this country. Thank you.

The CHAIRMAN. Thank you, Mr. Nolan. I'm sure the applause is for the content and the keeping in the time limit.

Mr. NOLAN. More the time limit.

The CHAIRMAN. Mr. McCormick.

STATEMENT OF TOM McCORMICK, POTATO AND DAIRY PRODUCER, BLISS, NY

Mr. McCORMICK. Good morning. My name is Tom McCormick. We have a second generation cash and dairy farm. We farm 6,000 acres in Wyoming County. We have a 600-cow dairy. But our primary crop is potatoes. We grow 1,800 acres of potatoes primarily for the chip industry.

I would like to reiterate what the panel has said. I think research is at the center of everything for us, along with other issues. However, the specialty crop industry would not be well served by direct payments to growers. There is oversupply, and we have a lot

of guys that do a good job with that, and so specialty crop direct payments to growers is not the way to go, we believe. Rather, the emphasis should be put on building long-term competitiveness and sustainability.

I was asked to talk about the potato business. The potato market we grow for is the chip industry. Frito-Lay is a dominant player in that industry. I hear about the obesity issue and sometimes I laugh about it, but that's how we make our business, so.

Potatoes have three key markets. Primarily it's between the french fry industry and the fresh crop. And New York State is about the 10th largest producer. Suffolk County even now is still the largest county that produces potatoes; Steuben County is the second; Monroe County is the third.

Chips represent about 12 percent of the industry. Where we fall into that, there's about 100 chip plants in the United States. Very consolidated market. The contracts are governed primarily by PACA laws. It's a free market. They're primarily grown under contract. Other chip companies, Wise Foods, Lance, Jean's Potato Chips are smaller regional compared to Frito-Lay.

One of the more difficult things that have come into play here in the last 5 to 10 years is the strict receiving specifications. And this is how it works: It's the increasing demand for high quality or considered high quality of finished product. And the industry for processed vegetables, especially potatoes, has shifted the lion's share of the quality risk to the grower.

This portion of the contract has evolved to a point where growers now must plan to absorb rejected loads with little or no recourse to the buyer. This is especially true during oversupplied markets. The buyers have the ability in those situations to cherry pick the best loads without any risk of running out of supply.

As responsible growers we invest heavily in specialized equipment, certified seed, employ professional crop consultants, work closely with Cornell Cooperative Extension to build fertilization and rotation plans. And we work closely with the extension. And best irrigation. And with all that said, any farmer will tell you that the weather will determine pretty much what you get.

Financial responsibility for hitting rising quality standards for finished product must be brought back into balance between the grower and the processor. But a disturbing trend over the past 5 years has developed where buyers are not only rejecting—or taking objective loads, but are not only rejecting loads, but are now deducting weight from loads when buyers feel loads do not meet minimum defect standards.

Deductions are done with no prior notice to the grower until after the fact. It then leaves the grower with very few options. You can stop shipping this contract and lose the chance to sell the crop altogether and ruin the relationship with the buyer. This would undoubtedly lead to financial duress. In addition, it would end his relationship with the buyer. What happens is the growers just accept the deduction and rejection and hope for a better situation to improve.

We as growers take on the financial impact. Quality testing is at best a subjective process in the specialty crop industry, particularly in the potato industry. Without question this has forced many

growers out of the business. In fact, the State of Wisconsin is in the middle of a lawsuit trying to settle that right now. And this problem will not go away.

What we'd like to see is some kind of shared responsibility of the quality requirements that the chip companies or the processing companies have come up with. This happens with snap beans, peas, and corn. We grow those crops as well. The primary recipient of the defect of production goes to the grower. And we are at the will of the environment and the elements.

But we're not asking for a free ride here. We just want some protection so if we go back to a buyer at some point we don't feel we can risk our whole contract or our relationship with that buyer, we just want them to play fair as well.

Oh, and the last thing, if we could somehow get a production contract that could be settled before we go to the field. I don't know how many times we've been plowing and planting fields, we don't even have a contract. This is just really a tactic used, and a lot of cooperatives will grow. Because it is a make it or take it deal, wait longer, wait longer, wait longer until you've got to go, you've got to go to the field. And it's a make it or take it deal. You either go to the field, take their price at the end, or not. And that just seems to put the grower at a very big disadvantage.

Shift to production. Date of production essentially begins and ends with variety selection. Unlike hundreds of commercial corn varieties, we've got more corn varieties, can't even keep track of them all. We have more corn salesmen than we have potatoes varieties. So it begins and ends with variety. Very specialty crops. Some varieties won't work for the table and some don't work for French fries. So a lot of the varieties we heavily depend on Cornell University.

In the chip industry Frito-Lay is the dominant provider of proprietary varieties. If you don't grow for Frito-Lay, you don't have access to their varieties. And there 50 percent of all varieties belong to Frito-Lay. That's OK, we grow for Frito-Lay, they're a big company, we enjoy our relationship with them. But it's another viable market that depends almost exclusively on universities to develop these varieties.

It's very important that we have clean foundation seed. It's very important that we have clean, well-maintained foundation seed. There's about 10 universities that have the variety program, and only three that have a tissue culture program. Something we actually have in the State of New York here at Cornell University.

Here is a situation that's happening at Cornell right now; it has a very unique and historic position with the potato variety development. It has the distinction of having both a potato plant-breeding program on its main campus in Ithaca, as well as a tissue culture program called Uihlein Farm.

What we're trying to do is to fund those variety programs in research. And at this point the funding has been to a point—the number of growers have reduced, so therefore the sales of those seed support supplies have gone down. And we would just like to be sure to reiterate what the other people on the panel said, is to finance the research.

The CHAIRMAN. Thank you, Mr. McCormick. Your point on that is very well taken.

I'd like to start my questions with you about another subject that you have touched on but only briefly.

Many of our fruit and vegetable witnesses in the previous seven field hearings that we've held across the country had mentioned disease exclusion as a very important issue, especially in light of the global marketplace. And I wonder if you could take a moment to expand on that topic and tell us what suggestions you might have for solutions to effectively dealing with this ongoing problem.

Mr. MCCORMICK. Of pest and disease in agriculture.

The CHAIRMAN. Right.

Mr. MCCORMICK. Well, we depend so much on development in the research from the universities. Are you talking about control in the United States.

The CHAIRMAN. And controlling new invasive species.

Mr. MCCORMICK. Boy, I don't know if I'm qualified to answer that. What I would say is that if the Canadians can use the product, why can't we? And if the Mexicans can use the product, why can't we? What is the limiting factor there? Because then it puts us on an even—we have a pest problem that the Canadians don't have because of their access to chemicals that we aren't able to use here.

The CHAIRMAN. What about applications of various things that control pests and diseases on your land; what issues do you see there?

Mr. MCCORMICK. Well, I mean, we use ground sprayers, if that's what direction you're going. Access to those things or—

The CHAIRMAN. Yes. I mean, do you face some difficulty in being able to control these pests and diseases?

Mr. MCCORMICK. Quite frankly, it's one of the most expensive parts of our business. We have two ground application sprayers. We spray over 3,000 acres a week. We have to spray potatoes every week for bug problems. We have good chemicals we use, we have good support within the university system to indicate high-risk times, to change our fungicide applications. So we're very satisfied with that area.

The CHAIRMAN. Thank you. Mr. Bedient, in your testimony you mentioned that your farm was taking part in a sustainable viticulture project. And I wondered if you could explain what that means and succinctly what you're doing on your farm.

Mr. BEDIENT. The program that we're developing here in New York is kind of based on some models in California. Because grapes are grown differently because we're a cold climate area and they're a warmer climate area, we've had to make a lot of modifications.

What we're doing in New York is we set up a workbook with several of the practices for growing grapes, and we rate them on a scale of one to five. One being I believe the most environmentally sensitive and protective of the environment; five being doing the most damage to the environment. And just ranging several of the processes that we do so that growers can take a look at their own operation and maybe make some change in their operation so that they can still end up with the same end result but doing it in a

much more environmentally sensitive way. And it's mostly a grower awareness type thing.

But we're trying to make the program so that maybe you won't have to—maybe there will be a scoring level where, OK, if you reach this certain level you'll be able to stamp on your product that it's a sustainably grown product. I mean, I think grapes in the Northeast we pretty much know that we can't get away without spraying. We can't grow organic grapes in the Northeast very, very successfully just because of nature and what we're fighting against. But we can use the sustainability aspect of it to hopefully do a better job environmentally.

The CHAIRMAN. Thank you, Mr. Bedient.

Mr. Nolan, in your testimony you discussed the need for EQIP, which is an important program to virtually all parts of the country. And I wonder if you would take a moment to describe how you utilize this program on your small farm, or any other conservation programs that you have to improve your operation. And do you have any changes that you would suggest.

Mr. NOLAN. Yes, my farm has tends to have some slopes in it and everything else, and I also have a river on the bottom part of the farm, so everything tends to run towards the river. And I believe it was through the State EQIP, not a Federal, but through the State we were able to construct some grass waterways that diverted the water from the river and slowed it down and helped prevent erosion on the farm.

Also, I had another spot in the one corner of the farm where the water would always tend to run. And what we did was we dug a hole so the water would kind of go into a sump, and then it would leach down through the sand.

And those two aspects of that really helped the farm, continue to be profitable, help it from washing away, basically.

I just feel increased funding for this program would . I think more farmers would want to participate, but I think only so many people are participating because of lack of funding.

The CHAIRMAN. Very good. The gentleman from Pennsylvania is recognized.

Mr. HOLDEN. Thank you, Mr. Chairman. Just following up on the chairman's question, and you all mentioned the need for more money in EQIP. We realize that. But the problem is that in the last farm bill we had a \$17 billion investment in the Conservation Program, and I believe \$13 billion in the EQIP.

None of us know what the final dollar amount is going to be in the next farm bill, but I think all of us realize it's probably not going to be more robust than the last farm bill. So saying that, and again following up on the chairman's question, if there's not going to be more money on the table, is there anything else we can do, any changes we can make to try to have more people participate, particularly in specialty crops?

Ms. MARSHALL. I think increase the education of it and help us both understand the programs a little bit better and to make documentation that we should be able to pick up and expand on it.

Mr. HOLDEN. Anybody else.

Mr. NOLAN. I was going to say like I said in my testimony, I think reducing restrictions on some portions of conservation programs to allow more farmers to participate might be helpful.

Mr. HOLDEN. Mr. Nolan, tell me again why the Federal Farmland Preservation Program is not working in Long Island; what restrictions are there? Or anybody. Start with Mr. Nolan.

Mr. NOLAN. I believe under the Federal program you're not allowed to construct a greenhouse, put any structures on it. And in the future I think some people want to have the ability to do that. And that right now is a limiting factor to my understanding.

Mr. HOLDEN. Anybody else want to add anything?

Ms. MARSHALL. It also depends on your soil type. If you have a highly organic soil, or upland soil, dependent on that, what type of farm you have with the specialty crops.

Mr. NOLAN. I think I would just like to add with the Farmland Preservation Program, and that is like our top priority with the land, you can imagine that with people in New York City, that there is still viable farming on Long Island, and there is, and we've had a successful program. But land values in farm country, \$100,000 an acre is nothing. And out in the Hamptons a million dollars an acre is nothing.

So land is very tight. And you want to the agriculture on Long Island, agri-tourism, there's a whole bunch of benefits to having agriculture on Long Island. So anything you can do to increase the funding for farmland preservation we would appreciate it. Thank you.

Mr. MORAN. Thank you very much. I yield myself time.

It is good, again, to get a perspective. And Mr. Nolan, I would have never guessed there was agriculture on Long Island, so nor did I realize how beautiful upstate New York, the Finger Lakes region is. So this has been a very useful trip for me.

A couple of questions on the topic that you talked about. Most of you are specialty crop producers, and it seems to me that there is this continuing desire for greater participation funding that the farm bill does and it will provide in the future.

I come from a State with nearly no specialty crops. And to be one of those recipients, my farmers aren't recipients of the bulk of the things that occurred on the farm bill. I'm of course very interesting in protecting Kansas agriculture and farmers.

But I recognize that, in fact, these hearings is an example that I've learned in the time I've been in Congress, farmers are farmers, and whether you raise wheat in Kansas or grapes in New York, there's a lot of similarities and it's often about how do we preserve a way of life; how do we feed in a safe way the American people. I would take care of our consumers, and again, that the crop we grow is somewhat irrelevant to it's kind of who we are as people. And I went to Congress with a desire of trying to preserve a way of life. And so my sentiments rest with farmers across the country regardless of what kind of crop they grow.

And also from a pragmatic or practical point of view I think it's important for those of us in agriculture to be together. That it's already in many ways in Congress the agriculture community against other Members of Congress or there's just lack of sympathy or cooperation. And so if we become even more divided, specialty

crops versus program crops, the ability for us to pass legislation beneficial to all of agriculture or to any of agriculture I think disappears rather rapidly.

So I have indicated, and we've worked with colleagues in the past over the last several years when we've passed legislation that is beneficial to specialty crop producers, we've set the stage I think for the desire that you have in additional support for marketing and research and distinction and the things that you're talking about. So I'm going to look forward to working with you and other specialty crop producers and farm organizations to see that we find that right balance.

And Mr. Holden indicated that he's probably being very realistic that there likely will not be more money in the next farm bill than in the current farm bill, but I'm one who says we ought not take that as a given, at least at this point. We ought not lose the fight before we begin the fight. And rather than having the battle between specialty crop producers and program crop farmers, why not be all together initially trying to increase the amount of resources available for all of agriculture.

I don't know the outcome of the November election, but my guess is the margins of who controls Congress, Republicans or Democrats, will be narrowed. Whoever is in control, that control will be very marginal. And those of us who care about agriculture ought to be working to see we get a better deal in the budget process and not simply accept the kind of given, conventional wisdom that there can't be additional resources for agriculture.

So I would ask you as New Yorkers to work with us. You have 29 members of congressional delegation. I don't have a number of in front of me, unless it came in just a moment ago—nope—as to how many of them voted for the last farm bill. But my guess is that number's not very high. I asked my staff to tell me how many out of the 29 Members of Congress voted for the 2002 farm bill from New York. And my guess is that's not a very high number. We need to work with Mr. Kuhl and others to see that New Yorkers understand the importance of agriculture and production on Long Island and the Finger Lakes region. These things we've got to work together.

So I would encourage all to try to bring your congressional delegation to the table when it comes to trying to determine how much resources we have for the next farm bill. That then determines a lot about what the next farm bill is going to be like.

And finally, I chair the subcommittee not only on farm programs, but also the subcommittee that is responsible for crop insurance. And almost without exception all of you have crop insurance. And again, my first hearing when I first became chairman I said let's bring in the specialty crop crowd and ask them what they want done in crop insurance. I discovered there is no clear answer. Each segment of your industry has a different thought.

The United Fresh Fruit has testified in a broad way. But western growers, one of the members talked about the desire for no involvement in crop insurance. We have the grape growers and apple growers, and everybody has their own kind of segment of this industry.

So if you can help me with the concept of what needs to be done, my only question is when we talk about crop insurance in your arena, are we talking about disease or pests or weather or is it all of that? We're trying to insure against the risk of all three of those things or is it something that dominates the risk that you have in your segment of the industry?

Mr. MARTINI. I would say primarily weather. I mean, a good grower can deal with the pests and take care of those, but it's primarily weather. And in New York over the past three winters we've had a significant reduction in the grape crop because of cold winter temperatures and late spring frosts. So that's the primary issue.

With respect to how the Crop Insurance Program looks at New York grapes, it's a little, as I said in my testimony, muddled because they co-mingled varieties that don't really represent the true risk/non-risk. Some varieties have less risk; they're a little more winter hardy than others. And they lump those together with maybe more cold-tender varieties. And so when the grower gets to the end, he's paid his money, they say well, you got a big crop, no money. Because they've got Cayuga whites and chardonnays in the same box.

Mr. MORAN. Mr. Martini, you remind me why I never tell Kansas farmers that I have anything to do with crop insurance because each one of them has their example of where it didn't work.

Mr. MARTINI. I'm sorry. We are farmers, right.

Mr. MORAN. Yes, there are a lot of commonalities. Mr. Nolan.

Mr. NOLAN. I would just like to add that last year—it is basically weather related. On Long Island we had 18 inches of rain in 8 days. I basically lost \$50,000 in income and I had no crop insurance. On a sandy soil, all the fertilizer washes out, but just the pounding of the rain beat the lettuce and spinach; it was unsellable, just took disks and went right through it. No crop insurance.

A friend of mine had crop insurance. He figures he lost \$40,000. By the time he got done, he had a program, I think it's called FNAP, F-N-A-P. He got \$3,900, out of what he thought was a \$40,000 loss. Paid for it. Paperwork tends to be too much in some of these insurance programs. I think if we can simplify the paperwork, streamline it a little bit more, including all the specialty crops, I think that would be very helpful.

Mr. MORAN. Ms. Marshall.

Ms. MARSHALL. I would just like to echo what Mr. Nolan said. We've never been participants in the Crop Insurance Program on our farm. First of all, with the disaster programs we have we are excluded because of our gross revenue.

A couple years ago we started with it with our processing crops and with our fresh market crops we went and did it 2 years ago. And like Mr. Nolan's neighbor, end result we ended up with it wasn't even worth what we paid in the premium what our return was for it.

So it's a very, very small part of our total farm program. We take the risk ourselves and we deal with the weather because it's just too cumbersome to use and the returns aren't great enough.

Mr. MORAN. It makes me think our hearing is going to have to be one crop at a time.

I thank the panel for their responses. And my trusty staff, Mr. Wegmeyer, has responded that the vote on the last farm bill in 2002 from the New York delegation was 22 to 6. I appreciate the panel, and I now recognize the gentleman from North Carolina.

Mr. MARTINI. Was that for or against.

Mr. MORAN. I don't know. We'll get that.

Mr. MARTINI. A lot of the New York City delegation loves farmers.

Mr. MORAN. I'll have the more complete answer in a few moments. The gentleman from North Carolina, Mr. Hayes, is recognized.

Mr. HAYES. It's a typical Washington response; hard to get, unclear. Anyway. Just a quick comment.

Research and development, particularly in the fruit and vegetable industry, has to be crucial. I see more and more of it happening. I know there's a lot of conglomeration, I hope there is, between North Carolina State, in our fair State, and here.

The President mentioned and continues to do so, the whole nutrition issue that many of you all have brought up. At NC State in conjunction with Dole Foods there's a huge biotech campus planned in Kannapolis, North Carolina. It's underway. And the big focus of that is tastier, more nutritious, more attractive fruits and vegetables.

For example, trying to come up with ways that you can put apple slices in a small child's lunch and have them not turn brown, and all kinds of things going on in the Agriculture Department through the nutritional research center, various regions also working on. So I think that's very, very worthwhile.

Any questions that you all would like to ask us that you have? I'm not going to ask you all questions. Anything that you haven't brought up that you wish you had? Can't go to the audience, I'm sorry, I was asking the panel. Anybody? Well, I yield my time, Mr. Chairman.

Mr. MORAN. Thank you very much. I recognize the gentlemen from Iowa, Mr. King.

Mr. KING. Thank you, Mr. Moran. And yes, I am the representative from Iowa, not New York. But I want to say first of all to Mr. Nolan. Mr. Nolan, you destroyed one of my basic tenets of agriculture here this morning with your testimony. I have said for years that the solution to our problems in agriculture are more dollars per acre. Now, you figure out how to do that, but that's the solution, until I find out \$100,000 an acre or a million dollars an acre, I'm not sure you can hold that this far Northeast in America. So that's something that really is a stopper to me. And I appreciate that perspective and the struggles that you go through in that area.

I pose this question, and specialty crops I know, but this is just a philosophical question. Is there such a thing as an essential crop? Does anyone on the panel want to tackle that?

Mr. MARTINI. I've got to ask you a question. Essential to what; our diet, our well-being, or our economy?

Mr. KING. How about our Nation.

Mr. MARTINI. Our Nation? OK, so the well-being—I get back to the same thing. Is it for our nutritional aspects.

Mr. KING. I think take any component that you like. If it's essential to our nutrition, is there is a single crop that we must have because of our nutrition? Go ahead with that if you've got an answer to that.

Mr. MARTINI. Well, I'd love to answer wine first, but that's not really the answer.

Mr. KING. God's first miracle.

Mr. MARTINI. And we've been doing it for many centuries; thousands of years.

I would probably say that if we looked at the history of agriculture it would be wheat and some protein product.

VOICE. Milk.

Mr. MARTINI. Well, that's a protein product.

Mr. KING. Mr. Martini, you're not pandering to a gentleman from Kansas, are you.

Mr. MARTINI. No. No, I'm not. I shouldn't have taken the microphone.

Mr. NICHOLSON. May I try it?

Mr. KING. Mr. Nicholson. I appreciate the answer.

Mr. NICHOLSON. That's really throwing one up in the air here. The way that you mentioned this is the most critical to the Nation, I would answer every single one. And that is simply because if we're not growing it here, another country will, and we'll have to import it.

And stating what we know, importing a lot of our products, the entanglements that come with that is the oil, for one. I don't think we ever want to venture that.

Mr. KING. But then also, if I understand you correctly, you would not support the subsidy of specialty crops.

Mr. NICHOLSON. That is correct. But that is because we, as I mentioned, are a system that has grown and prospered and operated in a free market system. We are asking for certain aspects of Federal farm policy to assist us to continue in that vein, and that is to make us as competitive as we can.

Mr. KING. You say free trade and smart trade, fair trade, those combinations. And I want to also, if I can, characterize your answer. When you say every single one, that also allows Mr. Martini's response as well; you don't disagree with that.

Mr. NICHOLSON. No.

Mr. KING. If I could, just to switch gears a little bit. I do want to say, Ms. Marshall, I come from an area where in my State senate district in 1999 there were 50 towns; five of them had their centennials in that year. And we're only a little over 100 years old where I am, and I've met a seventh generation farmer. I am thoroughly impressed with an 11th generation, looking for a twelfth generation. That's an extraordinary thing from my perspective, being from the Midwest. And I think they settled in earlier than Kansas even.

But I wanted to ask you, you testified at some length about opportunities, about future generations, and about the essential nature of that. And I have a lot of the same sentiments that Mr. Moran has about continuing perpetuating our agriculture.

You also spoke about immigrants moving up the economic ladder and their children do. And I would ask you what is your vision for the immigrants that are coming into agriculture today; how do you view them taking part in this economy at all? Do you see them as co-owners 50 or 100 years down road in some of these operations, to be integrated into this community, fully integrated into this community?

Ms. MARSHALL. Yes, I do. In my community, Elba, where we're based at, we were always dirt farmers, and either you were a dirt farmer or a muck farmer. And the muck farm was developed in the 1930's. And this was organic. There are immigrants that came in and settled that, and they were basically the Italians.

So our town right now is composed of the second and third generation of the immigrant farm workers who developed this farmland, and now they're the owner of the other businesses in our communities and the surrounding counties.

I see it already happening with our immigrants that are—it's not going to take 50 years for them to be owners of the farm. They love farming, like we do; they recognize the value of the land; they have good work ethic; they know that hard work will help bring success. Two generations, three generations, they're going to be my co-farmers, along with my twelfth generation.

Mr. KING. If I could say, I very much appreciate your perspective on that because I do have a concern that we have created kind of a serf atmosphere here. And if we look back on our ancestors and see that they came out of the muck or the dirt, and that particular path is healthy for us in every way you mentioned.

I'd take the issue up with you further on that, but I think it's a good place for us to stop at this point on a point of agreement. I thank you all for your testimony and hospitality here. Thanks.

Mr. MORAN. Thank the gentlemen from Iowa for his discretion, and I yield to the gentleman from Texas, Mr. Neugebauer.

Mr. NEUGEBAUER. Thank you, Mr. Chairman. And I want to thank this panel. And in the interest of time I want to yield my time to the gentleman from New York.

Mr. MORAN. The gentleman from New York, Mr. Kuhl, is recognized.

Mr. KUHL. Thank you to the gentleman from Texas. I'll ask you basically the same question I asked the panel before. If there was one thing this committee could do to make your business more profitable from the Federal perspective, because you've covered a broad variety of different topics in your testimony, what would it be? Start with John Martini.

Mr. MARTINI. And I think we've all said it: It's research. Research and extension. It gets the information, as new materials become available, not just new seeds or new grape varieties that are being developed in various universities across the country, from Minnesota looking to cold grape varieties, to Cornell, which continues to look at varieties that survive here. To get those developments into the growers' hands as fast as possible. And so it's research.

And while I think we have a very successful program here in New York with Cornell University and the extension system, they can always use more money and keep growing. And I think that's

true of all the crops, specialty crops. Better fruits and vegetables. Better grown, less strict requirements to keep the pests out, and development.

Mr. KUHLM. Right on down the line.

Mr. BEDIENT. I would echo John's sentiments. I think research is the key thing that the Federal Government can do for specialty crop producers. I know as far as grapes and grape products one thing John always says is we've been growing grapes in New York for 100 or so years, but they've been growing them in Europe for a thousand years. And maybe in 100 years we would have a good idea of what we should be growing and what kind of wines we should be producing. But it's got to be research that keys all this and gives our greatest help.

Mr. KUHLM. Mark.

Mr. NICHOLSON. I can't answer grapes. I will echo the research. But I think that's been fleshed out quite a bit here, and that's why the other point I raised was this concept of expanding consumption. I know that is fraught with difficulty. You walk into the Agriculture Department in Washington and there's certainly varied interests at play there. Whether it's the potato chipper at the end of the table who may not benefit from the fruit and vegetable consumption being expanded, I think as a body it's a win for the producers, it's a win for consumers. And if you get into the obesity epidemic further and related health care costs of that, it's a win for the Federal Government.

So I would like to see in some manner exploring further how Federal farm policy can help increase consumption and get consumers to address health issues at an early age.

Mr. KUHLM. Maureen.

Ms. MARSHALL. I wake up every morning very optimistic, the sun and nice rain we had today. At the end of the day when I get ready to go to bed I wonder does our Government really want agriculture in this country. Are we any value to this country after all the different things I go through. In my dream world I want you to provide me with my tools and research. To recognize the impact in regulations and policy that we make on our family farms. Also to help us increase the consumption of our specialty crops and of the food that we grow here in this country. It's a challenge, and I wrestle with it every day. Do I tell the next generation to come in or do I say it's time to put the farm up for sale?

Because you're having a major, major impact. I can deal with the risk of weather, I know how to deal with that, but I don't know how to deal with the decisions that are made in Washington. Thank you.

Mr. KUHLM. Mr. Nolan.

Mr. NOLAN. Yes. I'm not just saying this because I'm from Long Island, but I would like to see higher prices in the market. That's bottom line; to be more profitable. I think anything that you can do to make the business environment so we can be profitable would be great. And we'd be all set.

Mr. KUHLM. Mr. McCormick.

Mr. MCCORMICK. My background, I actually worked for Frito-Lay for 5 years. I worked for another commodity purchasing. I worked in the Treasury Department for multi-national purchasing and was

director of purchasing. I've been on the other side of the table. I traded my Brooks Brothers suit in for Carhartts. So this is the good life. I love it here.

What would make it easier as specialty crops people, we deal direct with these buyers. These buyers, as I used to have them, would have teams of lawyers ahead of them. They knew the tactics that they could use to better the bottom line. I was one of them. I knew we had to do that. Contract law and agriculture would really go a long way to leveling the playing field. And also leveling the playing field becomes a trade from foreign countries, particularly in our case where we compete with foreign companies.

And until their currency is depreciated or appreciated so much, we would just lose in the market hand over fist. And they were an export-driven economy, and we didn't do much on our side to protect our own markets from some of the trade practices.

And research, absolutely. Starts and begins. I mean, Cornell University is just absolutely vital for us to maintain our occupation for our future.

Mr. KUHLM. Thank you. Mr. Chairman, I'd like to thank the witnesses here today. I think this panel has given us some great insights.

The CHAIRMAN. They have indeed. And I thank you for inviting us up here. And I want to thank the panel and all of the members of the audience. I know some of them have some thoughts of their own, and I want to encourage them again to take advantage of at any time to send us a message to our Web site, and we will welcome that as well.

Mr. McCormick, if you would provide me with some additional information about your thoughts about contract agriculture, I am certainly interested in hearing more about that.

And I'd like to thank all the members of the committee who have come up to upstate New York. I hope you feel like you've been rewarded by the great response we received here and by this beautiful place that we can hold this hearing. And we'll come back when the sun is shining.

I would like to thank all the witnesses who testified here today, and I appreciate their careful consideration in preparing for today's hearing. I would also like to thank Judy White and all the staff here at the Inn at the Lake for the time and effort that they put into making this hearing possible.

The information that you provided here today will be very helpful to us as we begin the review process, and we look forward to maintaining an open dialog with you and your fellow producers across the country as we consider the next farm bill.

Just another reminder: Grab a card with the feedback form with address information on it on your way out. The record will remain open for 30 days for anyone who would like to submit a written statement for our consideration, they're welcome to do so. Just see Lindsey Correa, who's our clerk—Lindsey, raise your hand right there—for more information on submitting a statement if you wish to. So you have several ways to add input to us. And also certainly don't forget we have the opportunity to have input through Congressman Kuhl and his outstanding staff as well right here. He'll

have a seat at the table when we write the next farm bill. So thank you all for coming today.

Without objection, the record of today's hearing will remain open for 30 days to receive additional material and supplement the written responses of the witnesses to any question posed by a Member of the panel. This hearing of the Committee on Agriculture is adjourned.

[Whereupon, at 12:45 p.m. the hearing was adjourned.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF MARK NICHOLSON

Good morning Chairman Goodlatte, Ranking Member Peterson, and distinguished members of the committee. Welcome to Canandaigua and New York's beautiful Finger Lakes region. Thank you for the opportunity to speak with you today regarding my family's fruit farm and Federal farm policy.

My family immigrated to this area from Long Island in 1958. At the time my grandparents owned a turkey farm there but as a result of urban sprawl eminent domain purchased their property to build an off-ramp for one of Robert Moses' parkways. For that I am somewhat grateful for I feel much more comfortable among the fruit trees in our orchards than I think I would in a birdhouse full of toms.

Red Jacket Orchards is a 500 acre fruit farm operated by my twin brother, Brian, sister, Amy, father, Joe, and myself. We primarily grow fresh market apples but over the past 10 years have diversified into specialty stone fruits such as apricots and Japanese plums, as well as berry crops. We also press apple cider and other 100 percent fruit juices in our juice mill. The majority of our fruit and value added products are marketed and sold wholesale in the Northeast, with a special emphasis in metro New York, as well as in our retail store in Geneva.

PRIORITIES

On one level the priority for our business and what we seek from Federal farm policy is simple. The top priority for any business is to generate adequate profitability to sustain operations and provide capital to grow and change to meet an ever-evolving marketplace. But, as we all know, the devil is in the details, and agriculture is fraught with details. Given the hours of enlightened testimony this committee has received I will not go into exhaustive detail as to what I feel is wrong with agriculture today. Rather, I would like to focus my comments on how best to craft Federal farm policy in a manner that positively impacts my family business's top priority, which is our bottom line.

The U.S. fruit and vegetable industry in this country operates in a free market system, and I strongly believe we are better for this. Generating a profit in this industry, however, has never been more challenging due to many factors for which I am sure you are more than aware. It is my hope this committee recognizes the unique challenges specialty crop producers face in remaining viable in the new global marketplace, and that this knowledge and understanding translates into effective farm policy that will guide us to 2012 and beyond.

Federal farm policy will greatly benefit apple producers and the fruit and vegetable sectors if the following priorities are taken into consideration during its formulation over the coming months.

1. Fruit and vegetable consumption must be expanded in this country with an emphasis on battling the obesity epidemic and improving overall individual health.

2. Investment in specialty crop research must be increased in order to provide the resources needed to survive in a rapidly evolving, global marketplace.

Expand consumption of fruits and vegetables, and improve lifelong health

We must seek to positively influence consumers eating habits by encouraging them to meet the 2005 Dietary Guidelines, and we must do it at an early enough age that these positive consumption patterns can increase their lifelong health. To achieve this, the 2007 farm bill should include a Fruit and Vegetable Nutrition Promotion Program. This is a win for U.S. fruit and vegetable producers because it has the potential to develop lifelong consumers for our products. It is a win for U.S. consumers because the long-term health benefits of proper eating are well documented. And, it is a win for the Federal Government because this may be the most cost effective way to mitigate the obesity and related health crisis that continues to drastically escalate health care costs in this country.

Another important program that enhances specialty crop competitiveness and helps expand fruit and vegetable consumption is Block Grant Programs administered by State departments of agriculture. These successful programs have a proven track record of assisting the diverse and unique needs of specialty crop industries in each State. My family's operation was fortunate to have received marketing funds through New York's "Pride of NY" program, which was funded by Federal block grants. These funds were critical to our development of a marketing program for products that often compete with imports and helped us expand markets for our apples and specialty crops in the Metro NY region. The State's administration of the program provided greater flexibility and ease of use due to its familiarity with our local industry and marketplace needs. In addition to funding specialty crop marketing, these funds have been used in other critical areas such as education and research activities.

Other Federal programs that can greatly assist fruit and vegetable growers expand consumption and influence healthy eating are the School Fruit and Vegetable Snack Program, DOD Fresh Program and Food Stamps. In the case of the first two, these again present win-win opportunities for increasing fruit and vegetable consumption while also having a positive and long lasting impact on healthy eating, and should be greatly expanded. With regard to Food Stamps we support enhancing nutrition education and buying programs that encourage increasing fruit and vegetable consumption by recipients.

Finally, as apple producers we support the Market Access Program (MAP). Although we are not directly involved in exporting apples we greatly benefit when adequate stocks of U.S. grown apples are sent abroad and this program has been very successful in leveling the international playing field.

Tools to survive in a rapidly evolving, highly competitive marketplace

I can not think of one operation on our farm that has not in some way been developed or improved by the research community, and much of their work has positively impacted virtually every painstaking step we take to bring the fruit from tree to table. We have unique insight into the value of research to our industry given our location in Geneva and proximity to Cornell University's applied research station. The resulting exposure from this proximity has positively impacted everything we do from selecting varieties to how we plant, nurture, harvest, package and sell the fruits of our labor.

Federal investment in specialty crop research over the years has unfortunately been limited and more recently in decline. Federal farm policy should re-emphasize the need for significant investment in specialty crop research and development in order to assist fruit and vegetable producers remain competitive in what has been a rapidly evolving and highly competitive global marketplace. Of particular interest to us as apple growers are research programs that improve rootstocks and varietal selection, production efficiency, fruit quality, and address other challenges to the future competitiveness of the industry. We additionally support proposals to mandate an emphasis on specialty crop research as part of the National Research Initiative (NRI) and to establish grant programs within USDA with the goal of improving the efficiency and competitiveness of specialty crop producers.

It may all be for naught.

While I recognize immigration issues do not fall under the jurisdiction of this committee I would be remiss if I did not take the time to comment on the issue of immigration reform and specialty crop agriculture. If in the process of securing our borders, which our industry favors, we do not develop a workable guest worker program for agriculture the time spent here will be for naught because our industry will cease to be viable. This, as I see it, is the greatest immediate threat to my family's farm. Furthermore, I believe this country is completely unaware of the repercussions for our national security of moving our fruit, vegetable and other intensive labor crop production to foreign countries.

The 2002 farm bill was a refreshing start in the right direction for specialty crop producers. It is my hope that the unified voice you hear from the fruit and vegetable sector will have an even greater impact in 2007.

Thank you again for the opportunity to share these thoughts with you and I hope your itineraries allows time to explore the bounty of this productive and fruitful area.

STATEMENT OF JOHN LINCOLN

Mr. Chairman, and committee members:

My name is John Lincoln. Thank you for the opportunity to provide comments to the Committee about the effects of the 2002 farm bill, and how current and future

challenges might be addressed in the 2007 farm bill as seen from the perspective of our dairy farm operation.

I speak to the Committee as owner and operator of Linholm Dairy. I am a first generation dairy farmer from the Town of East Bloomfield in Ontario County. However, my ancestors have farmed and lived in the Canandaigua Lake region since the early 1700's. I developed a strong interest in farming growing up in the rural farming community of Bloomfield. I began my farming career raising calves for 4-H projects and my interest in agriculture and farming continued through my education at Cornell University College of Agriculture and Life Sciences where I received a B.S. degree in Business Management and Dairy Science.

Linholm Dairy L.L.C. today is a 550-acre farm of corn and alfalfa on gently rolling productive soils with 170 milking cows and 150 young stock of registered Holsteins. Our son Mike and daughter Julie are partners in the business with my wife Anne and me. We are currently going involved in an expansion project as a transition into the next generation entering the business, which will increase our dairy herd to 275 milking cows, housed in a new cow-comfort barn. An EQIP grant for nutrient management is an important source of funding for this transition.

I want to make it clear to the Committee that our farms development and success has been made possible in part by a strong rural community and educational infrastructure. As we look to past successes of the farm bills, we must make sure to maintain strong land grant institutions like Cornell, and the related community agriculture supports that come from agriculture extension, and their important programs that are well known and widely utilized in rural communities.

I also want to make sure that the Committee understands that I am very optimistic about the future of our dairy farm and am equally optimistic about the future of the industry in the State. My comments regarding farm bill issues are intended to make sure that my optimism about my farms future is a reality.

There are a number of important areas that I would like to bring to your attention today. I will try to address each from the perspective of the 2002 farm bill, and how modifications or additions might be incorporated in the 2007 farm bill to make the bill more effective. Such issues include: dairy and dairy pricing programs; conservation programs; research; crop programs; and risk management programs.

First, as a dairy farmer, the most obvious issue to address is milk pricing and marketing. For background, New York is the third largest dairy State nationally, with 6,700 dairy farms, producing 12.1 billion pounds annually (2005). Herd sizes in New York, as in most of the rest of the Nation have been increasing so that in 2005, 46.5 percent of dairy farms were 200-plus cows per farm, up from only 22 percent in 1996. As farmers strive to compete, production per cow has increased from 16,300 lbs per year in 1996, to 18,639 lbs in 2005.

I will not try to go into the history of the development of the dairy pricing mechanisms, but it is important to remember that dairy cows are not like water faucets- you cannot turn off and on the spigot when you need, or do not need milk. Production takes a relatively long time to gear up to meet demand, and after production has increased, lower demand can result in overproduction and thus lower prices. Thus, the critical need to provide some stability to pricing at the farm level. The DPSP (Dairy Price Support Program) provides a general safety net to the industry, and it is important as we move forward into the next farm bill, that we do not remove this basic support.

In the Northeast where fluid market utilization is relatively high, the reality is that our dairies need a class one safety net such as is provided in MILC, or alternatively in regional compacts. The MILC program- despite its shortcomings regarding caps on production- acts as a safety net to help dairy farmers weather the extreme cyclical price fluctuations that the industry has experienced over the last decade. The MILC program is limited to 2.4 million pounds of milk produced annually per farm operation.

New York farmers have received \$186.7 million from the program. On our farm, we received about \$ 35,000 in 2003 in MILC payments. Once again, we are experiencing low milk prices, and the counter-cyclical aspect of the MILC program is working. Milk prices have fallen below the trigger price of the MILC program, so that the a May payment of \$.86/cwt will be paid to dairy farmers. This will certainly help us to maintain our business. These payments in times of extremely low milk prices helped keep the Northeast's family farmers from having to exit the dairy business, and pumped critical dollars into each states rural economies.

The MILC program has benefited our dairy industries in the past as an effective counter cyclical program that provides a safety net for farmers only when the price of class 1 milk drops to the established MILC price.

Continuation of the current MILC program into the 2007 farm bill would provide a seamless program with the administrative and management protocol already in place to conduct the MILC program when milk prices fall to trigger levels.

Conservation Programs have certainly been touted as the means of providing WTO compliant support in the future, and conservation programs are playing, and have played an important role on our farm. We have utilized EQIP (Environmental Quality Incentives Program) for nutrient management and storage facilities for manure. Given the increased pressures for agriculture to move to ever-increasing higher standards for land stewardship, programs like EQIP are essential to ensure that the regulatory burdens that are placed on even farms of my size, can be managed financially without putting the farms success in financial jeopardy. I do point out that farmers have been, and will continue to be extremely aware of environmental concerns and farmers know the need to be environmentally responsible to ensure that our land assets remain productive.

As the next farm bill is drafted, we certainly think that it is important to maintain such tools that have been necessary in providing incentives for farmers to meet compliance measures. Other conservation programs like CSP might be more extensively utilized in the future, but the programs must be more user friendly to farmers. Although we have not applied for, or been able to apply because of watershed restrictions, CSP has the reputation of not being accessible to farmers because of the paper work and restrictive application. If in fact, agriculture support programs become more "green", it is increasingly critical that the programs are accessible to all farmers throughout the state, not just those that happen to farm in high profile watersheds.

New York farmers received \$13,128,566 in EQIP (2005), and although 13 million may sound like a significant source of funding for New York's farmers, I point out that the State has 6700 dairy farms and even without factoring in the many additional farms in New York, it is easy to see that 13 million does not provide much per farm in incentives. Additional EQIP funding is needed. Of course, language in statute does not help farmers if the appropriations to back up the statute language are not available.

Research: It is impossible to talk about the progress of our farm in particular, and generally throughout agriculture, without pointing to the fact that much of the success has been due to both applied and basic research. On our farm, dairy genetics, nutrition, and an untold number of other aspects of our business have been greatly changed in the recent past by application of applied research.

At the university level, opportunities to perform both basic and applied research will help insure the availability and safety of our food supply. Applied research opportunities for on-farm applications could be enhanced by increased and continued funding for the Centers for Agriculture Innovation as found in the 2002 farm bill. In New York, we have utilized that funding to leverage State funding to establish the Farm Viability Institute (FVI), which provides grants for producers doing a variety of innovative marketing, and applied research projects.

Examples of opportunities for applied research that should be adopted to help farms like mine succeed in the future would include development of smaller, farm sized energy producing equipment utilizing either methane, or ethanol to produce the farms energy requirements, or the ability to sell energy back to the grid. Current methane digesters require (it seems) mechanical engineers maintain the structures and process. The actual potential for revenue production on these types on structures eludes most farms.

Language in the next farm bill should mandate adequate funding for agriculture research at the University level, plus adequate funding for innovative programs such as the NY FVI.

Crop production is key to the success of most Northeast, and New York dairy farms, and ours is no an exception. We grow 225 acres of corn, and 225 acres of alfalfa to feed our dairy animals. The past farm bill has provided the needed safety net for crop production.

I am sure that you are all aware of the expenses of crop production. When you add actual cash costs, and then depreciation, land costs, equipment costs, taxes and labor into crop production, it is evident that investments needed to produce the crops and forages for feeding operations are extremely high. Safety net supports are needed to provide stability in the industry. For example, last year on our farm, LDP for corn silage was \$0.40 /bu, which was an important factor in providing cash flow to the business to offset high crop inputs.

Whether you are putting grain through animals for meat or milk, or selling the grain as a cash crop, the reality is that in either case, a safety net support is of great importance to maintain agriculture infrastructure necessary to provide the

consuming public the safe adequate and inexpensive food supply. That is what is expected, or more accurately, demanded of our farmers by the U.S. consumer.

Tied into crop production and research as I already mentioned is the potential for biofuel production on NY farms. In New York, four commercial facilities are actively in the works at various stages of planning. Opportunities are exciting for NY farmers such as myself to either be able to provide fuel (corn, sugar beets, potato, soybeans, or other cellulosic materials for ethanol or biodiesel production), and/or take advantage of byproducts produced such as brewers grains, for dairy feed alternatives.

Risk Management in various forms is a tool used on our farm. We currently have a buy-up policy on alfalfa, but I want to point out, that if farmers are to increase utilization crop insurance programs, the policies must become more flexible to meet a wide variety of production and crops. I realize the difficulty in providing an actuarially sound policy while still making the policy costs to farmers realistic. Policies need to take into account more effectively, APH changes due to numerous years of low production.

One type of risk management tool that really has great potential, and would have been effective in the dairy industry over the last 3–4 years is the development and implementation of Farm and Agriculture Risk Management (FAARM) accounts. FAARM accounts would allow farmers to set aside tax-deferred income in good years and draw money back out of the FAARM account in the lower income years offering a better opportunity to balance income from year-to-year. As you know the high milk prices received over 2 years ago have been replaced by very low prices this year, and a tax-deferred account would be a valuable tool to save in years of higher income without a heavy tax burden, and utilize those funds in years of low prices.

I again want to thank Chairman Goodlatte, my Congressman Randy Kuhl, and the other Committee members present for holding this farm bill Hearing in the beautiful Finger Lakes region of New York. Agriculture and tourism are very important to the economy and environment of Upstate New York, and especially here in the Finger Lakes with its many productive farms and wineries.

I hope that my testimony has impressed upon the Committee the importance of including within the next farm bill, those programs that have been successful in the past as well as modifications and additions that will be effective in maintaining a viable and productive agriculture industry. A progressive and viable agriculture industry is necessary to produce a healthy, safe, available and reasonably priced food supply for our nation's consumers.

STATEMENT OF LEWIS GARDNER

I'm Lewis Gardner, a dairy farmer from Galeton, Pennsylvania. My wife Lois and I, along with our two sons, operate a 250-cow dairy and farm 650 acres. We have been in the dairy business for 30 years. I serve on the corporate board of directors for Dairy Farmers of America, Inc. (DFA), a national milk-marketing cooperative based in Kansas City, Mo. with dairy farmer member owners in 48 states. As a Director, I sit on DFA's Government, Member and Public Relations Committee. I also serve as a farmer representative on the National Dairy Board and the board of director of the National Milk Producers Federation.

I represent my fellow local dairymen on various State and regional organizations by serving on the boards of the Pennsylvania Dairy Stakeholders, the ACDI-VOCA and am an executive committee member of the board of the American Dairy Association Dairy Council—Mideast. I am also a director for the Pennsylvania Dairy Promotion Program. Prior to the formation of DFA, I was the past chairman of the Eastern Milk Producers cooperative and past vice- chairman of Milk Marketing Inc. cooperative.

I appreciate the opportunity to testify at this hearing today.

While organizations that I serve have not officially established positions for all of the 2007 farm bill issues, I would like to share my thoughts on some of the major themes that will define the dairy sections of the bill.

Before I speak to those issues I would like to thank Chairman Goodlatte and Ranking Member Peterson for their help to all DFA dairy farmer member owners in the passage of S. 2120—the producer handler legislation. We worked on this issue for more than three years and it would not have been passed without your support.

(1) DFA members are participating with all the other members of the National Milk Producers Federation's Dairy Producer Conclaves to develop a consensus position on farm bill issues. We will keep you and your staffs informed of our efforts and seek your counsel on issues as we discuss them.

(2) Because we do not think there will be radical shifts in policy direction as a result of the 2007 farm bill we support the view that an extension will work well for most of the nations dairy farm families.

(3) We feel the next farm bill should maintain some form of an economic safety net for dairy farmers. Safety nets prevent prices from falling so low that businesses become unviable. Because dairy products are such an excellent source of nutrition for our nation and due to the high fixed cost of becoming a dairy farmer and the fact that milk production assets have limited use in any other agriculture enterprises, past Congresses have maintained safety net provisions for the dairy industry. We hope this Congress will continue these policies.

The most important safety net provision we have is the dairy price support program. We favor continued operation of the dairy price support program at a targeted \$9.90 U.S. average manufactured milk price. We would oppose granting the Secretary of Agriculture any discretion, which would reorient its intended purpose away from supporting income to farmers just to result in minimizing government costs—and we may need Congress to instruct the Secretary of Agriculture of this fact in some official manner. Under President Bush's proposed Ag budget the Secretary of Agriculture would be allowed to adjust buying prices for products made from milk (cheese, butter, and nonfat dry milk) so as to reduce the cost to the CCC for products purchased. This could allow for a reduction in targeted support price from that \$9.90 as specified in present legislation.

Additionally, I would request that the Commodity Credit Corporation (CCC) take action and adjust the support program purchase price levels for cheese, butter and nonfat dry milk to reflect the significant additional costs manufacturers face when selling products to the CCC. The current CCC purchase prices for dairy products do not reflect any costs beyond those incurred for commercial sales. As a result, market prices for individual products have, from time to time, fallen below support levels, allowing the price of milk used to produce them to fall below the statutory support level for milk of \$9.90 per hundredweight at average test. NMPF has provided information to CCC but thus far CCC has been unwilling to take action. The result is that manufacturers will sell to buyers other than CCC at prices below the support level in order to gain a higher value than the support purchase price and the support price targets are not maintained.

Right now CCC is buying some NFD—doing what safety nets are supposed to do. The last time milk prices fell to safety net levels was in 2002 when the average class III price for the year was \$9.74 (below the safety net price of \$9.80 for milk of 3.5 percent butterfat test). The 10-year average class III price is \$12.62. Because the price support program is in place and working we hope to avoid a price crash like in 2002—but if it wasn't around and prices did fall to that level the Gardner farm would face a loss in income of \$95,000 on an average years production. That would be hard for our business to withstand. We are very interested in stable policies that help to keep reasonable prices and a safety net that maintains some level of viability for a dairy farm family.

The second safety net provision is the Milk Income Loss Compensation (MILC) program, which we support as long as there are no caps limiting access to the benefits. My farm is affected by the payment limitations, restricting my ability to fully take advantage of this program. Like the price support program I view the MILC program as a valuable safety net for producers pay prices. It puts cash in the hands of farmers at the very point it is needed most—the lowest point of the price cycle.

In general the guidelines for a safety net program should be that the program:

- not discriminate between farmers of differing sizes;
- not discriminate between farmers in different regions of the country;
- not be high enough to encourage additional milk production.

The Government's safety net policy should only operate at a point where a collapse of producer prices could force too many producers out of business and our nations milk-producing infrastructure would be damaged.

(4) A majority, but unfortunately not all of the nations dairy farmers, have funded and are operating a self-help program—Cooperatives Working Together (CWT). Dairy farmers voluntarily pay 10 cents per hundredweight on all milk produced in order to structure the size of the nations dairy-cow herd and more closely tailor milk supply to demand. Additionally, the program works to assist exports of dairy products in an attempt to market and promote domestically produced dairy products to the world.

However, the CWT program is not intended to replace Federal farm programs and can never do so because there will always be those who choose to take advantage of the programs benefits but never pay their share. Even after 2 years of successful implementation there are still over 25 percent of the country's dairy farms that

choose not to pay in. In spite of our success we still need Congress's help in providing policy support to our industry.

(5) Dairy Farmers also see policies outside of the farm bill impacting their future such as:

ENVIRONMENTAL POLICIES

We applied and received funding through the EQIP programs to offset the cost for these practices. Without the cost sharing mechanism it would have been difficult to fund all of these activities.

The implementation of conservation practices on our farm is extremely important to our operation. Increasing the funding for the Environmental Quality Incentives Program (EQIP) in the 2002 farm bill was very significant. We have developed a close working relationship with our county NRCS and FSA offices in developing conservation programs for Gardner Glen Farms. We have a nutrient management plan to help control runoff of phosphorus and nitrogen discharges and have also implemented a conservation plan for our entire operation. In addition to making use of EQIP we have also taken part in the State Chesapeake Bay Program, which complements Federal efforts to reduce erosion and improve water quality.

There is one conservation program that I have some concerns about. The Federal Conservation Reserve Enhancement Program (CREP) was designed to provide water quality protection and wildlife enhancement with landowners through ten-year contracts on eligible land. CREP is a cooperative Federal and State effort as State funds are also utilized to augment Federal dollars. My concern is based on competition for land needed as cropland in our area. In many cases landowners who are not engaged in farming will place their land in 10-year CREP contracts. In many instances dairy farmers who need additional acreage for hay and corn could crop a good portion of this land. Therefore CREP is working at cross-purposes with dairy production in our region and the program needs to be sensitive to the impact it has locally by competing for land with full time dairy operations.

I urge you to join the more than 170 House members cosponsoring H.R. 4341 as part of a bipartisan effort to clarify that animal manure is not a hazardous waste under the Superfund law or its counterpart, the Community Right-to-Know Act. Congress should clarify that it never intended to jeopardize American agriculture by imposing strict, joint, several, and retroactive CERCLA liability on farmers for their traditional farming practices, including the use of manure as a beneficial fertilizer.

My family has always taken our responsibility to protect the environment very seriously. Dairy farmers and other agricultural producers for years have been regulated and required to have permits under the Clean Water Act, Clean Air Act and numerous State laws and regulations—but never under the Superfund Law. It is essential that Congress protect farmers and businesses that depend on agriculture from this potential threat to their livelihoods.

Workable Immigration Laws

I support the AGJobs Provisions contained in the Senate version of the Immigration Reform and I ask your support for passage of legislation that contains such language.

Estate Tax issues

Ways & Means Chair Thomas (R-CA) has proposed a compromise on the estate tax issue. He proposes to set several levels of taxes on estates. Estates of \$5 million (singles)—\$10 million (couples) would be exempt from taxation indefinitely. Tax on estates of \$10 million to \$25 million would be taxed at the capital gains rate (15 percent currently & rising to 20 percent in 2011). Estates worth more than \$25 million would be taxed at twice the capital gains rate. This proposal appears to be very good for dairy farmers and I would encourage your support.

(6) Another reason we support extending the current farm bill is so that we can have a more clear view of the Doha Round of the WTO trade talks. We can see no reason to change our programs until we know what the world trade rules will be and more importantly perhaps who will play by them.

- We support multilateral trade talks that level the playing field of dairy export subsidies, tariff protections, and domestic support programs.

- We can't support a final agreement unless it represents a net increase in our ability to compete against our more heavily subsidized and protected competitors in the EU, Canada and Japan, as well as more balanced trading opportunities with key developing countries.

- We support the continuation of the dairy price support program with or without a successful Doha Round. We strongly disagree with those who claim that the price

support program must be phased out or eliminated upon completion of the Doha Round.

- We support additional legislation to make the import assessment for dairy promotion (15 cent check-off) WTO-compliant by extending it to dairy producers in Alaska, Hawaii, District of Columbia and Puerto Rico.

(7) We support the Dairy Export Incentive Program (DEIP) and the requirement that the Secretary of Agriculture be directed to see that the allowable amounts of cheese, butter and nonfat dry milk be afforded export assistance equal to what we are allowed under the current WTO agreement. Currently no government export assistance is being offered, even though, by law, the Secretary is directed to do so, and by agreement we are allowed to do so under the WTO agreement.

(8) Finally, we support continuation of the Federal Milk Marketing Order program. Marketing Orders are important to us as they undergird all of our marketing and pricing efforts all over the country. Orders assure dairy farmers a minimum price, assure that all competing milk buyers pay the same minimum price, assure that all dairy farmers share equitably in the returns of the marketplace and assure that the terms of trade are uniform throughout the Order's marketing area. These objectives remain very important ones in the dairy marketplace. Moreover, despite the claims that they are outdated and not relevant, the primary reasons for the institution of milk orders still exist: There are many more buyers than sellers and the average sized milk buyer is much larger than all but the very largest dairy farms. Milk production is still very seasonal. Milk demand has a weekly and seasonal purchase pattern that requires substantial costs to balance producer supplies with buyer demand. Individual dairymen, and even large groups of dairy farmers, continue to need the stability of Orders to deal with these marketing challenges.

We are, however, becoming very frustrated in our attempts to get the Order system to recognize the increasing cost of transporting milk to market, the very real impact that fuel costs play in the transportation equation, and the manner in which costs are presently not equitably shared among all producers in the Federal order system. The transportation cost issues have become increasingly important because of: (1) transportation cost increases, especially for diesel fuel, and (2) "flattening" of the class I price surface in the process of implementation of "Order Reform" by congressional directive in January 2000.

We seem unable to get the USDA staff to realize the dilemma we face. We have made several proposals to deal with these issues in various orders with the following not-yet-successful results to date:

- Order 32—transportation credit proposals rejected in a recommended decision; final decision is pending;
- Order 33—transportation credit proposals rejected in a recommended decision; final decision is pending;
- Order 5—Hearing held in January, no decision to date;
- Order 7—Hearing held in January, no decision to date;
- Order 1—No action has been taken upon a formal request for a hearing submitted February 3, 2006;

If USDA fails to help dairy farmers in this dilemma we may need legislation to address this issue.

Also, while we too are frustrated with the slow pace of change thru Federal Order hearings, we are hopeful that reforms underway initiated by USDA will speed up the hearing process and make it easier to get a Decision.

In closing, Chairman Goodlatte, I want to thank the House Committee on Agriculture for having this series of field hearings. We know we can't explain all of our concerns here in detail but want to make you aware of them so that when we do provide you with additional details you will better understand our concerns. I will be happy to answer any questions, or provide any additional information that you might want.

STATEMENT OF RON ROBBINS

My name is Ron Robbins, and I am dairy and crop farmer from Sackets Harbor, NY. My wife, Nancy, and I own a diversified agricultural business that includes a 4000 acre crop operation, a 500-cow dairy, a trucking, grain drying and soybean roasting service, and an agri-tourism business.

The crop operation includes 4000 tillable acres on which we grow corn, soybeans, wheat, barley, alfalfa, hay, and provides all feed and forages for the dairy. North Harbor Dairy is our 500 cow dairy operation. We currently milk just over 450 cows each day and raise 600 head of dairy replacements of various ages. Robbins Corn & Bulk Service includes trucking, a grain drying and soybean roasting facility with

storage capacity for 150,000 bu of grain, and related infrastructure. Old McDonald's Farm, was founded by Nancy in 1986, and this enterprise includes over 200 farm animals, a children's gift shop, tours of the dairy facilities, a farm market, and ice cream cafe. Open May 1st to October 31st, this business attracts thousands of visitors each year and provides an opportunity for our non-farm guests to learn about modern agriculture.

Nancy and I began our farm in 1977, with 100 acres of rented land. In 1989, we bought out the family's 70 cow- dairy, and grew the herd to 100, until 2001, when we expanded to the current 500-cow operation. Since 1977, we have transformed, and in some cases, merged, our four agricultural enterprises, to the point where we feel our business is an example of how a small family farm can grow, add value to its products, and maintain, and expand upon, its viability and profitability.

The farm that Nancy and I own is a fourth generation operation, and it is moving towards a fifth generation. Our son Brian, age 27, is the assistant crop manager. He left New York in 2000 to attend Colorado State University, and stayed in Colorado for 2 years after graduation, working for USDA Natural Resources and Conservation Service. He returned to the farm in 2004. Our daughter Julia, age 24, worked with her mother at Old McDonald's Farm since it's beginning, when Julia was just 3 years old. Julia graduated from SUNY Cortland in 2004, and went to work for USDA Rural Development. Last fall, she took a position in St. Louis at an advertising agency specializing in agricultural clients, but returned home in May. She is currently the marketing director and manager at Old McDonald's Farm. Our other son Jeffery, age 25, is a fourth grade teacher at the local school, Sackets Harbor Central.

Since its inception, our farm has been involved with Federal price support programs, including currently, the Direct and Counter cyclical Program (DCP), Marketing Loan Program, Price Support Loan Program, Loan Deficiency Payments (LDP), Farm Storage Facility Loan Program, and MILC.

In the past few years, New York has evolved from a grain deficit State to a grain surplus State. This shift has caused basis levels to erode in our cash markets over the past several years, to the point where commodity program payments provide a significant contribution to a crop producer's overall farm profitability-even in a fringe State like New York. Data for Fiscal Year 2005 reveals nearly \$33 million paid to New York farmers for DCP, and \$36 million in loan deficiency payments, along with \$28 million for commodity loan programs. These dollars are then spun back into our rural economies by farmers, in order to pay for the rising costs of crop inputs, supplies, equipment, and family living. It is also important to recognize that the current farm bill has functioned as it was designed: to pay more money to farmers in times of low prices, and to pay out less when prices are high.

Some may argue that bio-energy production and a growing global economy will take commodity prices to a new plateau, eliminating the need for price support programs. While I agree that this may be possible, I would caution this will not happen overnight, and we must be sure to closely monitor the potential transition and its impacts on farms, ranches, and rural economies.

I am an active participant in the Federal crop insurance program. I have purchased 70-100 Crop Revenue Coverage for the last ten years. In three of the last six years, severe weather greatly reduced our yields, and crop insurance kept me in business. I would strongly recommend increased subsidies for buy-up levels of Federal crop insurances in lieu of crop disaster allocations.

In closing, I served as State Director for USDA FSA for 4 years from 2001-May 2005. During that time, I saw first hand the positive impact that commodity program payments have on all crop and dairy farms as well as rural economies all across our region. Any effort to balance payments to a wider cross section of agriculture should take into account the potential negative impact of payment reductions for crop and dairy producers.

STATEMENT OF RALPH McNALL

On behalf of St. Albans Cooperative Creamery, Inc., I am pleased to submit written testimony as part of the hearing record for the Committee's Field Hearing in Canandaigua, New York. I am Ralph McNall, President of St. Albans Cooperative Creamery, Inc.

I operate a one-hundred cow dairy in Fairfax, Vermont with my two sons, David and Glenn. Our family farm in Fairfax has taken a lot of pride in producing high quality milk for the past 35 years. Throughout those 35 years the Federal Government has passed many farm bills that have assisted my efforts. I enjoy the unique

lifestyle of the American Dairymen and wanted to express a few specific issues that I feel will assist dairymen in the future.

The 2002 farm bill initiated a number of new programs affecting dairy producer income and funding for conservation programs to assist dairy farmers in controlling runoff from their milking facilities and fields.

Let me first discuss the Milk Income Loss contract program (MILC). The program was designed to provide an economic safety net for dairy producers during those periods of low milk prices. It featured a number of provisions similar to the Northeast Dairy Compact by providing counter-cyclical payments that were triggered when class I milk prices in Boston fall below \$16.94 per hundredweight. MILC provided a much needed safety net when farm milk prices were extremely low in 2002 and 2003. Vermont dairy farmers received more than \$45 million in MILC payments. It is also important to note that since the program was recently extended for 2 years until August 31, 2007 payments have been initiated again due to low milk prices.

If the Committee considers an economic safety net for dairy in the 2007 farm bill, it should take into account the needs of many of our larger multi-family farms who are not eligible for payments beyond the 2.4 million pound annual production cap that was part of the MILC program. Many dairy operations in Vermont and the rest of the Northeast have consolidated their operations due to efficiencies in the use of capitol, labor and management. The size of the cap should be increased to take this into account.

As the Committee well knows, high energy costs have been particularly harmful to dairy farmer income. Dairy farmers require significant amounts of electricity to operate their facilities as well as diesel and gasoline for their equipment. In addition, dairy farmers have to pay the cost of transporting their milk. All of these higher energy costs have added anywhere from \$1 to \$1.50 per hundredweight to milk production costs. The 2007 farm bill's Energy title needs to be significantly expanded to help develop alternative sources of energy. One important source of energy that has not been fully tapped has been the use of manure. Although methane digesters are being built on some dairy operations, this technology, along with other new and emerging technologies, needs to be developed.

Another area that needs attention in the 2007 farm bill are improvements in making the Federal Milk Marketing Orders more responsive to dairy farmer concerns. Although the Federal orders serve as an important marketing structure that helps provide dairy producers with minimum prices for their milk, the order system itself needs to be streamlined so that it can respond quickly to changes that are needed when marketing conditions are altered due to external forces in the economy. The process for obtaining administrative changes in the operation of the Federal orders is much too slow.

I would like to add a couple of additional comments on USDA's conservation programs. The 2002 farm bill added significant authorization for expanded funding to the Environmental Quality Incentives Program (EQIP). This funding combined with State of Vermont programs has helped significantly to reduce run off around barns and other dairy facilities and has allowed for the increased use of filter strips and other buffers along waterways. Funding for this important program should be continued in the 2007 farm bill and expanded as well.

I also appreciate the Committee's strong support of HR4341 that would clarify the Superfund law regarding animal manure. Common sense tells us that animal manure is not toxic waste. Getting the law clarified this year should be a high priority.

Lastly, I would like to briefly mention the Federal Price Support Program. It has served the dairy industry very well over the last 57 years by purchasing excess butter, powder and cheese off the domestic market. Since it is not clear at this time if there will be a trade agreement reached in the months ahead, the future of this program as it currently operates has some question marks. Although the Federal support price currently set at \$9.90 is very low, it does provide a floor for manufactured products in times of over-production. One concern that has surfaced over the years is USDA's often ill-timed decisions to tilt either the price of butter or powder during critical times of recovery for farm milk prices. The Department should utilize its tilt authority with the utmost restraint when farm milk prices are on the upswing.

I would again like to thank the Committee for the opportunity to submit this written testimony.

STATEMENT OF MCCORMICK FARMS

McCormick Farms, Inc. is a second generation cash and dairy farm. We operate a 6,000-plus acres farm and milk 600 cows. Our primary focus is in raising 1,800

acres of potatoes. We grow 1,000 ac. of corn and 900 ac. of forage crops to support our dairy. We grow 600 acres of snap beans and 400 acres of peas to round off our acre base.

Our focus is mainly on non-program crops. The specialty crop industry would not be well served by direct program payments to growers. Rather, the emphasis should be on building the long-term competitiveness and sustainability of the specialty crops we produce.

For the specialty crops side of our business to be successful we believe we must have good, dependable markets and crops that will yield.

POTATOES: MARKETS/MARKETING

- We grow chip potato varieties for the potato chip industry.
- This is \$6.2 billion finished product retail business
- Potato Chips are the No. 1 salty snack in the United States
- Chip potato usage makes up 12 percent of the potato trade. Table stock is 29 percent, french fries are 28 percent, dehydrated is 11 percent. The rest is seed, shrinkage and other.

There are about 100 potato chip processing plants in the United States. The dominant market leader in the industry is Frito-Lay with over 60 percent share in U.S. retail sales. Other key regional chip companies are Wise Foods, Utz, Herrs, Lance, and Jay's to name just a few. Most potatoes for the chip industry are grown under contract. They are fixed prices for a specific quantity. Strict quality receiving specifications are part of the contract.

This has become one of the most controversial aspects of the chip potato industry. In fact, the ever increasing demands to supply "quality" raw materials for any specialty crop has added cost and financial duress on good producers. The industry for processed vegetables (especially potatoes) has shifted the lion share of the quality risk to the grower. This portion of the contract has evolved to a point where growers now must plan to absorb rejected loads with little or no recourse to the buyer. This is especially true during over supplied markets. The buyers have the ability in those situations to "cherry pick" the "best" supply of loads without any risk of running out of total supply.

As responsible growers we invest heavily in expensive specialized equipment, use certified quality seed, employ professional crop consultants to construct proper fertility and rotation plans, work closely with our local extension office and invest in irrigation equipment to fight off drought situations. With this said, as any farmer will attest natural weather conditions will dictate much of the quality and yield the grower is left with.

Financial responsibility for hitting rising quality standards for finished product must be brought back into balance between the grower and processor. A disturbing trend over the past five years has developed where buyers are not only rejecting loads but now will deduct weight from a load when the buyer feels the load does not meet their "minimum defect level". The deduction is done with no prior notice to the grower until after the fact. It then leaves the grower with very few options. We can stop shipping the contract and lose the chance to move our crop at all. This undoubtedly would lead to financial duress. In addition it would end his relationship with that buyer for the future. What happens is as growers accept the deduction/rejection and hope the situation improves. We (the grower) take the entire financial impact.

Quality testing is at best a subjective process and at its worst used to simply reduce the raw material cost to the buyer. Without question this has forced many good growers to exit the potato business. In fact in the State of Wisconsin a lawsuit on this issue has made it to the courts. It was settled however the industry issue is not resolved.

Policy Recommendation/Suggestion: At bare minimum the buyer should have to report to a local USDA or State Ag and Markets office how many loads they have deducted from or flat out reject during the course of the year. This way the buyer must hold itself accountable for its action in a more public forum. It then puts the grower in a better position to question a plant receiving practices. PACA laws are in place to protect the grower. However the risk to the grower is too great to make the call.

2. Production contract should be settled prior to growers being forced to make input buying and crop rotation decision. (i.e.) Minimum 2 months prior to planting.

This is a common strategy by buyers to fail to commit to a contract until late in the early spring. This puts the grower in a terrible position. We own the land, seed and inputs and have no contract. During the past three years escalating cost to the

grower on top of the high risk we assume has made the situation worse. We as growers have had little choice but to accept a “take or leave” it deal.

Potato Production: Potato production essentially begins and ends with variety selection. Unlike the hundreds of commercially developed and sold corn varieties, potato varieties are very specific to what its intended end use will be. They are developed mainly by a limited number of land grant colleges. The University sells their “foundation” seed to certified potato seed growers who then multiply and sell their seed to commercial potato growers. Therefore if the potato does not perform for its intended use it is a loss to the grower. This makes the importance of having proven varieties a vital necessity to maintaining a successful business long term.

In the chip industry Frito-Lay is the dominant provider of proprietary varieties. About 50 percent of all chip varieties belong to Frito-Lay. If you don’t grow for Frito-Lay you are dependent on the land grant colleges to provide clean foundation seed to certified seed growers. In addition any new varieties that are to be developed are driven by the University system. There are about 10 Universities that have potato variety development programs and only three that have tissue culture capability. The problem here is they are grossly under funded.

Cornell University is one of these situations. It has had a very unique and historic position as it pertains to potato variety development. It has the distinction of having both a potato plant-breeding program at its main campus in Ithaca, NY. And is one of the three U.S. universities that have a foundation seed potato farm located near Lake Placid New York—The Uihlein Farm of Cornell University. The combination of the two programs has made it possible to have large production of in vitro pathogen-free potato seed stocks. Their work led to the rapid production of golden nematode resistant seed stock. They are at the forefront of new variety development that will deliver higher yielding better quality potato varieties to growers not just in New York but throughout the U.S. and Canada. This program is known internationally and has been hailed as the “model program for the potato seed stock production”.

As a grower we view this program as our future. Without this resource we have little means to develop varieties that will address changing consumers needs, quality traits, yield and agronomics.

The program is currently running out of money. The farms income stream comes from its seed sales to mainly New York seed growers and the USDA who funds the golden nematode program. Because the seed grower base in New York has dwindled to just a few operations, revenues from seed sales have fallen sharply. The farm has become very dependent on the government funding to keep its operation going. Consequently the potato variety development program out of Ithaca will be less effective in its efforts to developing successful clones if the Uihlein farm ceases operation. This has already had a negative effect on the Universities. The plant breeder position at the University is at risk of being cut due in part to lack of funds. This would be a devastating blow to growers throughout the industry.

Policy Recommendation/Suggestion:

We support significant new investment in research for specialty crops, through both the National Research Initiative and programs within Cooperative State Research, Education and Extension Service (CSREES) and Agriculture Research Service (ARS).

Funding through government sources is necessary in order to secure a strong future for our industry.

STATEMENT OF JEREMIAH P. COSGROVE

Chairman Goodlatte and Committee Members:

On behalf of the Northeast Office of American Farmland Trust, I submit the following comments regarding the future of Federal farm policy and how it will impact New York’s farmers and its citizens. The Northeast Office of American Farmland Trust covers New York and New England and is based in Saratoga Springs, New York. As part of American Farmland Trust, a national farmland conservation organization, we are currently working as part of AFT’s 2007 Farm Policy Campaign to provide a framework for a forward-looking and sustainable farm bill for the 21st century. My comments will focus on New York State; our president, Ralph Grossi, looks forward to a future opportunity to address the committee later this fall or in 2007 regarding AFT’s framework for a new direction for the future of farm policy based on three fundamental pillars—a sound safety net, strengthened stewardship programs and support for new markets that expand economic opportunities for agriculture—all based on a sound foundation of research, technical assistance and a stable land base.

From the New York perspective, dairy and specialty crops comprise the majority of agriculture in the State and those producers were well represented at the hearing and provided excellent testimony about the need for an effective safety net as well as greatly increased funding for block grant programs that enhance the competitiveness of New York State's agricultural industry.

However, we would like to reiterate and re-enforce several comments regarding conservation programs in particular. They include:

- Double funding for working lands programs (including EQIP and FRPP)
- Overhaul FRPP so that it works for states like New York
- Streamline, simplify and integrate working lands programs like EQIP with CSP
- Create a new guaranteed Conservation Loan Program to provide universal access for environmental infrastructure and promote investments in innovative solutions

Double funding for working lands programs—At AFT, we believe that the core of the conservation title must address working lands and the programs that help protect and conserve resources on the working land that will provide the food, fiber and fuel for future generations. Specifically, we propose that Congress double funding for existing working lands programs like EQIP and FRPP that are in high demand in New York.

Overhaul FRPP so that it works for states like New York—It is unfortunate that FRPP is increasingly difficult for established State and local programs to work with because the FRPP guidelines and policies are increasingly burdensome and conflict with previously established State program rules and procedures. States in the Northeast have invested significantly over the past 30 years in farmland protection programs and currently states like New York, New Jersey, Pennsylvania, Maryland, Massachusetts and Vermont are investing millions of dollars each year in their farmland protection programs. In fact, this year New York saw another record increase in funding to \$23 million. And at the same time, New York has also announced that it will not accept FRPP funds as a match for its program dollars. Because of these concerns, AFT joins with the Northeast Association of State Departments of Agriculture (NEASDA) with their recommendation that NRCS create a certification process for experienced and qualified State farmland protection programs and defer to their administrative and legal expertise to manage the contribution of FRPP to their efforts to protect working lands for the future in states like New York.

Streamline, simplify and integrate working lands programs like EQIP with CSP—A study commissioned by AFT in New England The Conservation Security Program: Rewards and Challenges for New England Farmers, found that certain activities eligible for incentive payments under CSP would actually receive higher payments through other NRCS programs. This creates confusion for producers and extra work for NRCS staff that must offer similar assistance through several programs, each requiring a separate application. In particular, it would streamline CSP and strengthen EQIP to eliminate the new practice component of CSP and continue to utilize EQIP (with greatly increased funding) for cost sharing for environmental improvements on farms. In addition, we strongly recommend that NRCS develop and offer a universal application for all its programs, or at least its working lands programs. The concept of "one stop shopping" would simplify and streamline the process for both the farmer and NRCS staff. This would also help to reduce paperwork for the programs and may also encourage farmers to participate in programs that they would not have initially considered participating in. And it is critical that all of these working lands programs receive significant increases in funding so that more interested farmers can participate in them.

STATEMENT OF BARBARA LAMB

Good morning, Mr. Chairman, Representative Peterson. I am Margaret Lamb, State legislative chair of the New York School Nutrition Association. I am appearing here today on behalf of the 4,000 members of the New York School Nutrition Association and the 55,000 members of the School Nutrition Association (SNA.)

As you know, our members serve 30 million students each and every school day. The National School Lunch Program was 60 years old on June 4 and continues to serve our country very well. If we are going to compete effectively in the world, we must educate our children. And to do that, we must provide nutritious school meals.

With your permission, I would like to make the SNA's 2006 Legislative Issue Paper a part of the hearing record and focus on just two points.

- USDA provides 17 cents in commodities for each school lunch served, but none for breakfast. We believe that the farm bill may be the right place to address the

issue and finally provide commodities for the breakfast program. Our suggestion is that USDA should provide an additional 10 cents for each breakfast. The commodities would help us keep down the cost of a meal and, of course, assist American agriculture.

- I would also like to bring to your attention an emerging issue growing out of the recent Child Nutrition Reauthorization. SNA strongly supported the new Wellness Policy and we are delighted by the attention it has put on the issue of obesity and implementing the HHS/USDA Dietary Guidelines. Unfortunately, however, the new section of law is leading to a patchwork quilt of different nutritional standards all over the country. The nutritional needs of a child in Virginia are the same as the nutritional needs in Minnesota or any other State. Perhaps you can clarify in the farm bill that the USDA Nutritional Requirements are a national standard so that we are all on the same page. Currently, different states seem to be interpreting the dietary guidelines in their own way. Greater clarity would be helpful.

- As a part of the nutrition issue, we do believe that USDA needs the authority to regulate the sale of all food on a school campus during the entire school day. This was a controversial issue a few years ago, but we believe the feeling is changing and would ask that you revisit the issue.

- Mr. Chairman, Representative Peterson, thank you very much for holding this hearing and for allowing us to participate.

STATEMENT OF ROGER NOLAN

Hello. My name is Robert Nolan and I'm a 4th generation vegetable farmer from Long Island, New York. My 30 acre farm is located in the hamlet of Brookhaven in Suffolk County. My great grandfather started our farming business in the early 1900's in Middle Village, Queens. As land was bought for housing because of the increasing population, we moved east on Long Island 3 more times, to Valley Stream, Bethpage and finally the hamlet of Brookhaven. We have been on this current farm for 53 years. I took over farming operations from my uncle in 2001. I grow many different varieties of lettuce, spinach and cabbage. Much of this is shipped to the Hunts Point Market in New York City. I also have a road stand where we direct market our products. I have about 15 employees at the height of the season. My wife, son and daughter are all involved in the farm operation. So it's a family affair.

I'd like to tell you the story of farming on Long Island. Basically, we are farming in the suburbs. We have housing developments surrounding many farms. Complaints from neighbors about dust, noise, and odors are all too common. Our cost of production is very high. Land taxes, energy, labor and transportation costs are just a few of our problems. We also need a strong legal workforce to help us in our industry. We need a high return on our products to stay in business. It's a matter of economics. If we can't recoup our costs of production and make a little profit, we can no longer continue to farm.

We are in a highly competitive business and we welcome the competition. However, some of our current trade agreements are a problem. Free trade is not necessarily fair trade. With Canadian farmers being subsidized by their government, they can ship their products down into the Hunts Point Market in high volumes which depress the price. Often, as a result, our products get sold for cost or less. This has driven many small family farmers out of business because they can't compete against the bigger Agricultural companies. This has been a huge problem and needs to be fixed. I think there should be some congressional oversight of these trade agreements to see what impact they have on the farm economy.

I'd like to talk about some of the conservation programs now. The Conservation Security Program is a great idea and every farmer should have an opportunity to participate. However, on Long Island, many farms do not qualify for the program because of our soil index rating. Our intensive type farming, like plowing and disking, prohibit us from participating. I think this rating should be changed to allow the farmers on Long Island to participate.

I would like to see more funding in the next farm bill to go towards the EQIP program. Many of us here on Long Island have participated in the program and have found it to be very helpful. I personally, have constructed buffer zones along a river and have used other practices to reduce erosion. There are many more farmers on Long Island who would love to participate and enjoy the benefits of the program but can't because there is not enough funding available.

The Farm and Ranch Lands Protection Program is another program that Long Island Farmers would love to participate in. Suffolk County had the first purchase of development rights program in the country that was started in the 1970's. As of today, we have preserved 15,000 of the remaining 34,000 acres of farmland on Long

Island and we continue to participate in state, county and town farmland preservation programs. However, the restrictions in the easements on the Federal level make it almost impossible for any farmer on Long Island to participate. We need to be able to diversify our farming operations as we see fit in the ever changing agricultural picture. Many of us don't want to be restricted in what we need to do to make farming work here on Long Island. I think the supplying of grants to State governments for the purchase of development rights would be a more efficient means of utilizing this program.

We also need a better crop insurance program. Many of the crops that are grown here on Long Island such as potatoes, vegetables and fruit, are not eligible for crop insurance programs. And those of us that qualify can't afford the high premiums. We are not interested in subsidy programs and government handouts here on Long Island. A good crop insurance program would eliminate the need for disaster programs and low interest loans.

Another area that should be adequately funded in the next farm bill is agricultural research. With the pesticide Aldicarb being discovered in the ground water in the early 1980's here on Long Island, we have seen the need to search for safer crop protectants in order to protect our drinking water. Continued research at Cornell University and research labs around the State is a vital part of our agricultural industry. We have been good stewards of the land and will continue in our efforts to strive for the most efficient means to produce crops.

With over 30 percent of our food being imported from other countries, it is my concern that this may become a security issue some day. That's why I think it is important to keep agriculture in this country strong, so we can be self sufficient. Having said that, with eight States receiving over 90 percent of the farm bill money, I think it is imperative that the share the northeastern states receive be increased. I think that it is only fair and it will help equalize the agricultural industry in this country.

I thank you for the opportunity to participate in this hearing. On behalf of all of the farmers on Long Island, we thank you for your time and concern on these very important issues. It is my hope that the next farm bill will strengthen agriculture so it can remain a viable industry in this country.

STATEMENT OF SUSAN J. KEISTER

I am both honored and awed by this opportunity to present both written and oral testimony on a topic which encompasses my profession, my work and my life.

Both my husband and I are graduates of the SUNY College of Environmental Science and Forestry. I graduated in 1980 and he in 1976. My husband has worked as a NYS-DEC forester since 1979. Per the attached qualification summary, I have worked almost continually in the field of Resource Management since graduating college.

For the past 18 years my husband and I have been the fortunate owners of 130+ forested acres in the Finger Lakes Region of western New York State. We have harvested trees for our own use (the construction of a pole barn, hardwood flooring, dimensional construction lumber for house additions, and hardwood furniture and trim) and sold standing timber to the local forest industry. Recently, we expanded our interests into Christmas Tree farming through the lease of 3+/- acres of our neighbor's land. We were proud participants in the Christmas Spirit Foundation's "Trees for Troops" this past December in which 4,100 Christmas trees from 300 growers in 17 states were delivered by FedEx to five military bases in the U.S. and multiple locations in Afghanistan, Kuwait and Qatar.

Tree farming, for us, means fun, funds, family and friends.

Past Success/Failure of Forestry Cost-Sharing Programs:

Although New York State currently contains a historically high number of forested acres, the condition of that forested land is not at its historic best. From the perspective of diversity, potential wildlife habitat, forest health and species composition, New York's forests, in my opinion are worse now than they were when I started in my profession over 25 years ago.

My generation of forestry professionals owns part of that reality and it is not something of which we should be proud. Red maple, not the higher valued and more-unique-to-our-region black cherry, sugar maple, red oak or white ash, is currently the number one species in New York State. Historically, the number one species had been sugar maple, our State tree. In addition, the more valuable species which are in New York's forests are of a poorer quality (i.e., more bumps, holes and lower branches, smaller diameter, not as tall). And, according to the U.S. Forest Service national inventory, this trend is not unique to New York. Nor is this obser-

vation limited to those of us who work with standing timber. All one needs to do is poll forest industry and one will learn of the general decline in size and quality of the logs they are purchasing/sawing. This species shift/quality decline is a result of market condition forestry in which all foresters (state, consulting, industrial) must participate. That is, in my experience, in order to “get the cut out” more good trees must be cut during a harvest operation than poor ones. When done in the extreme, this type of cutting is called high grading.

At the same time that this species composition shift and overall grade decline has been occurring, State foresters, county foresters, soil and water conservation district foresters, professional consulting foresters, and industrial foresters have been working diligently to provide advice to landowners who have been motivated to management by organizations like the National Tree Farm Committee, Farm Bureau and State organizations like the New York Forest Owners Association. But something has gone wrong.

Do what you always do, get what you always get. And, when it comes to our Nation's forest resource, I am not sure we should be satisfied with that result.

Traditional cost-sharing programs have been, first and foremost, underfunded. Too little money spread over too many places is resulting, in my opinion, in a net loss of benefits.

If we are serious about committing resources to America's forests, it is going to take more than some start up funding and an average allocation of \$10,000 per county per year.

Traditional cost-sharing programs have been too complicated and restrictive. I have sat through more training sessions than I care to remember on how to process the paperwork for the most recent ag bill's cost-sharing program. I have notebooks full of SIP instructions on my office book shelf. I have notebooks full of FLEP instructions. When I worked as a State Forester there was FIP. Too many acronyms, too much paper.

Traditional cost-sharing programs have focused on funding management plans not management actions. And, although I think a management plan document is essential in setting both a course and timetable for wood lot management activities, I think it is something that a landowner can pay for (average cost: \$1,200.00 for a document that has substance) as an “initiation fee” into the process. A way of buying into the recommendations the plan contains. People always pay more attention to things they have purchased or earned than something dropped in their lap for free. Both State and private consulting foresters could partake in this process with the money collected by State foresters for doing this work (yes, charge for the plan even if prepared by a State forester) augmenting the state's cost-sharing budget.

Traditional cost-sharing programs have focused on getting some dollars to a lot of people, not the most-effective dollars to the wood lots. It is almost as if the number of people funded, not the number/quality of trees helped is the goal of the program. If funding people, not improving wood lots is the primary goal of this legislation, one could only wonder that there could be way more efficient ways of achieving it.

FORESTRY COST-SHARING SUGGESTIONS

When I was working as a NYS Forester and overseeing cost-sharing programs, it was my understanding that never, never, do we cost share activities which could occur during, near, or subsequent to a commercial harvesting operation. The landowner is making money, let them re-invest it in the wood lot was the mantra.

In my opinion, that sort of thinking has lead, in part, to the poor state of our wood lots. Landowners, not knowing better, and feeling entitled to take the harvest money and buy a boat/send their kid to college/pay property taxes/keep the dairy going, did not re-invest back into the woods. They spent it.

And, it is at the time that commercial harvests are occurring that some of the most important woodlot management activities need to occur: site preparation for regeneration activities, thinning from below to reduce the presence of invasive/unwanted trees, grapevine removal. In the past, some loggers did do some of these activities as part of the sale, including their costs in their business plan, and reflecting the same in the amount paid for the timber. In today's market place, however, given the costs of production

(e.g. fuel and insurance) there is no money left in the logger's budget to do these extras. Landowners, over time have come to realize/expect the highest possible price for their timber, and in a world of constantly rising costs, the only way the average logger can meet these expectations is to cut out some of the extra services (which were only intermittently occurring to begin with).

As such, I propose that cost-sharing programs reverse their stance/regarding commercial activity and, instead, embrace it. Who better to cut grape vines/cut trees which need to come out but have no commercial value than loggers who have been professionally trained, have the proper safety gear and equipment and are onsite already? A pay rate could be worked out of so many dollars per acre for a stated density reduction that could be given to the loggers if this work were performed in accordance with a management plan prescription and under the direction of a professional forester.

What about subsidizing the cost of a professional, arms length, forester to properly mark a stand in the first place? Again, too many times landowners do not want to incur costs and are lured by the big dollar offered when all the quality trees in a woodlot are targeted for removal. Although removing all of the quality trees in a woodlot provides greater short term gains, it has been shown, scientifically, that, over time, properly managed woodlots produce more revenue. New York State had, at one time, a program in which State foresters marked woodlots for commercial harvest and charged for these services by the acre. This system could be re-visited, the rates raised and provisions provided for the use of private sector foresters by cost-sharing their fee (so that the rate charged by the State forester and the rate charged by the private consulting forester would be the same, leaving the consumer the ultimate freedom in making a choice of who he/she would like to work with).

Other activities which could be cost-shared directly to industry professionals:

1. Herbicide applications to deal with the challenges posed by invasive plant species as well as established, native, non-preferred species (such as beech, striped maple, fern, buckthorn, and multiflora rose);
2. Erosion and sediment control measures—again these could be activities subsidized at the time of a commercial harvest or separately;
3. Wildlife habitat management—targeting rare, threatened or endangered species (i.e. cost-sharing only game species if, based on inventory, there is an established lack of habitat/presence of these species on an owner's property).

RIGHT TO PRACTICE FORESTRY

My last comment would be that Federal policy encourage that Right to Practice Forestry legislation be developed and implemented in each State. As a private forest owner and a practicing consulting forester, I see this issue, as one of private property rights and paramount in importance. People want to benefit from our products but don't want to put up with the inconveniences of production (mud on the road, noise from chainsaws, short term visual changes which occur with the harvesting of any crop be it corn or trees). If a property has a management plan in place (especially one written under the guidance of a Federal cost-sharing program) then one ought to be allowed to implement the prescriptions/activities that plan contains. Activity registration with local municipalities who choose to require it, liability insurance, and routing considerations when town roads are involved all make sense as part of a supersedure/Right to Practice Forestry Initiative. Without Federal insistence that this right be observed, I fear that all the woodlot improvement work previously addressed will be for naught. If every quality tree which is produced stands in the forest and can't be made into high quality hardwood furniture were all of our efforts in vain? Private property rights and the ability to harvest one's wood must be protected.

Thank you for this opportunity to enter my thoughts/opinions into the record,

BRENNAN

Thank you Chairman Goodlatte for providing me on behalf of Governor Pataki this opportunity to offer New York's perspective on federal farm policy, as it relates to the overall future of New York's agriculture industry.

As someone who grew up on a dairy farm and is now responsible for addressing the diverse needs of producers across the entire state on a daily basis, let me first share with you that we are very pleased to have someone as knowledgeable and appreciative of New York agriculture as Randy Kuhl representing our interests in Washington.

Most people do not realize that New York State is much more diverse than our bright Broadway lights and metropolitan skylines. In fact, we have a long and distinguished agricultural heritage that can be traced back to colonial times. And today, our agriculture and food system remains a primary component of our economic strength and quality of life, contributing more than \$3.6 billion annually to our economy and maintaining over a quarter of the State's land mass, roughly 7 1/2 million acres.

I would offer that in many ways, New York and the rest of the Northeast represents the future of all of U.S. agriculture. I say that because we have been dealing with land development pressures and the issues surrounding shifting population dynamics for many years.

Our farmers, who are some of the most progressive and dedicated producers in the world, have learned how to farm successfully in close proximity to populated areas. And although that can present challenges at times, our producers have adapted over many years, in many ways, and looked to our population as a strength and valuable market opportunity.

These producers, some of whom you will hear from today, have not been alone in working to ensure that their livelihood continues to be an important and vibrant part of urban and rural communities across New York. Helping to keep the agriculture industry profitable is a priority for Governor George Pataki, as evidenced by 12 years of support and leadership that has led to creation of a number of programs to address the long term viability of this industry.

The Governor's Agriculture Environmental Management (AEM) Program, for example, uses a voluntary, incentive-based approach that has worked extremely well and been hailed as a successful model across the nation. It is one example -- of many -- where we have taken steps and brought together local, state and federal resources to demonstrate our unyielding commitment to develop partnerships to benefit the State's agricultural industry.

I believe the most critical opportunity for the next Farm Bill is to create public policy that builds and strengthens partnerships between state and federal agencies. By recognizing and using the states' knowledge and expertise in meeting unique local needs we can demonstrate effectiveness, efficiency, and equity as we work together to overcome the challenges facing American agriculture as a whole.

The Specialty Crops Block Grant Program is a prime example where states have been able to tailor, prioritize and **effectively** administer funds -- with direction from Congress and oversight from USDA. Given today's budget realities, partnerships between state and federal bodies are also a much more **efficient** use of public resources.

But most importantly, in my opinion, agriculture policy can be done in a way that promotes and ensures equity....**equity** among commodities, **equity** among farms of different sizes, and **equity** among regions.

Allow me to offer you a specific suggestion in that regard. Simply stated...we need national dairy policy that does not pit regions against each other. Although the MILC program has been helpful to many dairy producers, it has also presented an unhealthy and unfortunate dichotomy that has split the industry by size of operation; essentially mid-sized family dairy farms suffer with an insufficient safety net during times of low prices.

Two weeks ago, I signed an historic agreement with my counterparts from Pennsylvania and Vermont to work cooperatively to further enhance the dairy industries in all three states. Our agreement addresses ways to improve dairy production and profitability by supporting cooperative research and coordinating individual state resources.

We would like to take this new collaborative relationship a step further to ensure price stability in our region. The fact that our milk shed is blessed with a high demand for fluid milk should enable our dairy farmers to realize the relative value of this product in their milk check. A premium on Class I prices, at the appropriate times, allows for market forces to return a greater percentage of consumers' dollars directly to farmers. Policies that accommodate this opportunity should be recognized as positive and constructive. As the third leading milk producing state in the nation, I must stress that we **cannot** afford to see our industry erode at the hands of policy that hampers market forces and unfairly penalizes or preferentially supports any region. Other milk producing regions of the country should be encouraged and supported in their efforts to develop regional solutions.

Perhaps there is no more challenging agricultural policy debate than dairy. But we have other challenges before us as we strive to shape and help develop a new generation of agriculture that is vibrant, innovative, and competitive globally. Chairman Goodlatte, I want to commend you for your recent comments to WTO Director General Pascal Lamy. Fair trade is vital to U.S. producers and we should not accept an agreement that benefits our international trading partners by putting our producers at a disadvantage.

At the same time, as we continue to seek access to worldwide markets, we must also ensure that we have an effective safety net in place that will withstand scrutiny. I would offer that the most effective, efficient and equitable safety net is one anchored by solid risk management and crop insurance programs, rather than traditional subsidies. The time is right to craft a new solution. Revenue-based crop insurance products have proven they work. They are the cost-effective answer to help farmers survive a disaster and maintain their profitability. Risk management must be understood and actively practiced on all farms throughout the United States!

To compete globally, we also need to cultivate innovation. By providing the right tools and investing in new models for research and development, we can ensure that innovation – new technologies and new products – will continue to be the cornerstone of our American strength and ingenuity. With assistance from a \$1 million USDA Agricultural Innovation Grant, New York has already leveraged over \$8.5 million from Governor Pataki and the State Legislature towards such a model. The New York Farm Viability Institute is a farmer-led organization that is providing timely and measurable results related to on-farm production obstacles and profitability issues. It is a highly successful model and I encourage you to take a closer look.

Protecting our irreplaceable farmland is a priority for many states, and the federal Farm and Ranch Lands Protection Program (FRPP) is an important compliment to many state and local farmland protection programs. Since 1996, Governor Pataki's Farmland Protection Program has devoted a total of \$95 million to farmland protection projects, helping to protect approximately 41,084 acres on 219 farms in 22 counties across the State. Yet current administrative decisions and actions have stifled New York's ability to match FRPP resources with ours. I recommend that the next Farm Bill reposition the FRPP to prioritize the protection of viable agricultural land **and** the associated family farm and ranch operations as the fundamental purpose for this important program.

Finally, Mr. Chairman, as the former State Director for Rural Development there is one tool from the federal level that I am particularly familiar with.

As we strive to achieve energy independence, please consider increasing funding for the USDA loan guarantee program. Loan guarantees will play a critical role in helping to develop renewable biofuels, including those generated from the dairy industry.

As you know, loan guarantees provide a myriad of benefits to lenders, borrowers and government. Guarantees decrease risk, lead to more capital investment, cost less than direct loans, and offer a high degree of leveraging, typically on the order of 20:1. That is **\$20** of capital is invested from the private sector for **every dollar** allocated from the government in guaranteed loans. The loan guarantee program is good public policy for agriculture.

In closing, I hope you will keep in mind that there are many good ideas that have been tried and tested at the state level and I offer you my assistance for more information regarding New York State programs.

Thank you again Mr. Chairman for this opportunity to speak and thank you to all the Committee members for making the trip here to Canandaigua -- the gateway to the beautiful Finger Lakes -- and for including the Empire State in your deliberations.



May 16, 2005

Statement For

Task Force on Food, Farm, Nutrition

It is somewhat encouraging that the Assembly Commission Chairs are doing this drill. I certainly hope that something constructive is derived from this effort.

If this truly is the Empire State, isn't it time to start acting as such? Take control of the issues and address them on behalf of NY farmers and consumers.

My main concern is the dairy industry. In 1980, New York had 19,000 dairy farms shipping milk to the commercial market. Presently we have fewer than 7,000 remaining.

We are still producing 12 billion pounds of milk with 12,000 fewer producers. The result of past and present pricing policy is an absolute disaster for rural New York. The Cornell big farm virus is largely responsible for the demise of 12,000 former dairy farms.

In theory you could make \$10,000 on 50 cows, so obviously you should make \$100,000 on 500 cows or a million on 5,000. That is pretty much basic mathematics.

The big farm virus has given us major water and air quality concerns. I object to the use of public funds to address these man-made problems, such as 13 million of environmental bond funds to plan and address solutions to these problems.

I propose that we in New York decouple Class I from manufacturing milk, set the price at \$20/cwt (and even index it) and allow New York consumers to support what's left of the small farm community. These funds should be distributed on a per farm basis throughout New York State. Our market (Class I fluid milk) is the largest in the world and our farms have been denied the support of that market.

Our consumers are protected under the anti-gouging law. \$20/cwt class one would limit the one-gallon retail price to \$3.49/gallon, not a bad deal, versus recent class I price of \$24.50, resulting in a maximum retail price of \$4.25/gallon.

This action would not be subject to an adverse court decision since we are only pricing class I fluid milk

Processors need to realize that this would increase their yields/cwt. The cost of processing \$20/cwt milk is no greater than the cost of processing \$15/cwt. The key is to decouple class I, which has been in the New York Farm Bureau policy book for a number of years and price it for survival of 80% of our dairy farms, which are in jeopardy.

National Dairy policy is a disaster and every change in the past 25 years has favored someone other than the producer. The current MILC program is the most recent illustration of the incompetence that prevails in Washington, D.C.

Task Force on Food, Farm, Nutrition
May 16, 2005
Page Two

The current House bill to raise the trigger price to \$17.10/cwt from \$16.94/cwt is an absolute disgrace! That number was \$17.40/cwt way back in 1990 to produce a yield of \$14.00/cwt, to cover cash cost.

We spend millions of dollars on staff at USDA (ERS-AMS) generating cost of production data that is totally ignored in the pricing policy. Why bother!

The free trade parade has been and continues to be a disaster for U.S. farms and farms around the globe... "the global market".

Co-operatives could have done a much better job for their producer members. Example, CWT was twenty years late in arriving... should have happened in 1985 after the buyout.

Bear in mind that New York has become a milk deficient region since we are no longer in an over-supply situation (supply side economics). We have closed three manufacturing plants in New York in the past year and one bottling plant in Brooklyn.

Isn't it time that we mustered up some leadership in this state and took the bull by the horns and allow the New York market to support New York producers on an equitable basis?

The beginning Farmer program could be promoted with a Farm gate price that made it possible to build a business plan. Not all Dairy Fellows out of Cornell want to farm 500 or 1000 or 5000 cows. They would be happy with 80 or 100 and be good stewards of the land and reclaim or maintain many of the good farms that are at risk due to age of current operators who's off spring have all left the farm and do not want to come back.

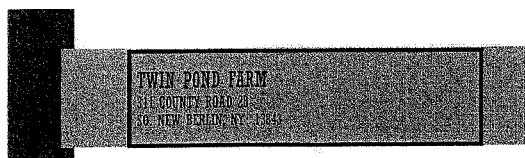
Call this a Farm Land Protection Program or a Conservation Program or Salvation. It may just be time to abandon the "Cheap Food" policy in favor of maintaining the rural environment.

Let's work together and address the pricing policy and hopefully help secure our food sovereignty.

Almost Retired,



Ken Dibbell
Member CC Farmland Protection Board
Member CC Farm Bureau Board



DAIRY ANALYSIS FROM GROUND ZERO

To Whom It May Concern:

Among small dairy farms there is a concern for the industry due to the number of errors made in Washington by the Administration, Senate, and House of Representatives.

For example, the reinstatement of the MILC program, with a reduction to 35% from the difference of 45% between \$16.94 and the current Class I price. This percent should have been moved to 100% of the difference. This would have tempered the cost of energy, for which the full effect has not yet been felt. (Ref. New York energy cost/cwt moving from 50¢/cwt to 80¢/cwt as calculate by the ERS for the year 2005.)

Common sense - if only it existed in Washington - would dictate the need of an adjustment for energy costs in the pricing formula. (Ref. The Ag Marketing Act, Section 608C - "Feed Cost and Other Economic Factors") How does one reconcile the difference between mailbox price and total economic cost as revealed by the ERS? It must be magic math - government math.

Dairy policy of the past 25 years has destroyed 180,000 dairy farms in the nation, over 12,000 in New York and 30,000 in Wisconsin. How can this be reconciled - is this the global market or free market fallout?

The afore mentioned farms were the rural economy! How do we fix this mess and return to sanity in dairy policy? Move price differential to 100% for MILC payment calculations. Exempt small farms, under 2.5 million pounds, from any pending transportation credits from market administration and/or any additional make allowance for manufacturing.

I certainly hope the National Dairy Board did not approve dairy promotion dollars to fund additional studies of air quality issues surrounding large dairy farms. This issue should be handed back to those who created the problem with development of the "Big Farm Virus". I personally object to the use of public funds and/or dairy promotion funds to further study and fix the problem. The cows have left four Chenango County farms in the past two weeks - only the beginning of the pending devastations.

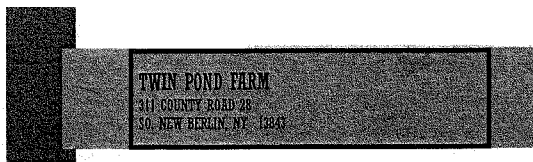
Solution for 2007 Farm Bill:

Decouple Class I milk from a manipulated manufacturing price. Pay Class I price on a per farm basis within an order. MILC does not favor the small farm! It treats all farms equally - based on 2.5 million pounds. Class I price distributed on a per farm basis with an order would also be equal treatment.

Would anyone of you who receive this note please explain how you reconcile the difference between mailbox price and total costs??

Straight from the gutter of small farm economics, sincerely,

Mr. Milk



June 23, 2004

A MESSAGE:

This message is directed first to the NY State Administration and those who claim to hold leadership positions in New York Government.

This is to include Senate and Assembly Leaders, Agricultural Committee Chairpersons, Senate and Assembly of NY, Commissioner of Ag & Markets and Associates, Senate and Assembly Minority Leaders and the Republican Task Force for Agriculture.

People it is time to wake up and floor the Class I price at \$20.00/CWT on the way down.

I almost forgot to mention the Co-operatives who have the power to petition the Commissioner for a realistic pay price, supported by Class I sales, in the largest market in the world.

Present and past policy has idled 12,0000 plus Dairy farms in New York, since 1980. This is outrageous and reflects the ineptness of State and Federal Government to develop and sustain a pricing system that works.

Every change in the Federal order system for the past 20 years has been to the detriment of US Dairy Farms and in favor of Milk Dealers and Dairy Manufacturing entities.

Who is government protecting? Yes Capitalism is great but it destroys. Supply side economics is great also, but only if the supply is managed, if not it also destroys.

Everyone is hanging their hat on the "National Dairy Equity Act" as a solution, as was I until they revealed the numbers. Another outrage!

The Class I price needed in 1989 was \$17.40/CWT to ensure a reasonable pay price of \$14/CWT has been proposed at \$17.50/CWT a whole dime greater than the 1989 price. Whoop De Do!

Basic Agricultural Law (Agriculture Marketing Act 1937-38) is still on the books. Failure to use this law as a sensible guide has resulted in the failure of 170,000 Dairy Farms Nationally and 12,000 plus in NY State. Section 608C of Agriculture Marketing Act, states "milk price shall be determined by feed cost and other economic factors." Taxes, Insurance, and Energy Cost are other economic factors!

The few remaining small farms in NY are still a major part of the rural economy and further decline in small farm numbers is unacceptable!

For NY the solution is for the Co-ops to petition the Commissioner for a \$20 Class I price before it falls below \$20. That calculates to a \$3.48/Gal down state price under NY Law, current store price in California is \$4.08/Gal. A \$20/CWT Class I price will generate a blend price of \$16-\$17 and that will barely sustain the small farm community. This would result in a near windfall for the large farms so lets limit the payment to the current 2.4 million pounds of the MILC Program. This price would keep us out of MILC and save the Federal Government lots of dollars.

The vast majority of New York consumers would support this price, in an effort to keep farms – farming in NY State.

Be reminded that purchasing milk from out of state, those dollars leave the state never to return!

If we choose to support our farms with a realistic pay price that money will stay in state and rollover 3-5 times in the local economy. Basically a no Brainer!

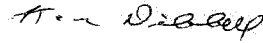
People it is time to Act! And Act responsibly and now is the time.

The proposed "National Dairy Equity Act" is an absolute Hoax and it is far far away.

Why did the upper Midwest not get nailed with a negative PPD on April milk when everyone else paid over \$3.00/CWT negative PPD?

Straight from the heart and gutter of Dairy Economics.

Somewhat Respectfully,

A handwritten signature in dark ink, appearing to read "Ken Dibbell", written in a cursive style.

Ken Dibbell

WILLOW BEND FARM, LLC
SPRING HOPE DAIRY



A PARTNERSHIP OF PEOPLE AND NATURE
1378 KING ROAD,
CLIFTON SPRINGS, NY 14432



THOUGHTS ON THE 2007 FARM BILL

June 26, 2006, Canandaigua Farm Center
Congressional Ag. Committee Hearing

By George Mueller, founding partner, WBF/SHD
Cornell, BS in Agriculture, 1954
Ontario County 1100 and 900 cow dairies

WE ARE A REPUBLIC, NOT A PURE DEMOCRACY!

As citizens we send our brightest members to Washington to represent us on very difficult issues. We cannot possibly take the time necessary to study all the complicated issues and make the correct decisions. We rely on our representatives and their staffs, to make difficult decisions, that are not always popular, and to explain to us why they took such actions.

In short we must have representatives that do more than see which way the wind is blowing and vote with the wind. We need "Statesmen", not just politicians, in Washington!

IMMIGRATION

Immigration is a very difficult and key issue for U. S. agriculture. Agriculture depends heavily on recent immigrants. In return for working hard at the jobs that most Americans refuse to do, (and are not skilled at doing!) our Latino staff learns our language, how to run our complicated machinery, and how to assimilate into our American way of life. This is the American way. We are a nation of immigrants. (English, Irish, Italians, Chinese, Polish, Germans, Russians, Indians, etc.) They all have started in entry level jobs until they learned the language and found their niche in our free market system. This is why America is such an amazingly successful nation. (Hybrid vigor from a mixture of ambitious, hard working immigrants!)

CONGRESSMAN KUHL IS MESURING THE WIND DIRECTION

Recently, Congressman Randy Kuhl sent out a survey to his constituents to get their opinion on our immigrant problem. The results asked for building and patrolling a wall, and sending all the illegal immigrants back. The issue is not that simple, as Congressman Kuhl well knows. Our Mexicans are well paid. They work long hours. Most of them earn more money than our "American born" workers, because they are willing to tackle the dirty and difficult tasks, and work the extra hours. Our best Mexicans earn \$45,000 per year, and more every year. Our

BELIEVERS IN, AND THANKFUL FOR, THE AMERICAN FREE ENTERPRISE SYSTEM!

BUSINESS OFFICE - 1378 KING ROAD, CLIFTON SPRINGS NY 14432

PHONE (315) 462-3414, FAX (315) 462-3825, E-MAIL: MMUELLER@FLT.G.NET

KEVIN AND BARB NEDROW- (585) 526-5134, 2819 CR #4; CLIFTON SPRINGS, NY 14432

JOHN AND SALLY MUELLER (315) 462-6194, 1381 KING RD; CLIFTON SPRINGS, NY 14432

GEORGE AND MARY LUE MUELLER, (315) 462-3414, 1378 KING RD CLIFTON SPRINGS, NY 14432

June 26, 2006

Mexican labor is essential to both our dairy farms.

IT IS TIME FOR STATESMANSHIP IN CONGRESS!

This is a very difficult issue. Congressman Kuhl, and his fellow representatives, can't just measure the wind direction and vote that way to please the majority. We have put you folks down in Washington to study the issues and vote for what is best for our great nation. (And then carefully explain to your constituents why you had the courage to vote against the popular will! **We will respect you for it!** Like a breath of fresh air instead of politics as usual)

The cost of living will soar in this country if we industries that depend on immigrant labor, must entice American born workers to do the difficult and dirty entry level jobs that immigrants are now performing. Such American workers are just not out there at any price. Returning the immigrants will be a horrible hit to our American economy and price us even more out of the world economy. Do you want to see more of our industries go south of the border?

A GUEST WORKER PROGRAM?

The system we have now is not all bad. It is very difficult for an immigrant to get into this country and only the most ambitious make it here. It is kind of a filtering process. We end up with the best! This is the way it has always been with immigrants. My grandparents, August and Magdalene Mueller, had enough ambition and ability to leave Germany in 1890. And so it is with all our immigrant ancestors. Somehow we must find a way to still make it difficult for them to come, but somehow give them a chance to be legal after they have proven themselves worthy. (Including learning our language! It is time we made English our official language. We do the Hispanics a disservice by not requiring them to learn our language.)

Unlike previous waves of immigration, many of our Mexican workers desire to return to their homes and families in Mexico after earning and saving considerable money in the United States. This is much easier for them to do than it was for the Irish, Polish, or Russians of days gone by. An official guest worker program would facilitate such back and forth travel. A guest worker program is needed.

The present House of Representatives bill on immigration would be a disaster. You can't be serious in making us farmers, and our hard working employees, felons? I am asking you folks to become "Statesmen", and not just politicians, and come up with an immigrant program that is in the best interest of our nation. Thanks for listening.

Sincerely,

George B. Mueller
George B. Mueller

1378 King Road

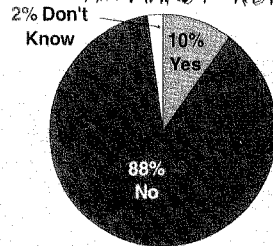
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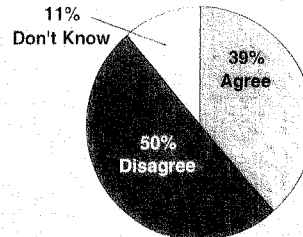
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NY-29 2006 Agriculture Survey Results

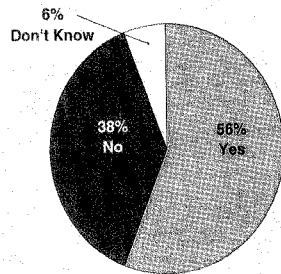
CONGRESSMAN RANDY KUHL'S JUNE 2006 SURVEY RESULTS



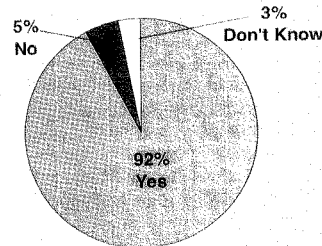
1) Do you believe the Federal Government should grant amnesty, which means granting legal status without penalty to illegal immigrants who are already living in this country?



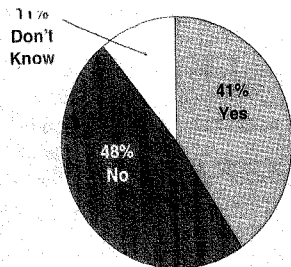
2) Do you agree that much of our agricultural economy depends on the availability of immigrant labor, because there are few Americans willing to fill these jobs?



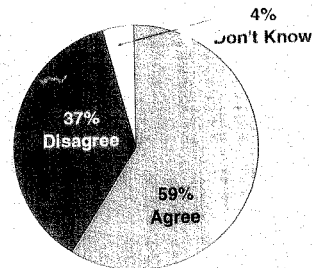
3) Should the employer who unknowingly hires illegal immigrants with false documents be subject to legal penalty?



4) Should the immigrants who use illegal documentation to gain employment be subject to deportation?



5) Do you feel that "adjustment of status" is a good idea to maintain the workforce that is vital to agriculture and other sectors of our economy?



6) Do you agree that there should be some kind of "guest worker" program included in any immigration reform bill Congress passes?

Policy Recommendations for the 2007 Farm Bill

As owners of "The Happy Farmer", an organic produce business in Slaterville Springs NY, and as members of NOFA-NY (Northeast Organic Farmers Association of New York), my husband and I support a vision of a more sustainable food system. This vision includes rural communities that are both economically and environmentally healthy: where financial barriers for new, young farmers are surmountable, where farm industries are not subsidized by illegal immigrant labor, and where pesticide and inorganic nutrient inputs are greatly reduced. We also envision a food system in which consumers have access and are educated about nutritious foods and the impact of farming on ecosystem processes. To realize these goals, we support the following initiatives in the 2007 Farm Bill:

Fair Markets:

- Elimination of crop subsidies based on yield, which encourage overproduction, depressed prices, and a competitive disadvantage for medium and small sized farms

Environmental Stewardship:

- Support for green payments such as the Conservation Security Program that promote farmer stewardship of the land

Extension and Research:

- Full financial support for county agricultural extension agents and increased support for organic/sustainable agriculture extension agent positions. We do not support subsidies for private consulting agencies as suggested in the recommendations published in the "ASA-CSSA-SSSA Collective Policy Statement for the 2007 Farm Bill". This role is already fulfilled by county extension agents as long as we continue to fund and support them.
- Promotion of economic, marketing, ecological, and production research and education that supports sustainable family farms through funding programs such as SARE (Sustainable Agriculture Research and Education) grants

Local, Healthy Foods:

- Increased funding for the Farmers Market Promotion Program and greater support of the Farm-to-Cafeteria program passed in the 2002 Farm Bill. We also support education about farming, food and nutrition at the elementary and secondary school level.

Sincerely,

Megan O'Rourke *Aaron Rust*

Megan O'Rourke

Aaron Rust

"The Happy Farmer"

PO Box 14

Slaterville Springs, NY 14881

Jun 22 2006 3:36PM JOHN R. KUHL JR
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P.3
PAGE 02/04

STEBEN COUNTY SOIL & WATER CONSERVATION DISTRICT
415 WEST MORRIS STREET
BATH, NEW YORK 14810
(607) 776-7398 EXT. 3

June 21, 2006

The Honorable John R. Kuhl, Jr.
United States Congress
22 Buell Street
PO Box 153
Bath, NY 14810

Dear Honorable John R. Kuhl, Jr.,

The Steuben County Soil & Water Conservation District would like to thank you for the opportunity to submit our thoughts on the 2007 Farm Bill to the United States Congress Committee on Agriculture. We would like to express our support for the enclosed federal programs (please see the attached information).

Through the cooperation of the Steuben County SWCD, RC&D, and NRCS the current Farm Bill programs have been successful (as shown in the attached information). Our clients have begun to understand how the programs can work for them, and changing the programs could mean starting over with our clientele.

In the RC&D program, for every dollar of federal funding spent in Steuben County, we at the local level match it with eight (8) dollars. To my knowledge this is probably the most cost effective and fiscally responsible program which may still exist at the federal level. Cutting this program would be very detrimental to our region.

Although the programs have been successful, there seems to be a lack in technical service support through NRCS funding to implement the program practices. The Soil and Water Conservation District has needed to step in to help get the practices on the ground. There is a need for the federal funding to remain at the same level in the future to complete the amount of work generated here in Steuben County and across the Southern tier of New York.

If you have any questions, please feel free to call me at the above telephone number.

Sincerely,

Jerry Parker

Jerry Parker
District Manager

CC: file

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Steuben County

EQIP: Since 2003 - 162 landowner applications have been submitted through EQIP and a total of 8 have been funded. In 2005 alone, 47 applications were submitted and 8 were approved. The number of landowners that have been approved for the funding has increased this past year. We have found that a large percentage of Steuben County's landowners wish to participate in this program and anticipate additional approved projects. EQIP was minimally successful in Steuben County until 2005. Currently in the 2006 Fiscal Year, 28 EQIP applications were submitted and 11 were funded. We expect improved success in the coming years.

CREP: During Fiscal Year 2005, 3 landowners have submitted applications into CREP and there is currently 1 eligible for the funding. We look forward to increase the number of applicants in future years. However, our largest agricultural area in Steuben County is outside the priority areas designated in the program. With expanded priority areas this program in Steuben County will be very successful.

GRF: Since 2004, 22 applications have been submitted from Steuben County. So far 0 have been funded. We look forward to improved success with this program.

WRP: Since 2001, 33 applications have been submitted into this program from Steuben County. So far, a total of 28 applications have been funded. We look forward to further success with this program. This program has been very active for Steuben County.

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Currently in Fiscal Year 2006, 6 WRP applications were submitted, and 4 have been funded. We continue to seek water retention areas in the watershed.

WHIP: Since 2001, 41 applications have been submitted through this program in Steuben County. So far, 35 applications have been funded. Currently in Fiscal Year 2006 there have been 5 applications submitted and 3 have been funded. There are currently 39 active contracts. We look forward to continued success with this program.

GRP: As of 2002, 180 contracts have been funded. Many applications have been submitted. This program has been very successful in Steuben County. Currently in FY 2006, there have been 7 new contracts funded. We look forward to maintained success with this program.

AMA: Since 2001, 100 applications have been funded. This program was very successful in the past year with 49 approved contracts. Currently in FY 2006, 71 AMA applications were submitted and 70 applications were funded. The success of this program is due in large part to the fact that this program funds smaller, more affordable projects. Basically, most farmers in Steuben County do not have the funds needed to construct large projects even with cost share programs. This program provides smaller amounts of funding, of which Steuben County landowners can take advantage.



Finger Lakes
Resource Conservation & Development Council, Inc.
 CHEMUNG, ONTARIO, SCHUYLER, SENECA, STEUBEN, AND YATES COUNTIES, NEW YORK
 415 West Morris Street, Bath, New York 14810
 (607) 776-7398 Ext. 5 Fax: (607) 776-7487
 Email: fingerlakesrcd@infoblvd.net

June 26, 2006

House Agriculture Committee
 1301 Longworth House office Building
 Washington, DC 20515
 Attn: Callista Gingrich

To Whom It May Concern:

Since 1966, The USDA's Resource Conservation & Development (RC&D) program has proven to be an effective rural development tool throughout the United States. Recent figures released by the National Association of RC&D Councils demonstrate that for every \$1.00 provided to the RC&D program by the Federal Government, an additional \$8.00 is leveraged through state, local and private funding.

As the United States Congress takes up the task of developing the 2007 Farm Bill, the Finger Lakes RC&D council believes it is time to insure the continuation of this cost effective and successful program. Therefore, our Council encourages the following language or a facsimile be incorporated into the Conservation Provisions of the 2007 Farm Bill.

#1 The current law authorizes USDA to provide technical assistance to RC&D Councils to carry out area plans and annual plans of work. A core component of the RC&D program has been the Federal employees, RC&D Coordinators, who provide technical assistance to assist individual Councils. To date the role of the coordinator is not included in the authorizing statute. Therefore, we believe it is time to acknowledge the role of the RC&D Coordinator in the law and to make clear that every designated RC&D Council is provided one Coordinator and the support necessary for the RC&D Coordinator to carry out their technical assistance role.

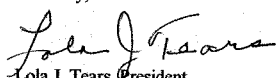
#2 Furthermore, the RC&D Coordinators role needs to be defined in the law. RC&D Coordinators assist in the implementation of area plans and annual plans of work. RC&D Coordinators provide technical assistance to Councils and assist Councils in acquiring financial support for projects. Coordinators also serve as a liaison between the USDA and each RC&D Council. Coordinators provide leadership leading to the establishment of partnerships and networks for identification and coordination and financial assistance from private as well as Government sources.

#3 For many years, RC&D Councils have brought to bear the resources of USDA in communities with assistance from a RC&D Coordinator. They do this through the area planning process and with annual plans of work. In recent years, OMB and NRCS have made changes to the program that have created a top down approach in which goals are imposed which may conflict with the area planning process. We ask that Congress acknowledge that RC&D is both a Conservation and Community Development program and that priorities should be determined at the local level.

#4 Current USDA and OMB policy is to focus programs on agency mission areas. The Secretary of Agriculture currently delegates the authority to administer the RC&D program to NRCS. **We would like the Secretary to establish a pilot program in other USDA agencies such as Rural Development, so that RC&D areas with community development priorities and focus can continue to provide service to their communities.**

During its thirty-four years, the Finger Lakes RC&D Council has worked cooperatively with USDA's Natural Resources Conservation Service as well as many other Federal, State, local and private partners to build a successful program. The U.S. Congress has helped the RC&D program grow and we are anxious in seeing the RC&D program further incorporated into the upcoming 2007 Farm Bill. Thank you for this opportunity to share our thoughts with the House of Representatives Agriculture committee.

Sincerely,



Lola J. Tears, President
Finger Lakes RC&D Council

Cc: Congressman John R. Kuhl, Jr., 29th Congressional District, Bath, NY
Sharon Ruggi, President, NARC&DC, Hudson Falls, NY
Roberta Jeanquart, Exec. Director, NARC&DC, Washington, DC
Sheelagh Baily, President, NY Federation of RC&D Councils, Ballston Spa, NY



New York State Grange

Our Vision!
Initiator of Community Action
Facilitator of Leadership Development
Advocate for Families
Trusted Conveyor of Issues to Legislators

Bruce M. Croucher, Master

Attn: Callista Gingrich
 House Agriculture Committee
 1301 Longworth House Office Building
 Washington, DC 20515

Testimony of the New York State Grange for inclusion in the 2007 Farm Bill

Market Development

USDA has numerous resources for finding international markets for U.S. farm products. More resources should be made available to match suppliers with markets within the United States. There are many farms that are not interested in developing international markets and are only interested in domestic markets.

Conservation

USDA should put more resources into assisting farmers in meeting regulations involving soil and water conservation. CAFO regulations often require huge expenditures to protect water resources. More federal assistance would help reduce costs to farmers and increase profitability. We encourage continued partnership between USDA, NRCS and Soil and Water Conservation Districts.

Energy

Farmers are large consumers of Energy in rural areas. Research and development of on - farm energy sources would help reduce this cost. Non-petroleum based products for fuel and material application would reduce dependency on foreign oil and might at some point reduce costs. We should encourage the use of ethanol based products for on and off farm use.

Animal Identification

We agree that identification of animal locations for protection in an infection outbreak is important. Individual animal identification may only be necessary in more limited situations. Care should be taken that expense to individual producers is not prohibitive.

Milk Price

The price farmers receive for milk should be set through a regional pricing process. A nationwide formula is not workable.

Sincerely

Bruce M. Croucher, President
 New York State Grange

100 Grange Place
 Cortland, NY 13045

Tel. 607-756-7553 FAX 607-756-7757
 E-Mail NYSGRANGE@NYSGRANGE.COM

Statement of Don Wertman
June 26, 2006
House Committee on Agriculture

Thank you for this opportunity to provide comments and perspective on issues and challenges affecting the seed industry. Indeed, the next Farm Bill will affect all of agriculture, including the seed industry. As past chairman for the American Seed Trade Association and in my current role as Chief Operating Officer for Seedway LLC, Hall, New York 14463 I will outline a number of priorities and general principles that are important to the seed industry and to members of the American Seed Trade Association.

Intellectual Property Rights Protection

Intellectual property rights, without question is the most valuable asset of the U.S. seed industry. ASTA's commitment to intellectual property rights dates back to 1883 when the Association was founded. Through the years, our members have worked hard here at home and around the world to promote strong, standardized and transparent intellectual property rights protection. Our advocacy has extended well beyond our membership. We continue to work very closely with members of the agricultural community and our customers explaining and educating the benefits of meaningful intellectual property rights protection. We are especially pleased that our outreach has enabled us to establish close relationships with the National Corn Growers Association, the National Cotton Council, American Soybean Association, American Farm Bureau Federation, National Association of Wheat Growers and many others at both the state and national levels.

Seed companies and plant breeders work hard to bring to the market new and improved varieties. It is a long and expensive process. Adequately protecting this investment of time, resources and innovation is crucial. Options for protecting new varieties include Plant Variety Protection Certificates and patents. Accordingly, ASTA opposes any changes to the Plant Variety Protection Act that would diminish intellectual property rights or broaden the scope of the farm saved seed provision. Reinforcing the value and benefit of strong intellectual property rights protection for farmers and developers is critical.

Seed Producers

ASTA has worked in past Farm Bills to ensure that farmers who grow seed are treated equitably. Seed growers are unique. Commercial production and seed production are not the same. Accordingly, yields are not the same and program benefits can be compromised if not properly addressed in Farm Bill language. Past experience has shown that if not precisely written, growing seed can be a disincentive. The reality is that seed growers are important to American agriculture. A provision acknowledging this fact will be needed.

Research

Past Farm Bills have provided significant funding for research. ASTA believes that research is important and is mindful of competing interests and budget realities. We are strongly supportive of soybean rust research, but believe that there should be close coordination and communication with the seed industry and others to ensure that duplication and overlap are avoided. ASTA has for its part developed best management practices protocols and shared with the U.S. Department of Agriculture. We have also worked with USDA on various projects and shared data.

The National Plant Materials Centers provide valuable research in native and non-native species. We believe that these Centers should be supported and that great care should be taken to ensure that funding is targeted. We would suggest that an inventory be taken to assess distribution of varieties at Centers and examine staffing.

ASTA has long supported the National Plant Germplasm System. The NPGS provides critical storage, preservation, and distribution of germplasm. Maintaining the viability and success of this program is very important.

Trade and Aid

ASTA participates in the USDA cooperator program. We believe the programs offer significant opportunity for promoting, identifying and enhancing U.S. seed markets around the world. The U.S. remains a leader in providing quality seed. We also advocate when seeking seed sources for various projects, that agencies such as the Agency for International Development be directed to procure seed from U.S. suppliers.

Conservation

Members of the seed industry enthusiastically support conservation programs. ASTA members provide quality native and non-native seeds for a number of Farm Bill programs, including the Conservation Security Program, Conservation Reserve, and EQIP to name a few. Adequately funding these programs is essential to rescuing fragile and marginal lands.

Access to Quality Seed

ASTA believes that access to quality seed and choice is important to our customers. As an Association, ASTA carefully balances the interests and concerns of all types of seed – organic, conventional and biotech derived varieties. We remain diligent in promoting this philosophy and steadfastly endorse the U.S. government's regulatory framework for approving new varieties. However, we are alarmed when efforts to restrict the access to seed that has been thoroughly reviewed and deemed safe by our regulators in a growing number of states and local jurisdictions.

ASTA believes that national uniformity has served many industries well. We enthusiastically support the efforts of 14 states that have seen fit to enact legislation that ensures the access to all types of seed. Each planting season, the first choice made by American farmers involves seed.

New Uses and Biofuels

Like many in the agricultural community, ASTA sees great promise and opportunity in developing alternative fuels and finding new uses for agricultural commodities and products. Whether it is corn being converted to ethanol or switchgrass or other grasses being developed into alternative fuel sources, ASTA believes that identifying new fuel sources and reducing our dependency on foreign oil sources is good for America's farmers and consumers.

Thank you for this opportunity to share some of the very early thoughts of ASTA members. Like many, we are in the process of identifying specific issues and solutions that directly impact and affect our ability to serve America's farmers. Our members will provide us valuable input and perspective. In turn, we will share with Congressional leaders and the Administration.

Statement to the House Committee on Agriculture
Henry Adams, III
Black Brook Farm
Ontario County, New York

Chairman Goodlatte, Ranking Member Peterson and members of the House Committee on Agriculture, my name is Hal Adams. My wife Kerry and I have operated Black Brook Farm since 1981. We are located in the town of Farmington, Ontario County, New York and currently have 150 registered Holstein milk cows, 125 head of young-stock and 400 acres of corn, soybeans and hay.

While I testify on behalf of myself, I am a member of my county Farm Bureau and serve as chairman of Farm Credit of Western New York. Farming remains a key part of our economy in western New York. With a farm production value of nearly \$4 billion in the state, the agriculture sector generates thousands of jobs both on and off the farm and is critical to the economic well-being of communities throughout the state.

As the House Agriculture Committee deliberates appropriate public policies for the 2007 Farm Bill, I suggest consideration of the following:

Lending to Agriculture in New York State

I am surprised when I hear about the controversy in Washington involving lending by Farm Credit and commercial banks. Farmers are best served when they have full access to Farm Credit and other lenders.

The fact is that in my area a number of commercial banks have stopped or significantly reduced their lending to agriculture. At the very least Farm Credit should be able finance all farms and any business that is serving the needs of farmers from farm supply businesses to agricultural processing businesses. I choose to borrow from Farm Credit and be active in Farm Credit of Western New York because it is customer-owned and has the most expertise relating to my farm business. With the lessened interest of commercial banks in lending to agriculture in New York, it has become a necessity to look at an enhanced role for Farm Credit in order to support the agricultural infrastructure.

Loan Guarantees of the USDA Farm Service Agency

As a director for Farm Credit, I have been involved in extensive discussions on efforts to encourage and assist young and beginning farmers. One program that can be helpful at times is the USDA loan guarantees for farm ownership and operating loans. These guarantees make it possible for young farmers who have little equity in their farms to obtain loans if they have the necessary knowledge and management skills to be successful. Recently USDA proposed to significantly increase the fees on individuals with FSA loan guarantees. I find this contrary to the intent of the USDA lending program – to help individuals under certain circumstances to be a

productive part of the agriculture industry. I urge the House Agriculture Committee take action to prevent USDA from applying higher fees on farmers with USDA FSA loan guarantees.

Farm Labor and Immigration Reform:

One of the major problems facing many farms in New York is the availability of farm labor. The lack of native born farm labor is a major problem that has resulted in the hiring of immigrant labor. An effective program that allows for guest workers and adjustment to legal status for farm workers is necessary. I am concerned that a bill that just provides for immigration enforcement and border security actions will force many farms out of business.

Environmental Related Projects:

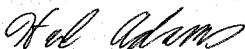
Farmers recognize the importance of being good stewards of the land. As a dairy farmer, I understand that I must practice sound conservation practices and appropriate manure disposal methods. The fact is that environmental and manure handling projects on farms can be very expensive and do not result in increased revenue to the farm. In the 2002 Farm Bill, Congress increased funding for the Environmental Quality Incentives Program (EQIP). I strongly encourage Congress to further increase EQIP funding and funding for technical assistance relating to EQIP in the 2007 Farm Bill.

Applied Research

Agriculture needs to remain competitive with adoption of new techniques on the farm. New York has a very diverse agriculture with major production of fruits, vegetables, field crops and nursery and greenhouse and dairy. We also have small, mid and large size operations with varying applied research needs.

A recent effort, initiated with support from the 2002 Farm Bill, has helped to focus on specific applied research needs for farms to become more profitable. The 2002 Farm Bill provided for Agricultural Innovation Centers (AIC) and New York was approved as an AIC. The AIC effort lead to what is known as the New York Farm Viability Institute. This Institute has a Board of Directors comprised of farmers representing general farm organizations and the major commodity groups in the state. NYFVI is addressing real issues on the farm that limit profitability and thereby limit agricultural industry growth. I strongly recommend that the 2007 Farm Bill provide on-going funds for entities such as the NYFVI, that are farmer-controlled and working to address real on-farm challenges with applied research projects.

Thank you for the opportunity to testify.



July 7, 2006

REVIEW OF FEDERAL FARM POLICY

MONDAY, JULY 17, 2006,

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Staunton, VA.

The committee met, pursuant to call, at 10:00 a.m., at the Stone-wall Jackson Hotel and Conference Center, Staunton, VA, Hon. Bob Goodlatte (chairman of the committee) presiding.

Present: Representatives Lucas, Moran, Jenkins, King, Neugebauer, Conaway, Schmidt, Sodrel, Peterson, Etheridge, Cardoza, Herseth and Salazar.

Staff present: William E. O'Conner, Jr., staff director; Kevin Kramp, Jeremy Carter, Tyler Wegmeyer, Lindsey Correa, Alise Kowalski, Mike Dunlap, Tobin Ellison, John Riley, and Chandler Goule.

OPENING STATEMENT OF HON. BOB GOODLATTE, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF VIRGINIA

The CHAIRMAN. Good morning. This hearing of the House Committee on Agriculture of the United States House of Representatives, to review Federal Farm Policy, will come to order.

I want to welcome all of you who have come, some from out of State, but most of you from all across Virginia, many of you right here in the Shenandoah Valley, but I think, virtually, every aspect of Virginia agriculture is represented here.

And, as my colleagues from around the country will find out, Virginia agriculture is very diverse. I'm very pleased that 14 members of the committee were able to attend this hearing here in Virginia, which is the ninthth hearing that we've held around the country of the Full committee to listen to America's farmers and ranchers tell us what they think the next farm bill should look like, and what has worked and not worked for them, with regard to the current farm bill.

There are many, many distinguished people in the audience, so I take a chance when I introduce some of them, but I particularly want to thank Deputy Secretary of Agriculture Chuck Conner, who has come down from Washington today. He's the No. 2 man at the Department of Agriculture, and he's here to listen to our farmers as well. Secretary Johanns and Deputy Secretary Conner have been around the country attending many listening sessions themselves regarding the farm bill and in preparation to write the next farm bill.

We are also very pleased that we just had a ceremony over at Woodrow Wilson's birthplace, celebrating today as the 90th anniversary of the signing of the Farm Credit Act. So, there are many people involved with the Farm Credit Administration and the Farm Credit Service and banks related thereto who are here today, and I want to particularly acknowledge Nancy Pellett, who is the chairman of the Farm Credit Administration Board.

And then finally, and we'll hear a few words from him a little later this morning, but we are also very pleased that Virginia's Secretary of Agriculture, Bob Bloxom, could be with us today as well.

I have a brief opening statement. I want to allow plenty of time for our witnesses to share their thoughts with our members.

First and foremost, I'd like to thank all of you for joining us here today in the beautiful Sixth Congressional District of Virginia, the district that I am very proud to represent.

This is the committee's ninth field hearing to review our Federal farm policy in preparation for reauthorizing the farm bill next year. In our eight previous field hearings, we've heard from a variety of witnesses representing various regions of the country and the unique agricultural environment of each region.

Agriculture is a vital part of Virginia's economy, generating approximately \$36 billion annually in total sales for the Commonwealth. Together, agriculture and forestry are Virginia's No. 1 and No. 2 industries, contributing more than \$47 billion to the State economy and representing more than 15 percent of total employment.

The sixth district contributes significantly to the State's agricultural output. This district is one of the leading turkey and poultry producing districts in the Nation, and ranks in the top 100 in fruit, cattle, milk, dairy products, sheep, porridge, corn and barley production. In addition to being one of the most beautiful landscapes in the country, the sixth district is also one of the most agriculturally diverse, from corn and grains, to vineyards and orchards, to livestock and specialty crops, to forestry products, the sixth district has a diverse and dynamic agricultural portfolio.

I am pleased to be here today in Staunton to hear from farmers about the issues they face in running their operations here in Virginia. The purpose of this hearing is to gather feedback from producers on the 2002 farm bill, which is set to expire in September of next year. To ensure that American farmers and American agriculture remains competitive and that our producers can continue to provide fellow Americans with a safe, affordable and wholesome food supply, we must make sure that our producers are equipped with an adequate safety net. As we travel throughout the Nation, the feedback we receive from our producers will give us a good sense of how these policies work in practice, and what improvements can be made within the budgetary constraints we face in Washington.

I would like to thank all of the members of the committee who have joined me here today. I would like to especially thank all of our witnesses. I know that testifying before a congressional committee involves much more than just providing testimony. There's a great deal of time and effort that goes into preparing for the hearing, and all of these witnesses are themselves producers with

livestock, crops, fields and dairies to tend, and I appreciate the time that they have taken out of their busy schedules to be here to speak with us today.

In addition to hearing from the witnesses, I hope that everyone here today will also provide the committee with input by visiting the online feedback forum we've set up on the Agriculture Committee website. So far, we've heard from over 600 producers and non-producers alike. Therefore, I'd like to extend an invitation to everyone here today to visit our Web site and tell us what you think about current farm policy and what you'd like to see for the future.

We do have cards available with more information about the web forum, which you can pick up on your way out today. While the information submitted on the Web site will not be part of the record, it will be valuable to our members as the farm bill debate gears up early next year. We look forward to receiving your input.

Now, let's get down to the business at hand. I look forward to the testimony of the witnesses, and I respectfully request that Members submit their opening statements for the record so that we may proceed with our first panel of witnesses, and that is with one exception, and that is my distinguished colleague, the ranking Democratic member of the committee, and my good friend, Collin Peterson, from Minnesota, in whose district we will hold a hearing next Saturday.

For those of you who are not familiar with the operations of the Agriculture Committee, when we write farm bills and on almost every other piece of legislation we work on, it is almost always a very bipartisan effort. We are rarely divided by party lines, often there are regional concerns, and different commodities wanting different considerations, but the committee operates in a bipartisan fashion, and it's a great and longstanding tradition.

It's now my pleasure to welcome to my district Congressman Peterson.

OPENING STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. PETERSON. Well, thank you, Mr. Chairman, and I am very pleased to be with you in your district, although it looks quite a bit different here than it does back home in western Minnesota. There are some things that we have in common. My district is one of the biggest, or I guess is the biggest, turkey producing district in the United States. So, there's some of our agriculture that's the same, and some that's quite a bit different.

But, as the chairman said, we work on a bipartisan basis, and we have to come up with a solution to these issues and to the farm bill that everybody can live with or we are not going to get very far. So, it's been my pleasure to work with your Congressman and the chairman. We've got a good relationship, and we are here to find out what you think in this part of the world about the current farm bill, what you think is working, what isn't working if anything isn't, although I'm not hearing much of that around the country, and what you think we ought to be doing as we proceed with this process.

As the chairman said, if we don't work together we are not going to get very far, because there aren't that many of us left in rural America to be fighting with each other.

One of the things that in addition to the farm bill that we are working on is the disaster situation we've had, not only with Katrina, but now really developing in the middle part of the country, some areas are worse than mine, but it's started to spread into my district now as well, and there's some of us that feel pretty strongly that we need to have a disaster bill to try to deal with this. We've got some folks that are going to be in our world of hurt if we don't do something.

And, I've been proposing, I think the one thing, that we've been hearing pretty much around the country that people think we did a good job with the 2002 farm bill, that are pretty happy with the way it works, which is unusual this time—this far into the farm bill, usually people are marching in the streets and want to string us up, but we are not hearing that too much, but I think the one thing we did miss in putting back the safety net was putting in a—I'd like to see us put in a permanent disaster program, coupled with crop insurance, into the farm bill, because I think it's pretty obvious that we are going to have some kind of problem in some part of the country every year. We seem to end up passing a disaster bill at some point every year, and so I think that's one thing that we really need to look at as we go forward with this farm bill.

In addition to that, we are, in Minnesota, one of the leaders in the country on renewable energy. The southern part of my district has ethanol plants all over the place. We have E-85 pumps in just about every gas station. We've got biodiesel now that Minnesota has a mandate on ethanol, we've had it for 10 years, we now have a mandate on biodiesel, and we have demonstrated that if you make those kind of commitments at a State level it makes a difference. It creates a market, and it creates an industry, and right now it's the most profitable thing that we are doing in agriculture.

So, one of the things I'd be interested in is what's happening in Virginia regarding ethanol and biodiesel, if you guys, I don't know if you even have an ethanol plant in Virginia, but if any of you are privy to that information I'd be interested in that.

But, Mr. Chairman, I'm pleased to be here in your district, and look forward to hearing what your constituents have to say, and look forward as we work through this process of a new farm bill.

Thank you.

The CHAIRMAN. I thank the gentleman, and let's get right to it. I want to welcome our first panel of witnesses. Mr. Sonny Meyerhoeffer, poultry producer of Hinton, Virginia, Mr. Dan King, poultry producer of Harrisonburg, Virginia, Mr. Gerald Heatwole, dairy and poultry producer of McGaheysville, Virginia, Ms. Margaret Ann Smith, cattle producer of Lexington, Virginia, and Mr. Ernie Reeves, cattle producer of Mt. Stonon, Virginia.

I will remind each member of the panel that their entire written statement will be made a part of the record, and ask you to limit your comments today to 5 minutes.

Sonny, we'll start with you, welcome.

**STATEMENT OF CECIL E. MEYERHOEFFER, POULTRY
PRODUCER, HINTON, VA**

Mr. MEYERHOEFFER. Good morning, Mr. Chairman Goodlatte and members of the committee. Thank you for the opportunity to testify for you here today. My name is Sonny Meyerhoeffer and I'm a farmer with a poultry and dairy background. I am currently a contract grower with the Virginia Poultry Growers Cooperative in Hinton, Virginia. I also serve on the Board of Directors of the National Turkey Federation, which is the turkeys' industry national trade organization.

The turkey industry is vibrant today. American turkey growers will raise nearly 270 million turkeys this year, which will be processed into 5 billion pounds of ready-to-cook turkey meat valued at almost \$8 billion. I should mention that Virginia is now the fifth largest turkey producing State, we raised nearly 20 million birds last year. That overwhelming majority of those were here in the sixth district.

In many ways, the industry's outlook is bright, but there are challenges that could darken our horizon. By building on the success of the last two farm bills, Congress can help our industry successfully handle those challenges. The biggest key to our industry's profitability is access to plentiful and reliable supply of feed, which consists of about 70 percent of the cost of turkey production. Turkey diets consist of corn and soybeans, with corn being the most critical ingredient. Ensuring a reliable supply of corn is vital, especially in a feed-deficit State like Virginia.

Demand for corn worldwide is on the rise. U.S. corn farmers are aggressively seeking new domestic and overseas markets for their product. Two factors stand out, the increased use of corn as an energy source and China's move from a net exporter to a net importer of grain.

As you write the next farm bill, we ask you to remember the singular way in which the last two farm bills have helped the traditional feed consumers, by decoupling support payments and allowing farmers to respond to the growing world demand for corn, we have, in most years, enjoyed U.S. corn crops large enough to fill the needs of new and existing consumers.

With legislation and mandates for ethanol and biodiesel production in the coming years, as well as the number of growing new products produced from corn and soybeans, we must be able to meet the acreage requirements for this production.

But, we also realize that the flexibility to plant new corn acres at some extent has come from the expense of soybean acres. In some feed-deficit States, turkey and hog producers are importing soybean meal from Brazil. Unless new arable land is found, more feed ingredients may have to be imported. When writing the next farm bill, we ask you to look at two things: maintain the decoupled payments so that farmers have maximum freedom to respond to the market singles, and expand the arable land production by ensuring that only truly environmentally sensitive land is rolled into conservation reserve programs.

Environmental laws of this country are part of our responsibility, and we are to be good stewards of this land. Many of you are also aware that some are trying to extend industrial environmental

laws to agriculture, and we thank those who are working to prevent this.

Whatever environmental rules are on the books, the poultry and livestock producers will need to help with compliance and continue to prosper. The Environmental Quality Incentives Program, EQIP, created in the 1996 farm bill and expanded in the 2002 farm bill, has the potential to help tremendously. In writing the next farm bill, I would urge you to increase EQIP funding to the maximum extent possible, consider the increase in the percentage of EQIP funds that are reserved for livestock and poultry operations, and examine ways EQIP funding could be used to facilitate products that turn animal waste into fuel.

Finally, I would mention that on three other matters, trade, research and so-called competition issues, foreign markets are the largest and fastest growing segment of our industry. The Foreign Market Development Program, and the Market Access Program, are vital to increasing exports and value-added poultry and meat. The 2002 farm bill was generous to those programs, and we urge you to maintain those funding levels in the next farm bill, and, if possible, increase them. Each farm export dollar stimulates an additional \$1.48 economic activity, according to a recent economic research and USDA study. Also, \$1 billion of agricultural exports adds over 13,400 jobs, full-time civilian jobs, and over 7,000 of those jobs being in the non-farmer segment.

Directly related to this are the competition issues. We face stiff competition from foreign companies, as we seek to open new markets. In addition, the way our Americans purchase their poultry and meat products has changed dramatically in the last 40 years. Some raise objections to our industry's structure, but this structure evolves specifically to meet the demands of our domestic and foreign customers. If we make it impossible for the U.S. organization to organize itself in a way that serves those customers, we can be sure that our competitors from other nations will step in to fill that void.

Congressman, I would just like to thank you for the opportunity to testify here today, and to hear our case.

[The prepared statement of Mr. Meyerhoeffer appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Meyerhoeffer. Mr. King, welcome.

STATEMENT OF DAN KING, POULTRY PRODUCER, HARRISONBURG, VA

Mr. KING. Thank you, Mr. Goodlatte.

Good morning, thank you, Chairman Goodlatte and members of this committee, for an opportunity to reflect with you on some of the issues I feel are important as we look at reauthorizing the farm bill.

While I was a member of the Virginia Poultry Federation in the past, the comments I make here today are my own. Yet, as I interact with my fellow farmers at co-op meetings, young farmer activities, or just visiting over the bed of a pick-up truck, I am aware that these views are shared by many of my farming friends.

Thank you for your interest and active involvement with the agricultural community during this time of reauthorization.

We need your strong leadership in this important process to ensure that a new bill will be in place in a timely fashion. We cannot afford to have the current bill expire without a new bill in place.

My name is Dan King, my wife Janet and I are first generation farmers. We operate a 550 acre poultry and beef farm north of Harrisonburg. It is a family farm with all three teenage sons heavily involved in the operation.

Poultry is an important part of our farming operation. Traditionally, when we think of the needs of the poultry industry as related to the farm bill, we think of ensuring adequate feed supply, opening up markets, and providing EQIP funds. These are important issues in the poultry industry, but a successful farm bill must make sure that each segment of our Nation's agricultural economy is vibrant for the bill to be a success.

I am a strong supporter of renewable energy, and while in a global economy I'm concerned about the low efficiency of carbohydrate production when compared to cellulose production of ethanol, the current path of this country is the use of carbohydrates.

With the certain explosion of ethanol production from corn and biodiesel from soybeans, the new farm bill will need to make adjustments in the CRP program and maintain decoupled payments to ensure an adequate supply of feed stocks for the poultry industry.

I'm certain these issues have been testified to at length, so I would like to spend the rest of my time bringing up issues that I believe are important to all sectors of agriculture, security, Superfund liability, eminent domain, particularly, as it relates to open space, and inheritance taxes.

In today's climate, security is on everyone's mind. For the farmer, concerns over security go beyond our borders and transportation systems. The spread of disease and pathogens, whether by natural or intentional means, are a concern to all in agriculture.

Having served on the Avian Influenza Taskforce here in Virginia in 2002, I can assure you that there is continual need for strong Federal leadership in this area. This issue must continue to be addressed in the next farm bill.

As a conservationist, I do want clean air and water, and I've done a lot on my farm to improve the environment. I do not feel, however, that Federal Superfund legislation was ever intended to impact the family farm.

Just last year, I personally was threatened by an EPA official. I was told that I'm the type of high profile individual the agency would love to make a public example out of. At issue was whether or not I was going to pay a fine and admit to violating a non-existent standard on ammonium emissions. In exchange, they would offer me amnesty while they used my fund money to determine what my ammonium emissions were.

This is not the type of treatment we expect from our Government agencies. The new farm bill and other legislation must do all it can to protect us from the harassment of Government agencies and environmental extremists.

In a related area, those of us with a passion for agriculture must take every opportunity to promote the limited use of public or eminent domain and have a clear definition of open space. Just last week, I was caught by a headline that a community had used eminent domain to condemn a farm. They were doing this because they felt like they needed more open space in their community. Couple this with the recent Supreme Court ruling, and we need written legislation that limits government's rights to use public domain and define open space. Land that is used for production agriculture is open space.

I know the House recently took action on the inheritance tax, I thank you for that. Being a farmer in an area where real estate goes up by moving the decimal point, we need permanent relief in this area.

Again, thank you for the opportunity to be engaged in this process, and I will welcome any questions later.

[The prepared statement of Mr. King appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. King. Mr. Heatwole. Glad to have you with us today, Gerald.

**STATEMENT OF GERALD A. HEATWOLE, DAIRY AND POULTRY
PRODUCER, MCGAHEYSVILLE, VA**

Mr. HEATWOLE. Good morning to Chairman Goodlatte and members of the House Agriculture Committee, I'm grateful for the opportunity to testify at this hearing today.

I'm Gerald Heatwole, a dairy farmer from the Shenandoah Valley. My wife Anita, myself, and my son Monte, operate two dairy farms, milking about 475 cows and producing about 11.5 million pounds of milk a year. We've been in the dairy business for 33 years, and are members of Dairy Farmers of America.

There are a number of issues and concerns with the Federal Order System that affect southeastern dairy farm families, and we are most concerned about. The first one, we support continuation of the Federal Milk Marketing Order Program. It provides stability in the marketplace, assures farmers of a minimum price, and assures that competing milk buyers pay the same minimum price.

The need still exists for marketing orders. There are more sellers than buyers, and milk production is very seasonal. Milk demand has a weekly and seasonal purchase pattern that requires substantial cost to balance supplies.

Milk markets are priced based on national supply/demand situations, which are largely influenced by areas of the country that have a surplus of milk. The national situation does not reflect the needs of the class 1 market. Therefore, we feel the need for a separate pricing system that allows all class 1 milk to be priced differently from current, simply to separate the class 1 price in milk-deficit areas like the southeast from the class 3 price of manufacturing milk in other places in the country. This solution would be market based and have no additional Government cost.

Also, we are becoming very frustrated in our attempts to get the order system to recognize the increasing cost of transportation, transporting milk to the market. The dairy farmers in the southeast have a huge dilemma and problem that they have in very few

other areas of the country, that do not exist in other regions of the country. Over one-third of our milk that we have sales for here in the southeast is brought in from areas outside the southeast, and much of our milk here in the southeast is transported long distances, hundreds of miles, to get to the marketplace.

The current transportation system that we have has been in place since the late 1990's. In 1997, the Transportation Credit Fund provided 95 percent of the transport cost, in 2005 it was less than 40. We have asked USDA to institute an additional Transportation Credit System that would move milk from within the Southeast. This new program would function much like the existing program, and to ensure fairness and accuracy.

Here in the Southeast, we have declining milk production. Milk production declines 5 to 7 percent a year, and the population and the sales demand for milk is increasing. So, there's more milk needs to be moved to the market.

On our farm for the last number of years, the milk leaves our dairy and goes 485 miles to Charleston, South Carolina. The cost of this transport has to be regularly picked up by us, the dairy farmers.

There were several hearings that we've had, and the latest one was in Louisville, Kentucky, with USDA, asking for additional transportation credits and for the transportation credit to move milk within the Southeast.

At this point, we can't seem to communicate with USDA the great need for these proposals to be accepted. At 5 hearings so far, we've had no favorable decisions, and at the Appalachian hearing, the one in Louisville, there's no decision to date. If USDA fails to help dairy farmers in this dilemma, we may need legislation to address this issue.

We feel that the next farm bill should contain some form of an economic safety net. The present safety net of the \$9.90 targeted price for U.S. average milk we favor continued support of.

For the last 10 years, the average class 3 price has been \$12.62. In 2000, when the price was so low, if we would not have had the safety net in place now that was put in place in 2000 it would have cost our dairies this year an estimated \$331,000, a financial blow we could not withstanding.

Farmers, dairy farmers, are concerned about environmental policies. We ask that the conservation programs continue to be funded. The estate tax issues, the proposal coming from Chairman Thomas appears very good for dairy farmers, and we would ask your continued support.

Now, I want to share a few personal comments on my own assessment of the dairy industry in Virginia and the Southeast. For dairy farmers in the Shenandoah Valley, the average Federal Order 5 mailbox price for the month of June 2006 production was \$11.86 a hundredweight or a \$1.02 a gallon. This is one of the lowest prices received in the last 27 years. The morale of dairy farmers is extremely low, the lowest I've seen in the past 33 years. Dairy farmers in the Southeast are very discouraged.

Adding to this attitude is the fact that when producers see the class 1 price and the zone differentials in our region we are not receiving the dollars from the marketplace. The dollars removed from

the order pool to pay transportation costs are crippling the dairy industry in the Southeast. It is estimated that this additional cost is 30 to 50 percent of the profit most dairies would normally receive.

As we shared previously, higher energy costs affect us all, but few greater than the dairy farmer. We cannot afford the tripling financial burden of higher input costs of energy on the farm, higher costs of moving milk to our local markets, and the additional cost of moving milk to distant markets.

As you can see, we must have a favorable ruling on the transportation credits as soon as possible.

In closing, Chairman Goodlatte, I want to thank the House Agriculture Committee for having this series of field hearings. If you have any questions, I would be glad to answer them.

Thank you.

I'd also like to ask if all dairy farmers here, and all persons associated with the dairy industry, if you would please stand.

Thank you.

[The prepared statement of Mr. Heatwole appears at the conclusion of the hearing.]

The CHAIRMAN. Gerald, you've got some good people backing you up back there, and we thank you for your testimony. Ms. Smith, we are pleased to have you with us today. Welcome.

**STATEMENT OF MARGARET ANN SMITH, CATTLE PRODUCER,
LEXINGTON, VA**

Ms. SMITH. Thank you.

Good morning, Chairman Goodlatte, welcome home. The Honorable members of the House Committee on Agriculture, welcome to Virginia's Shenandoah Valley.

My name is Margaret Ann Smith, and I am a young farmer. I operate a mid-sized cow, calf, feeder cattle operation along with my family in Rockbridge County, just a few miles south of here, and I'm very proud to say that I'm the sixth generation on that operation.

It is my understand that Federal farm legislation and programs are intended to provide stability. Economic stability for farmers and ranchers, economic stability for rural communities dependent upon agricultural and, ultimately, the stability abundance and security of our Nation's food supply which all citizens are accustomed and expect.

As a young farmer, I am concerned about what future farm bills hold for the stability of, not only beginning farmers, but all farmers. There are several organizations and individuals calling for significant changes to current Federal farm policy. However, I urge you to resist major changes and stay the course for production agriculture.

Reducing total agriculture spending, or shifting portions of remaining dollars from production agriculture to conservation initiatives does not strengthen agriculture's safety net. Reducing support to America's production agriculture in the next farm bill only acquiesces to foreign interests and weakens our Nation's ability to negotiate for a fairer WTO agreement.

When I cannot feed my cattle because a drought destroys my pastures and hay land, a safety net will help keep me in business, not a conservation program that I may or may not qualify for because of a bureaucratic ranking of my watershed status, or because I cannot afford to spend the money for the producer's share.

Federal farm legislation must include programs that provide a safety net for all types of agriculture, including permanent disaster assistance for all crops, livestock, including equine and poultry.

The next farm bill should reform Federal crop insurance programs by providing farm income or costs of production coverage options for all producers. After all, it doesn't matter whether a farmer produces corn or cattle, it's the production generated revenue that is critical for farmers to pay their bills.

We are certainly not taxed differently if we raise corn versus cattle, and the IRS does not accept bushels of grain as payment.

The next farm bill needs to continue the counter cyclical payment and marketing loan programs, with significantly higher payment limitations, while retaining planting flexibility. County yields need to reflect current proven producer yields, LDP basis calculations should reflect the actual nearby or in-state cash market conditions. Some argue that these payment programs keep grain prices low and limit the amount of tax dollars being spent on conservation. Anyone that feeds grain to livestock or poultry benefits from low or stable grain prices.

Also, I am curious how grain producers receiving program payments are supposed to benefit from additional conservation spending, when they must already comply with Federal conservation requirements in order to receive the program payments in the first place.

Some of the proposals for increased conservation funding would increase CRP and WRP enrollment, which means I will probably have to compete with the Federal Government to rent pasture and hay land from my neighbors. Conservation agencies tend to have "pet watersheds" and "pet programs," with a variety of participation conditions, so regardless of any technical need that my farm may have for a particular conservation practice, I may or may not benefit from additional conservation funding.

Speaking of participation conditions, these quasi regulatory conditions often double as regulatory creep. For example, Virginia State Office of the NRCS is currently drafting a bio security standard for inclusion in its Field Office Technical Guide. The proposed standard would, among other things, require producers to participate in the National Animal ID System.

State NRCS staff has suggested that bio security standards will be required of all livestock and poultry producers receiving future financial assistance for Federal conservation programs in Virginia. In essence, NRCS would require Virginia livestock producers, who receive Federal cost share, to participate in a highly-controversial voluntary program which is still under development and administered by another USDA agency, APHIS.

However, conservation programs are necessary for farmers to do their part to conserve soil and protect water quality for the benefit of all, but simply directing additional dollars to these programs, without providing convenient access to adequate technical staff,

does not equate to improved stewardship. Farmers need timely access to both RNCS and FSA farm field service staff.

The United States agricultural production portfolio is as grand a scale as it is diverse in scope. Numerous regional and commodity-based differences exist in U.S. production agriculture. All crops and livestock need to be included in the safety net.

Federal programs need to address the differences, but not necessarily with the same program. For example, corn prices are likely to trend higher due to increased ethanol production. Livestock producers would benefit greatly from additional research concerning the use of ethanol co-products, distillers' grain, as an alternative feed stock.

The next farm bill must continue to look at the future. We must continue programs of funding that encourage new and beginning farmers to enter agriculture. We can preserve all the available farm land if we want, however, if we make no efforts to preserve the farmer there is no need to preserve that land.

Markets are continually evolving from both domestic and abroad, marked development funding and assistance are necessary for farmers to produce for the market.

Programs and funding are also needed to preserve highly productive farm land without unduly restricting property owners rights and ability to farm preserved lands. But, I can tell you this. A strong and stable U.S. agriculture economy will attract more new farmers and keep more land in production than any Federal set asides.

It is very important for the future of American agriculture and its farmers that Federal farm programs provide a reliable and meaningful safety net for all crop and livestock types. If farmers cannot make a decent living and return on their investment, all of the conservation programs and trade concessions in the world will not keep them in the business.

The stability and security of the United States is tied to the stability and prosperity of the American farmer.

In closing, I'd like to quote a fellow young farmer from Georgia, and a close friend of mine, Mr. Ben Boyd, "If you like being dependent on foreign oil, you are going to love being dependent on foreign food."

Thank you.

[The prepared statement of Ms. Smith appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Ms. Smith. Mr. Reeves, welcome.

**STATEMENT OF ERNIE REEVES, CATTLE PRODUCER, MT.
SOLON, VA**

Mr. REEVES. Mr. Chairman, members of the Committee, welcome to Augusta County, and thank you for holding this hearing, allowing us the opportunity to provide input on the upcoming 2007 farm bill.

My name is Ernie Reeves, and I'm a cattle and poultry producer in this county. I'm a member and Past President of the Virginia Cattleman's Association, and serve on the Virginia Cattle Industry Board.

As a cattle producer, I depend on grasslands, our natural resources, to feed and care for my livestock. The enterprise allows me to generate economic activity on land that's generally unsuitable for production of traditional cash crops, such as corn or soybeans.

During the past 3 years, cattlemen have enjoyed improved cash flows and returns as a result of improved demand for our products. We produce a healthy, nutritious, enjoyable protein source for consumers, not only in this country, but in other international markets as well.

U.S. cattlemen have been, and continue to be, strong believers in international trade. We support aggressive negotiating positions to open markets and remove unfair trade barriers to our product. We support Government programs, such as the Market Access Program and Foreign Market Development Program, which help expand opportunities for U.S. beef, and we urge sustained funding for these long-term market development efforts.

We also support congressional and regulatory action to address unfair international trade barriers that hinder the exportation of U.S. beef after the discovery of BSE on December 23, 2003 in a Canadian cow in Washington State. As you are aware, we continue to fight to get our products in several countries. We ask that you continue to support the effort to see that sound science is being followed in bringing down these artificial trade barriers.

To grow our business, we have to look outside of the U.S. borders to find 96 percent of the world's consumers. We encourage the committee's continued strong and vigilant oversight of the enforcement of any trade pact to which American agriculture is a party.

The same grasslands I use for my cattle and livelihood also provide benefits for all the people in our community. Not only serving as green space and scenic vistas, this land also serves to preserve water quality, provide habitats for wildlife, and as an area for recreational activities.

Our particular farm has a brown trout fishery on Mossy Creek that's open to the public. These grasslands and forests also could be a carbon sink to capture some whole carbon and reduce the CO² in the atmosphere, and could be a potential source of bio fuel in the quest to be more energy independent.

I think we need more incentives to maintain open space on the most productive lands for the many benefits to the whole community.

I would like to thank you for our local National Resources Conservation Service office. It provides invaluable technical assistance, not only in the course of many programs administered by the NRCS office, also to supply answers, input and solve problems in the management of our operation.

Cattlemen appreciate the funding provided for the numerous programs, but we think that it is important that you maintain a level of funding for the technical assistance to manage the many programs and to provide the level of service that we have grown accustomed to.

In this county alone, roughly \$1 million is used annually through the programs administered through the NRCS, with a minority of operations participating. An example being that 200 out of 1,691 operations actually participate in stream fencing. Greater partici-

pation would require more manpower for technical assistance and more money to reach a larger percentage of our operations.

Cattlemen are partners in conservation. Our livelihood is made on the lands, and being good stewards of the land not only makes good environmental sense, it is fundamental for our land to stay strong and economically usable for future generations.

Our industry is threatened every day by urban encroachment, natural disasters, and misinterpretation and misapplication of environmental laws. We strive to operate as environmentally friendly as possible, and it's here where we see a partnership with the Government. The goal of conservation and environmental programs is to achieve the greatest environmental benefit through resources available.

One such program that achieves this is Environmental Quality Incentives Program or EQIP. Cattle producers across the country participate in this program by arbitrarily setting miracle caps that render some producers eligible and others ineligible limits the success of the program.

Addressing environmental solutions is not a larger versus small operation issue. All producers have the responsibility to take care of their environment and their land, and should have the ability to participate in programs to assist them in establishing and reaching achievable environmental goals. Accordingly, all producers should be afforded equal access under programs such as EQIP.

Second, many producers would like to enroll in various USDA conservation programs, such as CSP or CRP, to reach environmental goals. However, to enroll in these programs requires the producer to stop productive economic activity of the land enrolled. We believe economic activity and conservation go hand in hand. As such, we support the additional provision in the next farm bill that will allow managed grazing on land enrolled in CRP. This will have tangible benefits on environmental quality, for example, helping to improve lands threatened by invasive plant species.

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

Every day I see best management practices that have been carried out on our local watershed and on private land, to protect water quality and enhance wildlife.

I am convinced that we are now seeing positive results such as reduced erosion, surface water sediments from our efforts in the past.

America's cattlemen are proud and independent. We want the opportunity to run our operations in the best way that we can to provide a quality product for the consumers of the world, and ensure economic vitality to future generations.

We provide benefits, such as the preservation of water quality, enhancement of wildlife for everyone in our communities.

We come to you in an effort to work together to find new ways to use the limited funds available in the best way possible to conserve our resources, to build our industry, to provide for individual opportunities. We ask for nothing more than Federal agriculture

policy that helps build and improve the business environment for the cattlemen.

Thank you.

[The prepared statement of Mr. Reeves appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Ernie. Thank you all for excellent presentations.

My colleague from Oklahoma to my right just said to me, "Virginia farmers don't hold back, do they?" And, that's exactly right, they are very straightforward, they'll tell you what they like, what they don't like, what they need and what they don't need.

And so, we'll now have the opportunity to ask questions of this panel, and I'll start, but before I do, I want to mention a couple of things.

First, Mr. Heatwole, your concern about the transportation differential and how that impacts dairy farmers in this area is of great concern to me and to others, and I am hopeful that we'll have a positive decision from the Department very soon on your concern, especially given the current very low price that dairy farmers are confronting.

And, Ms. Smith, the concerns you expressed about the National Animal Identification System, particularly, the possibility that its "voluntary participation" might be tied to other Federal programs is of great concern to me as well. I do support a voluntary system, but it's got to be a true voluntary system, not one where you are, essentially, forced to participate in it by some condition of some other Federal Government program that is important to you to be able to participate in, and I believe that's the position of the Department as well, and I expect we'll see further clarification of that in coming days.

Mr. King, let me start with your testimony. You mention in counter with the Environmental Protection Agency that many farmers are familiar with, and are very frustrated by, and I wonder if you are participating in the Environmental Protection Agency's Clean Air Act Monitoring Program under the recently signed Consent Agreement.

Mr. KING. If I'm driving down the road and there's no posted speed limit, and an officer pulls me over and says, sir, you were going 45 in this open rural road, but you are only supposed to be going 1, I'm going to impound your car, take your license, and haul you to jail, I would feel like that was not receiving good treatment from my Government.

When an agency says, we don't know that there's a standard, and we don't know what that standard is, and we don't know what your missions are, but if you admit that you violated a standard, go ahead and say, yes, I violated it, in exchange for that we'll say we won't do anything as far as, we'll give you amnesty, we won't pursue you if what you said is actually true.

But, in the meantime, we are going to take that money and we are going to do some studies, and we'll get back with you and tell you whether you actually did something wrong or not.

I don't think anyone in this room would like that kind of treatment from anyone, whether it's their government, their neighbor, or any other person.

The CHAIRMAN. I take it your answer is no.

Mr. KING. I do not, and will not, provide money for the Federal Government to turn around and say I violated some standard that's not on the books today, no, I will not.

The CHAIRMAN. Well, let me say, I certainly understand that, and that's the reaction I've received from many, many farmers in this district and elsewhere in the country as a matter of fact.

But, let me ask you, what I think is the right way to do that is for the Government to have programs that work to enable people to improve conditions and move toward the type of environmental objectives that we recognize are necessary in our society.

So, looking ahead a few years, my follow-up question is, do you believe that current conservation programs, such as the Environmental Quality Incentives Program, EQIP, will be adequate to meat producers in the east to comply with any EPA orders that may be forthcoming from the results of that agreement? And, if not, what modifications to our current conservation programs do you suggest for a new farm bill? What would help you the best?

Mr. KING. OK. Our operation, we own over 200 acres, and we farm over 550 acres. We have three broiler houses that produce 90,000. I say we, because it's a family operation and, indeed, needs to meet succession plans and inheritance tax limitations, we have split our operation, and I'm technically no longer a poultry farmer. But, as a family farm, we raise poultry and beef. It's just under a different organization.

I looked out my window this morning as I was getting ready to come, and I saw 40 acres of annual forages that are producing oxygen like you wouldn't believe and fixing carbon into the soil on a farm that has been no-till for about 15 years. I see 30 acres of corn doing the same thing. I see hundreds of acres of either grass hay land or pasture doing the same thing. I am not only producing oxygen, I am also fixing carbon out of the atmosphere.

I get no credit for that, and I told the EPA officer that challenged me in a public meeting, and that's where this happened, I told him, my mom always said you get a whole lot more flies with honey than vinegar. And, if you would come to my operation and say, look, I see a lot of good things going here, I want to acknowledge, and we want to find a way to give you credit for the good things you are doing, but let's also look at the total operation. I'm for that approach. I'm just not for the big stick, and you might not—may or may not have done something wrong, but we are going to come after you, and if you don't participate then we are going to make a public example out of you, because people recognize your name. I think that is poor government.

The CHAIRMAN. Right, I thank you, and if you have other suggestions on how those programs can work better we would welcome those as we go forward.

Mr. KING. OK.

The CHAIRMAN. Mr. Meyerhoeffer, let me shift to you, and we may ask this question of Mr. Reeves and Mr. King if time permits. I appreciate the testimony of several of our witnesses from the livestock community, since the animal agriculture sector is the largest single consumer of program crops, I'm curious about your views on Federal programs relating to feed grains. Could you take a moment

to discuss what you'd like to see from the next farm bill with respect to those commodity programs?

Mr. MEYERHOEFFER. The energy bill that was passed last year by Congress, and more and more feed grains going towards ethanol and biodiesel production, and then there is a bio or a byproduct that comes from that ethanol production as dried distillers' grains, and they are really good, being in the dairy business for 30 some years, they were really good in the ruminant, cattle, and for feed for those type of products or animals. But, when it comes to swine and poultry production, because of the wide variability of the difference of the dried distillers' grains that comes out of each and every ethanol plant out there, it's really hard to be able to work those into a poultry production ration, because you might have a 20 percent protein one week, and it might be 10 percent the next week, just giving you an example. It's so wide, and with the high consistency that that is in a poultry diet, it's just hard for us to use those.

So, we are very concerned in the poultry industry as being able to have a source of raw feed grains, corn mainly, coming to that we can use first before the biodiesel and be filtered from that.

With the passthrough and the requirements of the ethanol production, and by the refiners, and the percentage that they are supposed to have, they can pass that cost if corn goes to \$5 a bushel, which I agree is good for corn producers, and I don't want to take anything away from them, as long as we can be able to purchase that as poultry producers and be able to pass that cost of that extra high grain along to the consumer also with no problems, then it fits our bill.

I'm not real sure, because we don't have a mandate that says that everybody is required to eat so much poultry in this country, so I'm not real sure that the poultry people that are consuming our product are going to be able to take all that, that they might just back off from it in the marketplace.

So, we are very concerned that in the next farm bill that there is arable land, enough arable land, and anything that is re-enlisted in the CRP program is for and strictly environmental reasons. That's not to say that anybody is out there that's trying to cheat anybody or get a free ride off of anything, but let's make sure that the system is working.

I think it's a very good system, we just need to tweak it a little bit and make sure that there is viable corn production. All of the renewable fuels, I believe, lies in the agricultural sector, either in the forestry industry, or the livestock production industry, and so we all have to be able to work with this together to make sure that these renewable fuels come about, but we have to do it in a way that what started all of this can also feed it in the future also.

The CHAIRMAN. Thank you.

My time is expired, and that's a good segue to the gentleman from Minnesota.

Mr. PETERSON. Thank you, Mr. Chairman.

Mr. Meyerhoeffer, I have a study that I can share with you that says that all of our ethanol production will not raise the price of your feed. I had spoke to the National Chicken Council, they don't

believe me, and I don't expect you will either, but I will make that available to you.

And, coming from a big turkey production State, we are concerned about that, and those of us that are very interested in ethanol biodiesel don't want to hurt the livestock industry, because that is a true value-added aspect of our agriculture, which, frankly, we have to do in this country or we are not going to survive.

We are not going to survive selling commodity products. We have to add value, and one of the ways to do that is livestock, we know how to do that. Another way is fuel.

You are both, you and Mr. King's concern, I guess maybe others, on corn production, I mean, we'll grow more corn at some point we'll hit the wall, but you pay us a little bit more and we'll grow a lot of corn.

But on the CRP issue, there is some land that shouldn't be in the CPR, and actually the Department did a pretty good job of re-writing these new rules, and I think you are going to see a lot of this sorted out as they re-enroll, they are going to get the land that maybe shouldn't have gone in is going to get a short-term extension, and it's going to get sorted through.

But, in terms of using this land for corn, I'd caution you, because we do have CRP land that has been broken or put in the crop that shouldn't be also, that there are some issues there. It's a kind of fine balancing act.

But, the thing that I really think is going to happen here, as somebody who has got some of the leaders in the industry, I think we are going to build a cellulose, commercial-size cellulose plant here shortly, maybe two or 3. I think we are maybe 3, 4 years away from being able to produce cellulose ethanol on a commercial scale and get the financing.

At that point, we'll probably have used up most of the corn, and I think the plants you are going to see built in 4 or 5 years are not going to be corn plants, they are going to be cellulose plants.

And, switchgrass, well no, initially, it will be wheat straw, rice straw, stuff like that, but switchgrass has a lot more biomass to it than any other crop, and one of the things that I'm looking into is the possibility of not reducing the CRP but actually maybe adding 10 million acres of switchgrass on top of it to show people what this can do, and then once they see it, I think they'll be more receptive to switching the existing CRP, some of it, into switchgrass, because we are going to need feed stock as we develop these plants.

But we had switchgrass in the CRP when it was first in in 1985, or some of the first sign ups, and some of these environmental folks that are interested in song birds and whatever else went in and helped the Department rewrite the rules so they, basically, forced us to quit growing switchgrass, because it's a mono culture.

Now, they've come around and now they are kind of horrid, because they can make ethanol out of it and they like it better than corn. Well, we are still going to have some issues going forward, not with the pheasants people, or the duck people, or folks like that, but some of these other bird watching types that want to engineer this stuff for do-gooder reasons instead of economic reasons.

I'm really encouraged by where we are heading, and I think we can work together, and that's one of the things that the chairman

and I have talked at length about that we think need to get right in the next farm bill, so that we can make sure we've got a good, solid animal agriculture industry, in addition to having the right kind of policy so we can really make this fuel thing happen out in the future, because I'd like to see us get to where Brazil is, where half of our fuel is coming from agriculture, and I think we can do it so we look forward to working with you and other members of the committee, in coming up with the right answer to this.

So, I didn't have a question, I apologize for filibustering you, but you had some great testimony, and I appreciate all of you sharing that with us.

The CHAIRMAN. Well, I thank the gentleman, and I think his comments are exactly what folks here want to hear. So, we look forward to working on that together to produce reliable domestic sources of renewable fuel, at the same time keep other sectors of our agriculture kind of strong.

It's now my pleasure to recognize one of our subcommittee chairmen. He has a very diverse portfolio, Congressman Frank Lucas of Oklahoma, is the chairman of the Conservation, Credit, Rural Development, Research, what else have you got there?

Mr. LUCAS. You got it, Mr. Chairman.

The CHAIRMAN. A lot on his plate.

Congressman Lucas.

Mr. LUCAS. Thank you, Mr. Chairman, and, yes, indeed, as I mentioned to you earlier, you do have constituents who shoot straight to the point, and that generates a lot of thought and comment among the panel up here, and that's what it's all about.

As Mr. Peterson, the ranking member, noted, there are lots of discussion among the memberships and the constituencies out there about a variety of things that you are very concerned about, CRP falling within the jurisdiction of the subcommittee that I chaired during the last farm bill, is one of great personal importance to me and, obviously, it makes a great deal of difference to you.

If you remember, as I'm sure Mr. Reeves does, in the 2002 farm bill we attempted to create an avenue, an opportunity to move some of that CRP back into a more productive use, perhaps, a more practical use, by creating the GRP, Grasslands Reserve Program. Ironically, by the time the administration at USDA put the program together, instead of it being a way to transition from CRP back, it turned out to be more of a green zone protection program.

And, I suspect, Mr. Reeves, and I probably at the time didn't share that potential view as the last farm bill came together. So, that's the kind of thing that has to be addressed.

And, Mr. Meyerhoeffer's comments about the effect of CRP on ground, 36 million acres, I'm a great believer in the market if, indeed, we create enough of a renewable fuel industry to generate the kind of demand that will consume huge amounts of grain. I have to believe that those great agricultural economists out there called farmers and ranchers will put that pencil back to the paper, and if it's better used in a grain producing situation than CRP. And, a lot of those acres may potentially come out.

So, my focus is making sure that producers, and I want your opinion on this, maintain the option and the ability to do that. I've

been concerned since the very beginning of CRP that if you had to designate your land as environmentally sensitive to get it into the program, would you potentially risk part of the use of your resources some time down the road, if Uncle Sam should determine that environmentally sensitive land should never be plowed again. I am, to the core, opposed to those kind of definitions, but that's the kind of issues that we are going to debate on.

So, could I, just for a moment, touch whoever on the panel would like to, about the effects of CRP in your areas, the effects on farming patterns and on land prices? That's a very broad question.

Mr. KING. One of the problems with CRPs, as I see it, is that you enter your ground in for a contract length, and when I read reports that say right now we use 15 percent of our corn for ethanol, and in another 4 years we are going to use 30 percent, and I look at what our carryover has been, and I understand what reducing carryover does to corn prices, if we have resources that were marginal—when I say marginal that probably should have never gone into CRP to begin with, that can't come out for another 4, 5, 6, 7 years, depending on when they went into contract, the marketplace doesn't have the ability to respond quickly to the changes in the marketplace. And, that's one of my concerns about the CRP program.

Mr. MEYERHOEFFER. I would also like to state that as things evolve, and we move forward in our expertise in raising crops, something that might have been, or a practice that might have been environmentally not sound several years ago, and land entered the CRP because of the practice that was going on, a lot of practices have improved, there's a lot of new chemicals that we can use so the ground doesn't have to be tilled and things like that, and you might hold the topsoil in place better than maybe some of the practice that we are doing several years ago. So, that would be one of the ways that maybe is the reason, the why you could say that, OK, it was environmentally unsound several years ago, but practices have improved, procedures have improved, we've got new chemicals that we can use to apply to the weed problem and pests, whatever it might be, that when it is pulled out now it is not endangering to the environment, that it does have a sound practice behind it, and make that land available to crop production.

Mr. LUCAS. Anyone else?

Mr. REEVES. I guess cattlemen, in this county there's only about 2,000 acres of CRP, quite a bit of that would be in repairing areas for water enhancement and quality. But, cattlemen, I guess, would say, to echo what Sonny said a little bit, we think the market should dictate how the land is used and not artificial definitions about what has happened in the past.

Mr. LUCAS. Very good point, one last question before my time expires.

What have land prices done in your areas in the last 5 years?

Mr. REEVES. If I may start that, locally, they've probably doubled to tripled in the last 5 years.

Mr. LUCAS. Farmers buying it or non-farmers?

Mr. REEVES. Farmers just hope they can rent it.

Mr. HEATWOLE. The answer would be the same in our area, Rockingham County, they've doubled to tripled in the last 18

months they've doubled, it's the greatest threat to animal agriculture in the valleys, the high price of land.

Mr. MEYERHOEFFER. I would say that what we may end of doing is returning to a share cropper system. I hate to say that as a first generation farmer with three young sons, but the reality is, there hasn't been any land sold within my area that I can purchase and pay for with agricultural income in the last 4 years. And so, as outsiders, or doctors and lawyers or such buy it, at very best my sons, if they are to continue to operate in the current location will be managing someone else's resources, and part of the efficiency of agriculture in America has been that you have a vested interest because you are the owner of the land. And, we desperately need Government programs, and I don't know, I wish I had the answer, programs, I'm not one that believes in big government for a lot of things, but we need a way to allow the next generation to own the land that they farm on. And, if we can't, I'm afraid that the footprint of what agriculture looks like in this valley, and in this State, in many States, is going to be significantly different, and it's not going to be the type of quality life that we've experienced on our operation.

Mr. LUCAS. Thank you.

Mr. KING. I would also like to say that being from Harrisonburg, Rockingham County, and 2½ hours from the Beltway, that most of the people that are buying the land in our area are from Washington, DC, and I don't know what you all are doing to them up there, but if you could stop it I think it would solve our problems.

The CHAIRMAN. Amen.

It is now my pleasure to recognize another longstanding and important member of the committee, the gentlemen from North Carolina, Mr. Etheridge, who is the ranking member of the General Commodities and Risk Management Subcommittee.

Mr. ETHERIDGE. Thank you, Mr. Chairman, and thank each of you for being here this morning. Since my office is in North Carolina, I can identify with many of the issues you've talked about, and I think there area few here in the audience this morning from North Carolina, so we have a lot of the same common issues.

Mr. Meyerhoeffer, one point that you raised earlier I want to just sort of comment on, I'm not asking a question, and then I'll go to my question, because I do want to follow up and thank you for raising the point of allowing EQIP funds to be used for converting animal waste to fuel.

During our hearings, as we've gone around the country, obviously, with the committee's interest and others, we heard a lot about energy issues on the farm, by and large it's been biodiesel and ethanol, by and the large the biggest parts come from feed stocks and others.

And, when we think about that, I just want to make sure that we talk about that as we move forward here, we don't forget the livestock side of agriculture. That's the point I want to make this morning, and you have touched on it.

We need to make sure that the hog farmers and the poultry farmers are able to participate, and the dairy farmers for that matter, and some of the beef operations, are able to participate because in some cases they may not have a lot of land, as we talk about

conversion of energy, and so we want to make sure that they have that. We need to solve the problem of livestock sector problems, and we might do that with waste storage and with disposal.

In my home State of North Carolina, the university there is doing some research on converting these waste products into fuel, and there are other places working on it. So, I think that the Federal Government can help livestock producers with some of the cost share funds maybe through EQIP, and install some of the systems that not only would help the farmer benefit with lower costs, I think it will add a value to the products as we do to row crops. So, I appreciate you raising that issue.

Now, my question for each of the panelists, and you've sort of touched on it with Mr. Lucas' comment earlier, but I want to go a little deeper into it. Secretary of Agriculture Johanns has made a point of talking repeatedly about the difficulty new and young farmers have experienced in obtaining land with the high value of lands.

I have a young son who is farming, and I can tell you from personal experience it's very difficult. If farming is continued to be a part of the American way, although we need to keep young people in Rural America, and on the farm, and that's more and more difficult.

Do you see this as a serious enough problem that it should be addressed in the next farm bill, and if so, how?

We'll start with Mr. Reeves, and I want to hear from each one of you.

Mr. REEVES. Mr. Etheridge, maybe it's not as much of a problem here as I've traveled to South Dakota, Iowa, where some of the very agriculturally-based small communities have all but disappeared. I think if we can maintain animal agricultural presence, we generate economic activity off the acreage that maintains family operations and economic growth in the area, and sustains the small communities that maintain the populations in those areas, and keep everyone from migrating to larger communities and cities.

So, yes, I think it's important that animal agriculture be encouraged to stay in those areas and keep generating economic activity.

Mr. ETHERIDGE. We're talking about agriculture now in general, all commodities.

Ms. Smith?

Ms. SMITH. As a young farmer, I do believe it is quite a problem. I'm very fortunate to have been able to return to my family's farm and work with them, however, if I had come out of college and wanted to return back to our area, I'm not sure I could have afforded to do so.

Recently, our new tax assessments in Rockbridge County were 60 percent increase, so that made a drastic raise. You can name your price on property, it's not being bought for agriculture purposes.

I believe that through programs such as the FSA, with the young farmer programs they have, the loan backing, and the loan programs that are available, increase funding to those would help keep farmers, young farmers, interested in coming in. But, the bottom line is, if it's not profitable, why enter this business?

Mr. HEATWOLE. Yes, I certainly believe it's a problem, your question, it's a real challenge to think how can we bring in the next generation.

Dairy farming has treated us rather well, but I'm certainly glad I'm to 25 years old again. How can you take \$10,000 to \$15,000 an acre land to raise corn on it to feed it to dairy cows to make white milk? It will never pencil out.

You have to have a program then that can encourage the younger generation, and economically I'm not sure we really can in higher population areas, with extremely high land values. Your subsidies would have to be so great to make it where it would be economically viable. So, it's a huge challenge we have, how to keep the younger generation on the farm, and we all know they have to have profits for them to come back to the farm.

Mr. KING. I am the first generation farmer, and I bought my farm in 1986 with the help of one of the last direct FmHA loans that was made in this area anyway, and so I understand a lot of the problem.

And, when I did that in 1986, everybody said it will never fly, it won't happen, you can't do it, the time for first generation farmers are over.

Unfortunately, I'm beginning to think that now myself, after 20 years, and just recently my oldest son said, "Dad, I'm going to college, getting a 2-year degree, I'm coming back to the farm."

And, I said, "Go to college, get a 4-year degree in something that's got a marketable skill, and come talk to me."

Times have changed.

The only thing that I could see, commodity prices isn't going to do it, with land prices where they are at.

This country, and the communities in this country, need to decide what value agriculture is to them, not just in food, but in environmental reasons and for lifestyle reasons, open space reasons, all of those, and there needs to be a program in place then where very selectively and directly you have a development right type of program that gets land prices down for first generation farmers, beginning farmers, to be able to come in and purchase that land.

It's a decision the country has got to make, and some areas I think are beyond hope at this point, as far as being able to save, but people need a desire when they drive up and down the valley, do they want to see what they see today, or do they want to see northern Virginia repeated all the way down the valley, and that's not just a decision for Washington, but for Richmond and local governments, and it's that way across the country.

Mr. MEYERHOEFFER. I just, I think it all lies in the profits of what is there. Obviously, the greatness of this country was built on the backs of the American farmer years and years ago, and you don't have to sell that lifestyle. There is certainly more than 2 percent of the people in this country that would like to live on a farm and raise their family on the farm. It all comes back to profits. If you can keep it profitable on the farm, and this country, at a period in its time was built on a cheap food policy, and maybe it still needs to be that today.

But, if these farms aren't profitable, there's no way that this here can continue, and the statement of getting used to foreign food, that might very well come true.

But, there's more than 2 percent of us that would like to live on the farm, it's just the other part that you don't hear about the 2 percent that's out there, they want a lifestyle that is comparable to the people that they went to college with, that they went to school with, they want some family time, because they see that in America today.

Years ago, when it was—when we were building a cheap food policy, that part wasn't out there, but today it is, and they want to be able to live a life also over and above what they are trying to do on the farm.

And, you have to commend people for that.

Mr. ETHERIDGE. Mr. Chairman, thank you, my time has expired, but one point you didn't make, and I was hoping someone would do it, I had a farmer tell me the other day that he was really concerned that we assess property in our State, and I assume in most States, and then you have a farm use value.

The problem is that, when the farm use value is purchased, a lot of developers are buying it and then leasing it back to the farmer, so the farmer doesn't get the advantage of the farm use value, it goes to the developer, and that may need, something may need to be looked at to make sure the farmers really do get it.

Thank you.

The CHAIRMAN. The gentleman raises a good point.

It's now my pleasure to recognize the chairman of the General Commodities and Risk Management Subcommittee, and certainly been all ears to hear what this panel had to say, Congressman Moran of Kansas, I'm very delighted that he's come to be with us today.

Mr. MORAN. Mr. Chairman, thank you very much, thank you for inviting us all to be in the Shenandoah Valley. The chairman was in Kansas earlier this year, and I appreciate his presence in my district, my State. It is a bit greener here than it is at home, and it's—you have great constituents. I'm pleased to hear what they have to say. It's always interesting to me, this is my—I've been with you, Mr. Chairman, in all of our farm bill hearings, and farmers are very similar in their attitudes and approaches to life, regardless of whether you are a wheat farmer in Kansas or a person who raises poultry in the Shenandoah Valley of Virginia. There is something special about the profession that you all are engaged in, and we all want to be helpful to see that it continues, not only for your benefit, but for the benefit of the country.

Ms. Smith, your testimony was interesting, as all of you were to me, but these NRCS picking up the standards on animal ID is intriguing to me, and I want to go back to Kansas and make sure this is not something that's taking place at home. So, I, like your Congressman, am very interested in that topic.

Your topic that you raise about crop insurance, I appreciate. The subcommittee I chair has jurisdiction over crop insurance. I'd be glad to hear any particular suggestions you want to make about your points on crop insurance.

And finally, I thought you said something that we haven't heard in other places, because I think there is this belief that there's just—we talked about the last farm bill being the greenest farm bill ever, and I think kind of sometimes it just comes out of our mouths that the next farm bill is going to be even greener, meaning more conservation oriented. And, I'd like to give you the opportunity to make the point that you are making in your testimony, about why that may not be a solution or a good idea.

My farmers would tell me you can't take a conservation payment to the bank, your bankers don't loan on that, and I just want to hear your perspective as we look at a farm bill, there is this point about it will be a conservation-oriented farm bill.

And also, you make the point, as several of you did, about the resources necessary for the next farm bill. We are talking about farm bill legislation in all these hearings across the country, but I want to point out that the first step we have to go through is a budget next year, and that budget is where the initial battle, in my opinion, needs to take place, that we are all operating under the assumption that we'll not have as much money either for the next farm bill. I think it's important for us as members of the agriculture community that we first engage in the battle before we simply concede that, we need to make the case why spending for agriculture is important.

And so, when we start defining what the content of the farm bill is, that debate really needs to take place well in advance of the farm bill, at the time that we're discussing the Federal budget, and you made that point as well.

So, I want to give you just a moment, if you would, to comment on those crop insurance, the importance of resources and conservation.

Ms. SMITH. Well, I'll speak to the conservation first. My personal thoughts are, you can preserve all sorts of green land. You can preserve everything you can get your hands on. However, if you don't make it profitable and don't make it economical for farmers to be there, we are not going to stay.

You can take, for example, it's not only within farmers, it's industry wide, whether it's western Kansas and the tractor dealerships are leaving to move to a different area, that's no longer economical to have to go 3, 4 hours to get parts. I used to live in western Kansas, and made those 3 and 4 hour drives to get parts.

It's industry wide. We have to have the infrastructure in order for it to be profitable, and be economical for us to be in it. It's not just preserving of the land, it's preserving of the livelihood and lifestyle that we have.

As far as crop insurance, those things are important in bad years. We've gone—we've been very fortunate recently to have encountered the great rainfall we got, but we went 3 months with no rain. Those crop insurance things are very vital for us to raise—I'm trying to get my words correct, to have those in place for us in times of need.

Did I miss anything of your question?

Mr. MORAN. No, that's fine. You've actually sent me down a different path, like why would you ever leave western Kansas?

Ms. SMITH. Because this is home.

Mr. MORAN. And, that's a good answer.

Let me move to Mr. Meyerhoeffer. You talk about the importance of decoupled payments, and Mr. King mentioned the same thing. I think it's important for you to explain why you believe in the role that decoupled payments play.

Many of our hearings, many of our witnesses will talk about, and Chairman Goodlatte has been one who has asked this question numerous times about where do you put the priority in the next farm bill, is it the decoupled payment, is it LDPs, is it the counter cyclical, and many times we've heard, not about decoupled payments, not about the direct payment, but about the other forms of assistance under the current farm bill.

Why, Mr. Meyerhoeffer, is it important to continue or enhance the decoupled payment in the next farm bill?

Mr. MEYERHOEFFER. Well, I think it would help with the flexibility of being able to plant whatever crop that you see that is out there, that whether it's the corn market, and more things are moving towards corn production that is needed for the country and for the good of the country and all sectors of our industry, that you'll be able to do that and move from one thing to the other, that you are not locked in for long term on doing one thing, or this is what you've got to do in order to do that.

And, that there is what I would see that would be the beneficial of that.

Mr. MORAN. I appreciate your comments about the importance of the commodity side, the growing of grains, and how important that is to you as a livestock producer, and sometimes we like to segment the agricultural industry into it's them versus us, and I appreciate, we understand that our greatest market is livestock producers, and I appreciate you understanding that we are the people who provide you with the feed.

I just want to make a comment about decoupled payments. The Washington Post, and I don't know that you all read that down here, I don't read it there either, but recent article about decoupled payments and how it is paying people who no longer farm. And so, this program, which I think is awfully important, and, particularly, in Kansas where it hasn't rained for 4 or 5 years, we have not had the production, so the decoupled payment is all we've had.

And so, we are under attack, and we're going to need your help as we talk about these payments, certainly, in an urban setting, we need someone like you who expresses that opinion, as you just did.

Mr. Chairman, thank you very much for allowing me to be here and to hear the folks from your district.

The CHAIRMAN. Well, I thank the gentleman from Kansas, and as he well knows, there's no place like home.

Mr. MORAN. That's a good line.

The CHAIRMAN. The gentleman from California gets the award for having the district the furthest away from the Shenandoah Valley of Virginia, of those Members who are here today, but he is also sharing many things in common. He represents the Modesto, Stockton, San Joaquin Valley, and probably the most diverse agriculture production in the world. It's also facing the same kinds of land pressures from people coming over from San Francisco, and Oakland, and buying property there too.

The gentleman from California.

Mr. CARDOZA. Thank you, Mr. Chairman, and thank you for hosting this in your district today. It's been a real pleasure to see your part of the world, and although I've been here a couple times before, getting to know it a little bit better from this perspective has been fascinating.

I wanted to make the exact point that you made in my introduction, while my district, actually, my home county has about the same farmgate value as the entire production of the State of Virginia. I see the same kind of challenges, and the thing that strikes me as I go to these hearings that you've arranged around the country is, so often times we have the same problems over, and over, and over, with urban encroachment or different challenges, and the bottom line is, if we don't make agriculture a money-making proposition we are not going to have anymore agriculture, just as simple as that.

To that end, I'd like you all to make a very brief comment, and score for me three programs, or three concepts, EQIP, which is very important to my folks, the Market Assistance Program, which I've gotten positive reviews from, and research funding. If you'd all give me a 1 to 10 score of the importance of that to your particular operation, that would be real helpful.

If we could just start at the end.

Mr. MEYERHOEFFER. The EQIP is real, is very vital. I would rank that fairly high, you said score it, I don't know from 1 to 10, but it's very high, because of the programs and help that can come out, not only in the—mainly in the environmental area, that you could do to renewable fuels and things like that, and redo the research and development.

Mr. CARDOZA. We are going to have to get quick answers, though, because I've got one other one that I want to ask, so give me the other two, what do you think, research, how important is research to your particular—keeping you in business, and the Market Assistance Program?

Mr. MEYERHOEFFER. The research is very vital to the agriculture industry also. I think the market will take care of its place, not that we don't need some help there every now and then, but the research and the EQIP I would rank very high.

Mr. CARDOZA. Thank you.

Mr. King?

Mr. KING. I would say EQIP and research would be in the 8 to 10 range, and the market assistance would be about the middle of the score.

Mr. HEATWOLE. Yes, the EQIP and the research, I would rate about a 9 to 10. On our farm, we applied and received EQIP funding in the past year. The one challenge difficulty we had there, it's always, there's many things about 2 to 3 years outdated, they were using building cost estimates of 2 years ago, and we all know how outdated they are.

So, it just needs to be the program is kept up current, but, yes, it's very, very important environmentally, and, yes, the marketplace tends to take care of itself.

Ms. SMITH. EQIP and research very high, 8 to 10, especially on EQIP, very important to us. Marketing assistance, not something we use a lot of back here.

Mr. REEVES. EQIP, 8, market access, 9, to get us into export markets, research 6.

Mr. CARDOZA. Thank you, it sort of depends on what you do, whether or not—and the opportunity of export.

I have another question. Mr. Heatwole, is that how you say your name?

Mr. HEATWOLE. Yes.

Mr. CARDOZA. You mention in your testimony that you'd like to see a Federal order for milk, that means a national order I take it. In California, we have a California order, one of the things that's the highlight of that order is that we have higher standards than is required in the rest of the country. Those higher standards, for higher allowance of milk solids, do a couple things. They, first of all, consumers tend to like the quality of the product much better when they are doing flavor testing or sampling of the product. Second, the farmers enjoy the higher prices they get for their product.

Would you support those kinds of raised, elevated standards in a Federal order?

Mr. HEATWOLE. Yes, I certainly would. The higher standards that you have for the solids in milk, yes. When you, not only improve the quality milk, you improve consumption, so, yes, that would be a win-win for the country nationwide.

Mr. CARDOZA. It's also healthier.

Mr. HEATWOLE. Yes.

Mr. CARDOZA. More calcium, kids get more benefit out of it.

Mr. HEATWOLE. Right, yes, we definitely favor that nationwide.

Mr. CARDOZA. Thank you, and I appreciate your testimony.

The CHAIRMAN. I thank the gentleman.

The gentleman from east Tennessee, Congressman Bill Jenkins, is another valued subcommittee chairman, chairman of our Specialty Crops Subcommittee, and he's much closer to home, in fact, he has some ancestors buried in the church yard over in Middlebrook.

So, Bill, welcome back.

Mr. JENKINS. Well, thank you, Mr. Chairman, and I'm glad to be here. I'm a constant threat to the gentleman from this district and the one down in the ninth district, and I tell them about all the relatives I've got, if I'm run out of Tennessee I may just come to Virginia and run for public office.

Mr. King, let me start with you, and tell you that I'm a farmer, shouldn't tell you I'm a lawyer, too. I heard what you said about the lawyers and the doctors buying up all the land. I've also been a circuit judge in Tennessee for 6 years, and I would say to you, with your example story from EPA, I would say to you, I don't think you'll be a bit hesitant, but I would say to you, tell that story on every occasion that you get a chance to tell it, because I've heard that story many times in the 10 years that I've represented the first district of Tennessee.

The high-handed methods that EPA employs always is not directed to farmers alone, but people across the spectrum.

Ms. Smith has not encountered them, perhaps yet, but, Ms. Smith, I promise you that the day will come when the cattle producers in this country will come with stories that are very similar to Mr. King's.

And, I would say, tell it because there probably are people in this room who have heard it for the first time. Many, many Americans have never heard such a story, and they need to hear it. There are Members of Congress, perhaps, who have not heard or listened well enough to such stories, but it is only when that knowledge becomes widespread and known across this country will there be some action that will result in those methods being either eliminated or at least changed.

And, let me say to you and, perhaps, Mr. Meyerhoeffer, one or both of you mentioned the *Kelo* decision, the Connecticut decision relative to eminent domain, and I'll tell you some good news. In the fifth amendment to the U.S. Constitution it says, "Nor shall private property be taken for public use without just compensation."

There is a very similar provision in most of our State constitutions, and what the United States Supreme Court did on that occasion was basically to say, yes, a municipality can take private property and turn it over for another private purpose. And, this was a vast departure.

I have tried many, represented many landowners in condemnation cases, I heard many as a judge, but that, the good news is that there was an immediate reaction in the House of Representatives, and I have not in my 10 years there seen a reaction like it, because there were resolutions that came to the House immediately condemning that decision.

And, on one of those I think there were only four votes in opposition to the resolution, which brings to me my faith that I've had down through the years that on some occasions when those sacred constitutional rights are at issue, the people on the left end of the spectrum, or people on the right end of the spectrum, will come together. I think that's especially true in the protection of both fourth and fifth amendment rights.

So, there may be not as much for us to worry about. There are many bills that are going through the Congress right now that relate to this, that would prevent that decision from being ever implemented. So, that might be some good news.

Now, let me go over to the gentleman who represents dairy here, Mr. Heatwole, and you have spoken about the difficulties, I hear the same thing, our dairy farms have gone in the first district from thousands a few decades ago to probably less than 100 today in 12 counties, but you didn't, I don't think you ever mentioned the Dairy Compact, which is one of the remedies that our dairy farmers see as a prospect to make things better for you.

Now, the Federal legislation is boggled up, and many of the States have past enabling statutes that would allow them to join the Dairy Compact. But, do you see that as a viable solution to the difficulties that you face?

Mr. HEATWOLE. Possibly. There's been a lot of discussion back before the last farm bill about dairy compacts, and my understanding is, yes, as a dairy farmer I would favor a compact, but I don't

think there's any way that we can have regional compacts, because of how that could possibly affect interstate trade in the future.

The issue that I raised, and this affects all southeastern dairy farmers in the Southeast, we have the dilemma within the Southeast of the higher transportation cost of moving milk long distances to market, that no other region in the country has the way we do. We have 300 to 400 million pounds of milk a month coming into the Southeast. Of course, we all know what diesel fuel costs. We all know how that cost compares to 3 and 5 years ago. And so, we, the dairy farmers, are absorbing most of this higher transportation cost, and then the transportation cost of moving our milk within the Southeast to distant markets.

So, we have this cost, and dairymen, we aren't on a level playing field, dairymen in other regions of the country usually haul their milk 25 to 50 miles to plants, we have to go hundreds and hundreds of miles.

But, to your question, yes, anything that would help, whether it be something with—most people don't like the word decoupling, but separating class 1 in a deficit area to have a separate class 1 price in the Southeast for deficit milk, to encourage farmers to produce, separating that class 1 from the class 3, or there's numerous possibilities.

But, how to get there, yes, the compact would help, but then there's, I think there's real questions to that, whether that would really possibly restrict interstate trade between States.

Mr. JENKINS. Thank you, sir.

The CHAIRMAN. I thank the gentleman.

Another Member, whose district is a long way from here, is Congresswoman Stephanie Herseth of South Dakota. Her district, in fact, is the entire State of South Dakota, and she's another valued and bipartisan member of the committee.

Ms. HERSETH. Thank you, Chairman Goodlatte. It's a pleasure to be here in your district, and to meet so many of your constituents, both last night and today, and I want to thank all of our witnesses for their superb testimony.

A number of the questions that some of us have had have already been addressed, but as we all add a few comments to what's already been stated I appreciate the support of the research for the DDGs as a byproduct of the biofuels industry, and some of the work that our land grant universities are doing with the swine industry, with the poultry industry, to improve what we've already been able to do with the ruminant cattle industry, as well as all of your thoughts on the important of the EQIP, as well as I think the suggestion that we look at the flexibility or accessibility of that program for methane capture systems.

The importance of how we structure the next farm bill for younger generations, Ms. Smith, if my dad's operation could support another family, at this point, my brother or I would have, perhaps, viewed that a little bit differently than we did a few years ago when we were encouraged not to be considering that option, because of some of the things that we're experiencing in the Great Plains, that you are experiencing out here.

But, I do think that as we look at some of the questions that Mr. Lucas posed, and some of the ideas Mr. Etheridge suggested about

tax assessments and how those decisions are made more at a local level, as opposed to what's promoted by Federal policy and the impact of some of the conservation programs, which truly have had an increase in land prices in South Dakota, it wasn't quite clear to me if it was the DC folks coming down and invading the valley that was driving up those land prices more than the conservation programs.

But, I do think we also need to look at Chairman Pellett's comments earlier today about the role of the Farm Credit System for our younger farmers, particularly, as you try to diversify a family operation, looking for ways to access credit of younger farmers to make those investments and get some stock in an ethanol plant, or a biodiesel refinery, or what have you.

But, I do want to go back to the issue that Mr. Moran brought up as well, and stress the importance of the budget battle, and that we have to be together on the committee to retain this funding level that we currently have, if not add to it by convincing our suburban and urban colleagues about the value of what's going on in Rural America, the value of what you are already doing, whether it's through carbon credits or improving the funding for different programs in conservation and fully funding the rural economic development title.

But, I'm going to pose a question a little bit like Mr. Cardoza did, in the essence of time, if you could answer yes or no, maybe with a brief explanation, to these three questions, and this goes to everyone.

First, would you support an extension, a 1- or 2-year extension of the current farm bill?

Second, if at the point we do rewrite the farm bill, would you support a permanent disaster program, as I believe, Ms. Smith, you mentioned in your testimony that you would, and the drought issue in north central South Dakota is severe, and Mr. Peterson has introduced legislation that would do precisely this, in combination with the Farm and Crop Insurance Program.

And third, while I think all of us here on the committee during the budget reconciliation debate last year opposed the administration's suggestion that we revisit the issue of payment limitations, as it related to financing of some of the larger operations in different regions of the country. Do you think that we should put back on the table a discussion debate about payment limitations for producers around the country?

Mr. REEVES. Well, I think an extension of the current farm bill, I think, would only be good if we can't come to some agreement on what needs to be done to improve it.

As far as the payment limitations, we've seen tremendous consolidation in farming operations, just as across all industries, and I think all operations need to be able to participate in the programs to make it better for the environment and also to make it fair as we compete with farm leases and agriculture land.

Ms. SMITH. I would have to say yes to all three of your questions. Definitely, extend the current farm bill. It's working currently.

The permanent disaster, as I mentioned, we need something that would attend to that kind of situation.

And, payment limitations, as Mr. Reeves stated, as operations like my family's have grown, and there's four active generations farming, it doesn't take long for a family to reach limitations.

Mr. HEATWOLE. I would say yes to the three questions, but a couple comments.

To extend the farm bill, yes, so we'd have a clear view of the DOHA rounds with the WTO Trade Talks. Right now, we don't know who will be playing by them, who the players are and what the field is like, so, hopefully, we'd have a clear view of that.

As far as payment limitations, yes, but like with MILC, if you had no payment limitations it would immediately just be, it would break the program, the costs would just be prohibitive. And so, the OMB would just throw out the costs. So, if there's not some payment limitations, and it just breaks the program, you have no program, so you sort of have to weigh in the balance where we are better off for agriculture. So, that's a real challenge.

Mr. KING. I would say yes to all three of those questions.

I do remember in 2002, when there was the delay in getting the current farm bill, and some farmers were going to the field not knowing what programs they would be operating under. That is never good policy. Please have something in place, whether it's the extension or the new bill, so farmers can respond to the bill and make decisions that are best for their operations.

Mr. MEYERHOEFFER. I would also say yes to all three of your questions, in pertaining that if we can't come up with a new farm bill, yes, do extend this one here. I'm like Mr. King, we need to have something or some kind of a road map out there to shoot from.

And, payment limitations, as things have progressed and farms have gotten bigger, maybe we need to have a little bit more explanation of what a large farm is. But, yes.

The CHAIRMAN. It's now my pleasure to recognize the gentleman from Iowa, Mr. King, who is a very valued member of the committee as well.

Mr. KING of Iowa. Thank you, Mr. Chairman. I'm pleased to have the opportunity to visit your district here, and hear directly in no uncertain terms from Virginia producers, and we actually talk this same way in Iowa, and keep it clear.

But, there's a couple things I'd like to say first before I start with a round of questions, and one of them is that we've been producing a lot of ethanol in the district that I represent, roughly, the western third of Iowa, and we'll be up to 14 ethanol producing plants with about 75 million gallon a year average size by at least the end of next year. These plants are either in production today or are in construction today.

We'll be at five biodiesel producing plants in my district also by that period of time, and, actually, that happens to be, those that are up and running are also in my district.

So, I'm seeing this competition for acres between corn and soybeans, it's an interesting kind of a decision to have to make, and by next year we'll have people that own shares of biodiesel plants and the same person owning shares of ethanol production plants, and we'll have to decide where I get the best return on my investment from my investment in renewable energy. That's a great co-

nundrum to be in, and that's where I think agriculture is going, and I think ethanol builds out all the way through the Corn Belt, all the way through the soybean belt, and we don't know yet what cellulosic is going to do.

But, I welcome you all to engage in this, and I hope that you are investing capital and finding the engineering and design of the business plans to get that done.

That's the thing that solves a lot of these problems, and the question that came up here about, can we raise enough corn, or will we raise enough corn, to meet livestock needs, and I'll say at, say, \$3 to \$3.50 a bushel we'll be able to kick that national production up to 15 billion bushels, and that won't short the feed at all, because the price will be there.

We know that meat has to go up to meet this, but the most important question here of all of this, and I'm sitting here scratching my head on, and hasn't been asked, is, and directing it to Mr. King, how in the world did you become a first generation farmer? I have no idea how one could do this this recently, and I'd appreciate it if you could put that into the record for my edification.

Mr. KING. I think some things are divinely inspired and divinely consecrated, divinely brought into fruition. The older I get the less credit I take for any of it.

I was raised on a 6 acre farmette. We had one little poultry house, and by today's standards we'd all laugh at and say you can't do anything in that, and we're not right now.

In 1986, my wife and I had the opportunity to 100 percent finance a raw piece of land that hadn't been cared for decades. With the help of FmHA Farm Credit we put together a business plan. I tell people I sold myself. I dress like I am now, would go to my bankers and say here's my business plan, lay it all out, and finally got a couple people convinced that I knew what I was talking about.

It took about 2 years to put it together, so that's how it happened, but I don't take credit for it. It was a vision that was basically planted through the exposure of the Future Farmers of America that we call the FFA today, and I would say that next to God's given abilities that organization has done more to make me who I am, with the exception of my parents, than any other influence in my life.

So, there's an opportunity to say, let's keep vocational agriculture and other vocational programs strong, because they have sometimes pay backs that we don't even anticipate.

Mr. KING of Iowa. Thank you, Mr. King, I'm particularly pleased with your response to that question.

Then just casting across a number of things, Mr. Jenkins said that people on the left and people on the right will come together on property rights and the *Kelo* decision, and when he said that it flashed in my mind the memory of sitting waiting to be the next speaker on the Floor of Congress on that resolution, condemning the *Kelo* decision, with Barney Frank speaking ahead of me, my polar opposite, anticipating I would rebut everything he said and discovering that I agreed with everything that he said, that really confirms Mr. Jenkins' statement.

And then, I'd like to go to livestock identification and direct my questions both to Ms. Smith and Mr. Reeves. And, as you talk about livestock identification I'd point out that the Canadians are now shipping ID'd beef, RFID'd beef, to Japan, segregated cattle that are slaughtered in a group, and inspected, and shipped there, because they've met those standards.

And, under the proposals that you've discussed with a voluntary plan, I'd ask about how one might get to a high enough level of compliance that the Asian market would have confidence in our livestock ID program, and what percentage of participation would you predict that might be, and anticipating the light will probably turn red before I get my answers, then what percentage of participation do you think that might be, and then how might they come to join into that participation. I'll start with Mr. Reeves first, please.

Oh, and one more question then, Mr. Reeves. It's going to be voluntary—

The CHAIRMAN. You are running short on time, so we'll have to limit it to a couple of the panelists answering the question.

Mr. REEVES. A simple answer would be a branded program that required animal ID as part of the steps to participate in that branded program, would be a simple solution. In fact, I think some of those programs are starting to form in the industry today.

Our particular operation has used some EID, we've not participated in a database that would allow us to access the information back. One of the big concerns with the national program is who has access to what information and when.

Ms. SMITH. I would have to agree with Mr. Reeves that that is one of the largest concerns most producers I deal with the feeder cattle, is who has access to that information, where does the final person lie that, who is going to be able to see our records.

It is a voluntary program, and I believe it will be consumer driven as to how we get there through branded programs or whichever the method may be.

I don't believe that the animal ID will be anything coming in the next year, or the next 10 years, until there is something permanent and something that every State goes by. It has to be across the Nation, it can't be Kansas doing one thing, Virginia doing another, and Texas doing something different. It has to be nationwide.

Mr. KING of Iowa. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

The gentleman from Colorado, Mr. Salazar, represents the western half of the State of Colorado, and is one of our new members of the committee and very valued as well.

Mr. SALAZAR. Thank you, Mr. Chairman.

First of all, let me thank all of you for this wonderful welcome that we've received here. I feel generally good graces here. My wife and I still farm 2,500 acres in the San Luis Valley of Colorado. We understand the trials and tribulations that each and every one of you go through every day.

I'd like to give you all chance to respond to a comment that was made by one of my constituents here, just this last weekend that I was home, and let me just read it and then I'd like each one of you to respond to this.

“Government programs are designed to keep food prices cheap, and are not designed to keep farmers profitable. Because of these programs, the law of supply and demand does not work. Frankly, it would be better to keep government out of any supply side economics when it comes to agriculture.”

Could I have your response to that, please, starting with Mr. Reeves?

Mr. REEVES. Well, I guess cattlemen as a whole would agree with that statement. We always have believed in a free marketplace, and artificial barriers that are hindrances to the marketplace distort the signals we receive from the market.

So, yes, we think that we'd like equal access and base access to foreign markets on sound science, and thus open the markets to everyone equally.

Mr. SALAZAR. Ms. Smith?

Ms. SMITH. I would have to agree that, yes, there are things in our farm bill programs that make us have an unfair advantage in some ways. However, if you want to preserve the land, and you want to continue with the farming tradition, how else are we going to accomplish this?

Mr. HEATWOLE. I believe for the dairy industry we would definitely support continued Government involvement, and with the Federal Milk Market Program, being it's a perishable commodity, and we cannot store it, we cannot put it in bins and leave it there for 6 months, so we definitely need this to provide the safety nets, and then to provide a level playing field between producers. So, it's this point, I think, all dairy farmers would support continued Government involvement.

Mr. KING. I would say a national economy of our scale, a global economy of that scale, there is room for Government involvement in the marketplace, limited Government involvement.

Mr. SALAZAR. By limited, could you expand on that a little?

Mr. MEYERHOEFFER. I would say also, I would agree with some in certain commodities. It's kind of an open-ended question, but certain commodities, like the perishables being a dairy farmer for almost 30 years, yes, in perishable commodities like that I think there is some market support to sustain the supply. But also, in some other commodities, I think the free market system works very well, and that's the way we should be.

Mr. SALAZAR. OK. I'm very concerned myself. My wife and I have three sons, and none of them have wanted to come back to the farm because of the profitability issue. We are adverse to almost every single risk, I mean, whether it's to weather, or whether it's market related. So, my biggest concern is how do we design our Government programs to work on the profitability side, so that we can encourage young and beginning farmers? I think that's the biggest problem that we have to face. The average age of farmers right now is 55 years old, and young ones aren't coming on, and you can't blame them.

So, with that, I just want to thank you for your commitment to agriculture, and I certainly love to be able to be out on the land, and I think that we need to start addressing or have the consumer address the issue and support agriculture, because I think that agriculture—farmers can actually become the No. 1, I guess, producer

of open space. And so, I think the consumers of this country need to address that and pay for that.

I would just like to take this opportunity to thank all of you for your commitment to agriculture.

The CHAIRMAN. I thank the gentleman.

It's now my pleasure to recognize Congressman Randy Neugebauer, who represents a very large congressional district in west Texas, the High Plains country of west Texas, and he'll feel more at home with our cotton and peanut witnesses on the second panel, but he's got a lot of cattle in his district, too. I've been there and seen it.

Welcome.

Mr. NEUGEBAUER. Thank you, Mr. Chairman.

In order to move the hearing along, I'm going to yield most of my time, so we can get to the second panel. I want to thank you for having this hearing. This has been one of the, I think, better panels that we've seen around the country, giving very thoughtful testimony.

I was a little disappointed, Mr. Reeves, that you didn't mention one of the other commodities that you have on your land, and that's your trout population, and some time maybe we may have a field hearing at your place.

Mr. REEVES. You are welcome any time.

Mr. NEUGEBAUER. We could check that out.

But again, thank you for your testimony. This is very important, as we move this forward.

Mr. Chairman, with that I'll yield the balance of my time.

The CHAIRMAN. The Congressman has had the opportunity to do a little bit of trout fishing this weekend, and it's a little different than west Texas, isn't it?

The gentlemen next to him also represents a very large district in west Texas. I'll give you a little idea of the difference in the terrain there than you see here in the Shenandoah Valley, he has a town in his district that's called No Trees, Texas.

I'm pleased to welcome Congressman Mike Conaway.

Mr. CONAWAY. Thank you, Mr. Chairman. I won't use all my time either.

I want to thank the panel for their testimony, and the preparation time you put in it, and for your commitment to making Rural America a vital place to live.

Just two quick points. One, these Government payments, according to some statistics we've gotten from the Department of Agriculture, have gone up 124 percent in the last 7 years, well, I'll say between 1997 and 2005, actually 5 years. Would you expect to see in the next 5 years a similar growth pattern being necessary in order to meet some or all of the needs that you shared with us?

And the other question is, no one has mentioned labor issues, and the ability to get people to go to actually work for you in these tough—you may just all do the labor yourselves, and you've grown children to help with that project, but speak to us a little bit about your labor issues as well.

Mr. MEYERHOEFFER. I would like to say that, as far as the labor, I didn't know, I tried to stick to what the farm bill issues were, but we are very concerned about the labor issues also. It is very impor-

tant to us, and important to this area, for the immigration bills that are before Congress today.

Actually, we do not take jobs away, being part of a poultry company, we do not take jobs away from the Americans that are here, it's just is that they probably don't want to do the work that we are requiring for them.

So, we are very interested in what is happening with the immigration bill before Congress, and how that all works out. We pay a fair and equitable wage, with full benefits to our employees, and they do a service for America that is very vital to our country, and we respect those people and what they do.

Mr. HEATWOLE. Yes, obviously for the dairy industry this is a large challenge. I had a part in my oral testimony, but eliminated that because of lack for time, that in the dairy industry we support the agriculture jobs provision contained in the Senate version of the immigration reform and ask your support for passage of legislation that contains such language. But, just for lack of time we did not address that.

Ms. SMITH. As far as labor, I guess I'm very—I am one of the grown children that returned to the farm, however, as far as migrant issues, do you know what a scary day that was on the day of the Hispanic walkouts in the packing plants, when our cattle prices went limit down? That's scary for us. If something happens that they all have to leave, what are we going to do?

Mr. KING. I'll be a lone voice that may sound different.

If we don't have secure borders, we've got more to worry about than just where we are going to get labor to process our plants, we've got all kinds of bio terrorists who would love to devastate the agriculture of this great Nation. And so, we need a balanced approach on that particular issue.

And, you tell me what you want us to be like, and what you want us to look like, and what kind of Government regulation we are going to have to encounter in the next farm bill period, and I'll tell you whether the increase over the last few years was enough.

Mr. CONAWAY. Not to push that too much, but I don't think it's the Federal Government's role to make those decisions, that's your call as to what you ought to look like, how you make your deal work. And, the more you demand that answer, the worse this Government is going to make us all look.

Mr. REEVES. To your point on increased costs, I think there are some programs that are going to require increased funding just to allow greater participation, a larger percentage of the producers.

Mr. CONAWAY. Thank you, Mr. Chairman. I appreciate the panel, and I'll yield back.

The CHAIRMAN. I thank the gentleman.

It's now my pleasure to recognize one of the newest Members of Congress, and a new member of the committee, Congresswoman Jean Schmidt from Ohio.

Mrs. SCHMIDT. Thank you, Mr. Chairman, and I think the appropriate people to direct this to are Mr. King and Ms. Smith.

Actually, Congressman King asked my first question. My second question, and I think both of you touched on it, was the opportunity to continue farming and to buy more property for farming.

Two of the issues, the eminent domain issue, and the estate tax issue, I think we can fix, and I believe we need to fix. The estate tax I don't think we've done enough on, and the eminent domain issue we need to stop private developers from taking your land for private development, and using the Government as a ruse to do it, and it's happened time and again in my own district. So, I do understand that issue.

But, the question is the land price, and I know how difficult it is because I'm in a district where when I grew up it was all farmed, and now I'm the last remaining farm in the town that I live in, because it's all brick and mortar. And, while at one point you want to see it return to the past, the issue is, these farmers, for a variety of reasons, estate taxes, a major thoroughfare going through the area, were able to reap a cash benefit that wasn't there at one point in the game.

And so, there's a tug, and a pull, and a frustration as to how we let you buy land in growing communities, and I think that the whole Commonwealth of Virginia seems to be becoming a growing community to be an appendage of Washington, DC.

So, you need to kind of help me figure out how we, as the Federal Government, can help you buy land that's profitable for you to buy, but at the same time profitable for those that are selling it.

Mr. KING. There's another piece of the puzzle I'd like to throw out, protecting us from unnecessary environmental regulation will increase the profitability, and I would encourage all of you to co-sponsor H.R. 4341, the agriculture community does need protection from the Superfund legislation.

We cannot withstand those kinds of scrutinies, not that we don't have a role to play, and not that I haven't willingly, and in many cases voluntarily with no Government help, put practices into place on my farm that were the right thing to do environmentally.

I don't want to shirk from my environmental responsibility, but I do need protection from the added costs, even if it's simply to defend myself in the process, I do need protections from those costs, and that's one way that we could do it.

I think that the last farm bill had some money in place for the purchase of development rights, but it had to be matched with local funds. In this area, no State or local agency has stood up and said we'd like to participate in that program, so it hasn't been helpful for us.

I am not suggesting this is a Federal Government issue that must be solved simply by the Federal Government, so I'm not saying the new farm bill should have 100 percent no local participation, I'm not suggesting that.

But, I don't want the Government to control real estate prices. I don't want Federal limits on what an acre of ground is worth, but I do think that there are opportunities, and we need to continue to work together on all levels of Government, and farm agencies, and conservation agencies, as long as we have a definition on what open space is that we can live with. We can all work together to preserve open space, and resources need to be shifted so that farmers can purchase land, sell the development rights, lower the cost of land so they can afford to farm that land at a profitable return.

And so, I think that that's the tool, I don't think we have the tool right yet. I think there's a lot of work to do in that area, and it's not all Federal work to be done to make that a way that we can make land affordable to stay in farming.

Ms. SMITH. I guess my thoughts on it are, you mentioned through your local area that there's some infrastructure that the interstate thoroughfares have gone through. Those have become prohibitive to normal farming practices.

I have a great story, some people we know that moved to Virginia from New York, actually live on Long Island, their land was put into PDRs, and purchased, and has been preserved. However, the land adjoining them was not. They now sit in the middle of multi-million dollar homes, and their potato farm can no longer operate because of the dust and the noise.

So, there are reasons and ways to go about this, I'm not sure which way we need to go, preserving land, like I said before, you can continue preserving land, but you need to preserve the farmer, like the example on Long Island. Land is there, but they can't farm it because there's not the infrastructure, their markets aren't there any longer, running tractors and creating dust, people don't like it.

So, I'm not sure of the answer.

Mrs. SCHMIDT. Mr. Chairman, I yield back.

The CHAIRMAN. I thank the gentlewoman.

The newest member of the House Agriculture Committee is the gentleman from Indiana, Mr. Sodrel. We are going to have a field hearing in his district a week from today, and we're delighted that he came down here to be with us.

Mr. SODREL. Thank you, Mr. Chairman, for doing this, and I also thank the witnesses for being here.

In the interest of time, I have a short statement and then I'll yield back.

Mr. King, when I was listening to the harassment that you were going through, there are a lot of famous Virginians, Madison, Washington, but to quote the words of Jefferson that were memorialized in the Declaration of Independence, there's a paragraph there that I thought was really significant. He said, when he was talking to King George, and a reason for dissolving our relationship with King George, he said, "He has erected a multitude of new offices and sent hither swarms of officers to harass our people and eat out their substance." It sounded a little contemporary to me.

So, you do have some empathy and some sympathy here on the committee, and I yield back the balance of my time, Mr. Chairman.

The CHAIRMAN. I thank the gentleman for his brevity and his wit.

I want to thank all the members of this panel. They've done an outstanding job, and they've answered a diverse array of questions from the members of the committee, and the information you've shared with us will be very useful to me and the other members of the committee as we move forward with the farm bill.

I want to excuse all of you now, we are going to keep right on moving. We have a tight schedule, so we are going to invite our second panel to come up and join us at the table, and while we do that I want to invite Virginia's Secretary of Agriculture to come for-

ward and sit at the end of the table, and share a few words with us.

Bob Bloxom is an outstanding Virginian. He has served with distinction in the Virginia General Assembly, as chairman of the House Committee on Agriculture, and then as a Republican was appointed by Democratic Governor to serve as Secretary, the first Secretary of Agriculture for Virginia, and he's so bipartisan that the new Democratic Governor reappointed him.

Bob, welcome.

Mr. BLOXOM. Thank you, Mr. Chairman.

Actually, that sort of has a special resonant sign, having Mr. Chairman as one of your own. We certainly are glad to have you serve as chairman of this committee.

I appreciate the opportunity to just be here with you all, and members of the committee, it's great to have you in Virginia.

Agriculture is important. No one I think understands it any better than you all do. No matter how we say it, food is the essential. Everything else is nothing but lecturing. So, it's nice for you all to be involved in a committee that has that type of interest, involvement, and the decisions we make, and the decisions to make will certainly be good for the future of all agriculture all across our Nation.

So, we are glad to have you here, we appreciate the time that you are spending with us, you are willing listeners, and that's all we can hope for. The end result will be positive for all.

So, Mr. Chairman, it's nice to be here with you, and I thank you for the opportunity.

The CHAIRMAN. Mr. Secretary, I appreciate very much your taking your time to come over from Richmond to be with us today, and we look forward to working with you and others here in Virginia as we move forward.

Mr. BLOXOM. Thank you very much.

The CHAIRMAN. I'd like to welcome our second panel. I think Ms. Randel has stepped out, and we will have her join us in a minute, but she is Ms. Emma Randel, wine grape producer of Edinburg, Virginia. Mr. Phil Glaize, apple producer of Winchester, Virginia. Mr. Tom Sheets, hardwood lumber producer of Fishersville, Virginia. Mr. Billy Bain, peanut producer of Dinwiddie, Virginia, and Mr. Robert Spiers, cotton producer of Stony Creek, Virginia.

Mr. Glaize, since Ms. Randel has not stepped back in yet, we'll go ahead and start with you. I'd remind all the members of the panel that your entire written statement will be made a part of the record and ask you to limit your comments to 5 minutes.

STATEMENT OF PHIL GLAIZE, APPLE PRODUCER, WINCHESTER, VA

Mr. GLAIZE. Thank you, Chairman Goodlatte.

Good morning, Chairman Goodlatte, Ranking Member Peterson, wherever he is, and distinguished members of the committee.

My name is Phil Glaize, and I'm a third generation fruit farmer with operations in the northern Shenandoah Valley of Virginia.

Glaize Apples currently operates 650 acres of orchard and employs 170 people at peak need. We are considered a small to me-

dium-sized operation for our industry. Our focus is fresh fruit, but we also maintain about 15 percent of our production for processing.

Thank you, Chairman Goodlatte, for holding this hearing. It provides a real opportunity to assess the current needs of agriculture with an eye toward the future.

Some in agriculture have called for an extension of the current farm bill, but I believe that would be a mistake. Much has changed since those policies were written, and I believe they no longer reflect the reality of agriculture. The challenges and opportunities of today's global economy call for a new direction in our policy.

The specialty crop industry does not want policies that sustain yesterday's business. We want an investment in the future. The produce industry is not looking for a direct payment program. I do not believe that would be in the best interest of my business or of the industry as a whole. We are advocating for programs to grow demand and build a long-term competitiveness and sustain ability of the specialty crop industry.

Efforts such as the Specialty Crop Block Grant Program are critical to our industry's survival. The original Block Grant Program helped the Virginia Apple Growers Association to establish an export trading company. I am one of the original members of that ETC. With the help of the ETC, we increased the dollar value of our exports by 100 percent in 3 years. Funding through the original grant has expired, and grower members picked up the slack for last year's crop. However, we are in danger of losing the ETC this year, as funds appropriate for fiscal year 2006 have not been disbursed and the growers cannot afford the level of commitment required.

The export market provides an outlet for approximately 25 percent of the United States apple crop. The Market Access Program has been of great benefit to our industry, offering a marketing advantage as we compete with countries such as China and Chile.

I also offer strong support for the Technical Assistance Program for Specialty Crops. This grant, which was administered through the Virginia Department of Agriculture, played an integral role in getting Virginia apples into Mexico. Future task grants can address the few technical issues remaining with the Mexican Export Program and begin to open new doors for Virginia apples.

The next farm bill should include expansion of conservation programs, such as the EQIP and Conservation Security Program. These programs benefit both producers and consumers as they lead to a more stable and productive farm economy and an improved environment.

Glaize Apples participated in the EQIP this past year for the first time. Our cost sharing ended up being less than full value, due to an over subscription by specialty crop producers. Current usage of the program points to the fact that continued and higher funding should be earmarked for specialty crops.

Federal farm policy should also re-emphasize the need for significant investment in specialty crop research and development, in order to keep U.S. fruit and vegetable producers competitive in the global marketplace. I support proposals to mandate an emphasis on specialty crop research as part of the National Research Initiative, and to establish grant programs within USDA with the goal of im-

proving the efficiency and competitiveness of specialty crop producers.

Studies show that the vast majority of Americans are not eating the recommended servings of fruits and vegetables. On any given day, 45 percent of our children eat no fruit at all, and 20 percent eat less than one serving of vegetables. We need to reach consumers at an early age to help establish habits that will last a lifetime. Programs in the schools such as the Fruit and Vegetable Snack Program are an important first step. We do not yet have that program in Virginia, and for the sake of the children I believe we should have it in all 50 States.

I strongly support an expansion of the section 32 purchases of fruits and vegetables. It is my understanding that the 2002 farm bill called for an expansion of this program by an additional \$200 million, but that USDA has not taken that interpretation.

I've had many years experience selling to USDA through this program, and believe it is a win-win for the produce industry and for our students.

Increasing demand for fruits and vegetables will benefit the grower, the consumer, and the taxpayer. The next farm bill should also include a fruit and vegetable nutrition promotion program, designed to help all Americans increase their consumption of fruits and vegetables. Meeting Federal health guidelines would require Americans on average to double their consumption of fruits and vegetables, and increase in demand that would create significant value to U.S. growers in a market opportunity.

The program would be a cost effective way for the Federal Government to help the sustain ability of the U.S. fruit and vegetable growers, while tackling the critical obesity and health crisis that is draining Federal funds for ever-escalating health costs.

The specialty crop industry is preparing itself to meet the new challenges being placed before us. The 2002 farm bill and legislation that followed it helped us toward this goal. However, low prices in our global marketplace have prevented many fruit and vegetable growers from making the necessary long-term financial commitments. We must turn this around.

Thank you for allowing me this opportunity, Chairman Goodlatte, and these discussions and the final reauthorization of the farm bill are an exciting opportunity to set the stage for the future of fruit and vegetable production in this country.

[The prepared statement of Mr. Glaize appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Phil. Ms. Randel, welcome, we are very delighted to have you here representing the wine grape grower industry, and we introduced everybody in your absence and said that your full written statement would be made a part of the record, and we'd be pleased to have you share your testimony with us now.

**STATEMENT OF EMMA FRENCH RANDEL, WINE GRAPE
PRODUCER, EDINBURG, VA**

Ms. RANDEL. I apologize for being absent when you started.

The CHAIRMAN. Not a problem.

Ms. RANDEL. Congressman Goodlatte and members of the House Committee on Agriculture, my name is Emma French Randel. I am co-founder and president of Shenandoah Vineyards of Edinburg, Virginia, which was founded in 1976. I also serve on the Board of the Virginia Wineries Association.

I've been asked to speak before this committee on behalf of the Virginia wineries and Virginia vineyards concerning the Federal farm policy.

Shenandoah Vineyards was founded in 1976 and is the fourth oldest winery in Virginia, and the first one in the Shenandoah Valley. In those early days, not much information was available on growing grapes or making wine in Virginia, but there has been tremendous growth since the 1970's. Currently, there are 110 wineries in Virginia, and more are being started every day. This growth has benefitted by the research and technology support of our Virginia enologist, Dr. Bruce Zoecklein, and our Virginia viticulturist, Dr. Tony Wolf.

It takes investment of many years of dedication, hard work, a large investment of capital, and, I might say, passion, for a winery finally to become profitable. And, Many Virginia wineries have become profitable. The new farm bill should help the growth of present and future wineries, as well as other specialty crops, by helping growers improve quality and enhance marketability of agricultural production, and promote agriculture sustain ability that adds value to the economy and it keeps our farmland's rural character.

Specialty crops are a significant part of American agriculture with a farmgate value of about \$55 billion. Specialty crop producers represent more than half of all agricultural production. Thus, it is very important that the next farm bill address the needs of specialty crops in a fair and balanced manner.

I would like to see continued viticultural and enological research through block grants to the Virginia Department of Agriculture, to support research in area and regional plant diseases and pest problems, and other competitiveness enhancing programs. Research to develop virus-free rootstock is urgently need for Virginia vineyards as well as those of other States. Soil studies of former tobacco land as ecologically safe for vineyard development would promote more vineyards here. We need better access to affordable technical and professional laboratory analyses, i.e., the founding of an East Coast viticulture and enological laboratory center.

Availability of labor is a big concern of winery and vineyard owners. I might say I put that in before I heard it from the Congressman. Could this concern be addressed in some way by the new farm bill?

As wineries grow in size and number in Virginia, I envision the need for help in marketing our product here and even out of the country. A part of marketing that has been adversely affected here in Virginia is the loss of self-distribution of our wines. I am not sure how the Federal farm bill could help in this problem, but there must be a way, because many of our wineries will find it much more difficult to grow and become successful. Grants for marketing possibly could help with this problem.

Funds to sustain the wine industry in Virginia, and promote its growth, adds value to the economy, environment and quality of life in rural communities, i.e., Virginia's farmlands. With more farmlands, there will be fewer housing developments!

Thank you for allowing me to speak to you today on this vital subject.

[The prepared statement of Ms. Randel appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Ms. Randel. Mr. Bain, welcome.

**STATEMENT OF BILLY BAIN, PEANUT PRODUCER, DINWIDDIE,
VA**

Mr. BAIN. Thank you, Mr. Chairman and committee members, I'm Billy Bain. I farm in Dinwiddie County, Virginia, where I grow wheat, corn, soybeans, peanuts, and I have a small herd of beef cattle.

For many years, I have served on the Board of Directors of the Virginia Peanut Growers Association, as well as Peanut Growers Cooperative Marketing Association. While I do grow these other commodities I will direct my speech to peanuts today.

First, I'd like to summarize and give you a little background on how we got in this predicament we are in in Virginia peanuts. If you refer back to the late 1970's, early 1980's, law mandated the loan rate on peanuts be 75 percent of parity. At that time, Virginia grew 104,000 acres of peanuts. As time moved on, we dropped into the 90,000's, and then the support price on peanuts in the 1990's dropped back to \$610. At that time we were led to believe if we lowered our price some at the farmgate that the other parts of the industry would lower their price and we'd move more product, and I might say at that time that proposal didn't fail, I mean it did fail, because we were not able to market more peanuts.

And then, when the 2002 farm bill came about, support price was lowered to \$355 because we were told we were in a global market, and with imports coming in we would not be competitive if we didn't lower the price.

And, that's when the acreage has dropped to 58,000, and then today USDA is predicting peanut acreage in Virginia will be 13,000 acres. I want you to remember those numbers, 104,000 back to 13,000, at which time we were talking in the beginning \$117 million crop in Virginia, and this year it will be probably be an \$8 million crop in Virginia, quite a change.

And, it's hard to make up that difference, because most of the peanuts in Virginia are grown in a triangle from Norfolk over to Emporia and northward to Petersburg, so if you think about that triangle that's predominantly where the peanuts have been grown, and there is no where else for the peanut acreage to shift to with this new program.

Another reason that became a factor is, there's been so many critics of foreign programs, and peanuts were picked out because of pressure from imports and critics that label us as taxing the consumer and represented by retail price to the tune of \$500 million annually.

There was five items that this farm bill was supposed to accomplish, and I'd like to mention those five items. The program must

allow for growth in the peanut industry. At the producer level there was some minor growth in the total acres, but only at the expense of other growing areas, due to the shift in acreage.

The program must lower the cost of peanuts and peanut products to the consumer. While there has been some minor decreases overall the price to the consumer did not come in at all. In fact, I know of several individuals that have small peanut processing plants, and they are telling me they are paying more for peanuts to sell under this farm bill at \$355 than they were when peanuts were \$610 a ton, or even \$375.

The program must encourage more exports of U.S. grown peanuts. Today we export half the tons of peanuts in this country than what we used to in the old farm bill.

The program must provide a safety net to the producer. That has not been adequate enough to keep peanut production up in Virginia, as you can tell by the acreage.

The program, through lower prices, should discourage imports. The shelled peanut imports have fallen, but these have more than been offset by other imports not counted in the tariff rate quotas that come in to this country.

Taking all classifications into consideration, there are more imports in 2005 than there were in 2001. What changed with this new marketing agreement? First, there are few buyers. Back in 1980 in this Nation we had 54 peanut shellers nationwide, today we only have 12. So, you can see the competition is not there for our crop.

Second, the number of acres planted nationally is virtually unchanged. New growers in other areas picked up some acres to expand, unfortunately, we didn't have—did not have any new land in Virginia suitable with virgin soil. These new growers, virgin soil, when I say that I mean soil that has never been growing peanuts before, and peanuts will really produce. We are talking yields 4,000 to 6,000 pounds per acre, and the national average is somewhere below 3,000 pounds per acre. So, these new growers did profit well in these first 2 or 3 years, but if you look back the first peanuts grown in the United States were grown in Virginia, and we have growers that have stood by for years and done a good job of growing peanuts.

And, basically, we have become contract growers in Virginia now, and that's not good because the contract is below the cost of production. The growers on the National Peanut Board has been authorized by the growers tax to help promote the sale of peanuts in this country has done more good than the reduced price that the farm bill gave us.

They want peanuts to look like other commodities, but we can't do that, peanuts are a specialty crop, it's a perishable crop, and it take special equipment to harvest peanuts. Some of the growers that are still in the business are trying to hang in there, and they will not be replacing their equipment because they can't afford to at the prices we have today.

I want to jump on to the Marketing Assistance Loan, which is now a 9-month loan. These peanuts have to be in the stores for 9 months are not fit for edible trade. We are talking insects, damage

to these peanuts, and we are recommending that the long period be shortened to a 6-month loan period.

Today, as we entered this, we are 60 days away from beginning harvest, and there's 800,000 tons of last year's crop still on the loan. These peanuts should have been crushed and moved out of the marketplace by June 30. We want the deadline to be 6 months or June 30.

I'm trying to wrap up real quick, Mr. Chairman.

There's the assumption that the growers, we've been after USDA to enforce this crushing, and to no avail, we cannot get them to work with us. They said they are still good peanuts, we have proof that they are not. They said the USDA is the—that the growers have the loan, and they can decide when to sell the peanuts, but that's not true. When you sign a contract today, the handler has the right to redeem the loan, and he gets the money, not the grower.

All of this leads down to this. Some growers have tried switching to other crops, and I think that, basically, this is a sad state of agriculture in this country, because most commodities are being sold below the cost of production.

I need to wrap up on one thing, and that's trade agreements. USDA made one correct statement, they said that peanuts would suffer the most under the trade agreements, especially GATT, and that was certainly true. We have suffered by what's happened, because the imports just flow into this country, unmonitored, confectionary, and crude, and refined peanut oil is flowing in, and we cannot compete with these other countries the way that they can grow with the cheaper labor rates they have. We need to look at crop insurance, at least have some insurance at the contract price level, or either cost production level.

One final thing, we are not sitting idly by. Virginia, North Carolina, South Carolina, have got a logo of certification approved by the U.S. Patent Office and Trademarks. We are hoping to label our Virginia grown type peanuts so that the consumer, when they go to buy peanuts, they'll know what to look for, look for that logo, get good tasting peanuts.

I want to say that the administration has proposed cuts in agriculture. Agriculture has already taken its cut, because what we've gone through the last 2 years in fuel and fertilizer prices, and interest rates inching up, we have taken our hit. I just cannot see how we can possibly afford to have any cuts in any of our farm programs that we have today.

We, Mr. Chairman, if anything comes about peanuts, we would like Virginia Peanut Growers Association to be at the table.

Thank you, and I welcome any questions.

[The prepared statement of Mr. Bain appears at the conclusion of the hearing.]

The CHAIRMAN. Well, thank you, Mr. Bain, and you certainly will be, and I want to take a moment to say that both Mr. Bain and Mr. Spiers, who will be testifying in a minute, are from Congressman Randy Forbes district. The Congressman was unable to be with us today, but his aides are here, and they certainly will represent you well in that process, and I will also tell you that I believe just about every member of this committee now has enjoyed

the pleasures of Virginia type peanuts, have been able to do some little comparisons with some of the other products that are provided to us as well, and you are way ahead.

Mr. BAIN. I need to show my little bag of peanuts here. I just want you to know, this 1¾ ounce bag of peanuts, the grower got 2 cents for these peanuts in the bag. If we doubled the price, who would know the difference? Who would know the difference? There's a story behind peanuts. The tax on a bag of peanuts is as much as what the farmer got for the peanuts.

Thank you.

The CHAIRMAN. Thank you, Mr. Bain. Mr. Sheets.

**STATEMENT OF TOM SHEETS, PRESIDENT, BLUE RIDGE
LUMBER COMPANY, FISHERSVILLE, VA**

Mr. SHEETS. Mr. Chairman and members of the committee, I was going to say good morning, but I think it's afternoon by now.

Welcome to Staunton, Virginia, Augusta County.

I'm Tom Sheets, president of Blue Ridge Lumber, and I'm honored to be here to speak to you about the hardwood industry and my company.

Blue Ridge Lumber was founded by John Root in 1981. The reason I put that in there, as Bob well knows, John had retired, he was a farmer and a well driller, and he had retired, made some money in real estate selling his farm, and he and I were playing golf. I'm in the textile business, on night shift, and we all know what happened to the textile business, that went away.

John decided he was bored and started a sawmill. He didn't ask the Government for anything. And, I come along about 3 years later, we grew to 150 plus employees with 50 contractual employees, currently have a payroll of over \$4 million a year, sales of \$32 million a year, export sales of over \$15 million a year, and we put back just in timber and logs into the surrounding area \$15 million a year in purchase of raw materials.

We have done this with little or no help from the State, Federal and local governments. Our industry tends not to ask you guys for much, except get out the way, and you've heard that before, and I wasn't prepared to talk about this, but since it's come up, we do have labor issues, and to help solve those you need to secure the borders. You need to have a—you need to call the Social Security number a national ID, which it truly is, and for some reason we refused to acknowledge that it is. We need to have some kind of ID that is correct and accurate, so we can authenticate who we are hiring.

We don't really care what you do to the minimum wage, in manufacturing we've long surpassed what your wishes are on that. The worker usually sets that, and if you think I'm sitting here all profitable, I'm not. We are making money, but if we're getting rich, no we are not, and I'm not here to ask you to help me turn my bottom line into more black, I do want you to consider a few things, just a few things that I think would help our industry and my company.

Obviously, I need timber. I need access to it. 95 percent of the timber we get right now comes from private property. One way to continue that is maintain the current capital gains tax rate. John and I used to race each other to the mailbox to see who was going

to get the latest mail, because we mostly buy our timber on competitive bids.

When the capital gains tax rate started coming down, more farmers and landowners started selling their timber, because they could afford to sell their timber. So, please, please, please, maintain that, or even lower it. We do not get any benefit from holding timber, because inventory items cannot be a capital gains, that's ordinary income. So, this goes strictly to the farmer, or the landowner, or the producer of the timber.

Encourage conservation of timber lands, do not over regulate our industry or the private timber land owner. Keep in mind that much of the private land that we currently harvest will never be harvested again, due to development and environmental pressure on local governments, so it's important and critical for our Government to reconsider the role of the national forest and return to a more balanced use, a true multiple use, allowing greater access to an under-used resource.

Keep in mind, I'm sitting here today at 95 percent. If I have the privilege to testify to you again, it will probably be lower at some point.

The other thing I want you to concentrate on and consider is markets. The hardwood lumber industry participates in a global free market with prices being established practically every day. Wood fiber is so specific in its use that we need to market our products worldwide. Currently, we sell to over 20 different countries, including two Communist countries. I've even visited Cuba twice on trade missions. To assist our industry, I'd ask you to consider the following, currently you fund the American Hardwood Export Council, the AHEC, as we call it, promotes the use of American hardwoods in foreign markets. The world is sitting on an awful lot of wood. Russia itself has two-thirds of the world's wood fiber in their country alone. We are competitive because of our efficiency in the markets, our delivery system, our banking systems, they can count on us, unlike they can in Russia, for example.

Another thing you could do is recognize, encourage and reward biomass conversion into energy. At Blue Ridge Lumber, we have operated a wood fired gasification boiler since 1993. We do receive a tax credit based on the amount of BTUs created. This was a program that Congress put in, and I'm not sure if all of you were aware about it, but it was so new in 1993 that when we filled out our taxes there wasn't even a line on the tax form for it, and we had to work that out, and we've been doing that since 1993. We currently have two gasification boilers, and what that does is heats the water for vat steam, so we can dry our lumber. Instead of being a perishable product, the product can be stored, and you need to do that in the manufacturing process.

We also sell our sawdust to another boiler, which is not gasification, he's using the old system. Sawdust in our industry, basically, is a waste byproduct. It costs us about as much to get rid of it, so whatever we can do to keep it on the property, keep it off the roads, we operate under air permits that are rather strenuous, so we are very comfortable with what we are doing, we are very comfortable being regulated. You can do more with biomasses that I think you've been talking about today.

Wood fiber eventually is going to be mixed with animal waste, because that provides a solid, and it's already been done with human waste now.

Export sales are such a large percentage of our sales, we need to continue with smooth, fast international banking transactions. I threw that in at the last minute because of the recent controversy of the Federal Government looking at banking transactions, et cetera, et cetera, for homeland security purposes. I don't know if it's ever going to affect me, but I can tell you, when I sell into a foreign country every bit of it comes back to me in the form of wire transfers. We need that money. We do not need it to be held up and looked at. You can look at us all you want to, but give us our money, we are here, we've been doing this, where we get the money from, that needs to—you need to ensure that that stays in place.

The other thing to increase export sales, and Virginia does a very, very good job of, you need to maintain efficient ports with adequate access for the exported material. Now, quite frankly, we are maintaining the ports because we import so damn much into this country. I can ship a container of wood, 50,000 pounds, to Hong Kong for \$600 and some to China for \$700. I've got two trucks sitting in Laredo, Texas today that's going to cost me—is that your district, sir, one of you, is Laredo your district—OK.

The CHAIRMAN. Tom, you are going to need to wrap it up.

Mr. SHEETS. Oh, my gosh. I will stop, because you've heard enough, I guess.

Thank you very much.

[The prepared statement of Mr. Sheets appears at the conclusion of the hearing.]

The CHAIRMAN. We'll get to your questions for sure. I now want to welcome Mr. Spiers.

STATEMENT OF ROBERT HALL SPIERS, JR., COTTON PRODUCER, STONY CREEK, VA

Mr. SPIERS. Chairman Goodlatte, ladies and gentlemen of the committee, by way of introduction I'm a row crop farmer from southwest Virginia. I've farmed all my life, only taking time for education and military service. The farm I live on has been in my family and passed down through my family for 125 years, and further, I have deeper roots in the local county. I'm an eighth generation farmer, have a 37-year old son in my operation that, of course, is a ninth generation farm.

And, I am not unusual and unique from my part of the world. You've heard about the history in Virginia, but being that close to Jamestown we've been here a pretty good while.

My comments today will center on some of the policies that affect me as a small commercial sized row crop farmer from Southeast Virginia, with emphasis on cotton. While my region of the State is primarily a row crop area in which farm programs play a crucial role, I speak to you today in an area of the State where livestock production has a predominant role.

It is important to note that the critical role, the crops that I and others play in maintaining a stable and affordable supply of feed stock for the livestock and poultry sector, both in the form of pro-

tein and energy. Commodity programs in the farm bill have an important and positive impact on the animal livestock sector.

While my testimony today is a personal perspective, I would note that I currently serve as vice chairman of the Virginia Farm Bureau's Cotton Advisory Committee, and also sit on a Colonial Farm Credit Estate Farm Credit Board. This gives me some perspective regarding the need to both producer and financial institutions. I've been actively involved in these and other organizations for over 25 years.

There are those that believe that we have a farm bill that needs a major overhaul. Many of these opinions come from individuals and organizations that are not directly involved in production agriculture.

As a farmer, I would strongly argue that we have a current—we are currently operating under a very good farm bill that may need some modification, but not a major rewrite. I realize the safety net must be made more WTO compliant, and it also needs to be more inclusive, other areas of agriculture probably needs to be brought under the safety net.

As you can imagine, I've had experience with numerous farm bills over my 32 years of farming. The safety net woven into the current farm bill gives me the ability to farm with confidence. The Freedom to Farm provisions give me the ability to follow the market signals as I choose to grow crops, and we've talked about uncoupled payments. I think that's very important to be able to follow the market.

Virginia has planted an estimated 100,000 acres of cotton. While our acreage is small in comparison to other States, particularly, our gentleman from Texas, they grow 5 million acres, we are small, but it is important to note that our crop is concentrated in only a handful of counties in southeast Virginia. Basically, they overlap the area that my neighbor, Billy Bain, spoke of in southeast Virginia, what was the peanut area, and the peanuts have decreased so cotton has actually become more important.

The financial impact of cotton to the agricultural sector in our local business is tremendous. Over 300 farmers grow cotton in Virginia, this is down from 400 a few years ago, but the vast majority of these operations are similar to mine, they are family businesses that have a number of generations involved. There are those who complain that farm program payments are going to fewer and fewer farmers in an increasing amount. What they often overlook is that structural changes have forced farmers to increase their acreage, not just to increase profitability, but to remain competitive and to offset steadily escalating costs of production, which have little bearing on the prices we receive.

While the independence of the individual American farmer is the cornerstone of our industry, as producers of non-perishable crops, we operate at the mercy of marketing forces and factors beyond our control that can adversely affect the entire farming sector. This is especially true of cotton, which is very much a global crop. It is grown and processed in, and transported to, virtually, all corners of the world.

For decades, Americans have supported the idea that a stable domestic food and fiber production sector is a major component of our

society and our economy. Affordable and safe food supplies is a national necessity and should be assured.

I feel the cost can surely be justified compared to the huge benefits enjoyed by American public. The farm bill needs design features that will protect this valuable industry.

I am aware of differing viewpoints and ideas concerning the safety net, while as an operator of farms with programmed crops I receive sizeable payments, these, of course, vary from year to year. The reality is, I rent about 800 acres of my 1,100 acres of crop land from 30 different land owners. My point is that in many operations, just as in mine, many people benefit from safety net payments that go beyond the named individual which received the payment. These payments often affect decisions on whether land will remain in agricultural production or be sold for purposes which will remove it from production forever.

The CHAIRMAN. Mr. Spiers, you need to bring yours to a conclusion.

Mr. SPIERS. All right.

I would make just a comment that I think most of my neighbors believe in and appreciate the direct and counter cyclical payments in the marketing loan that we currently have. I don't think these guarantee profitability, but they do protect us in the low market cycle.

The other titles that are very important to me include the conservation crop insurance market promotion, energy risk management training, all of these are very important to me and all the farmers.

I would make a comment about the newspaper articles that talk about our cotton program causing harm in developing countries. I think that there are many factors that affect economies in these developing countries, and cotton is actually a raw product that is exported to many of these countries and provides them with jobs and a product that they make into garments or they are imported back into our country. So, to one extent we are helping their economy also.

[The prepared statement of Mr. Spiers appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Spiers.

Mr. SPIERS. Thank you.

The CHAIRMAN. We'll start the questioning on this round, we'll recognize members who seek recognition to ask questions of this panel, and I'll start with Tom Sheets.

Tom, as you know, in this part of Virginia about half of the forest land, and a great percentage of all of the land in this area is forest, about half of it is publicly owned and about half of it is privately owned. The primary publicly-owned land is in the George Washington and in the Jefferson National Forests. You and I may have slightly different figures on what percentage of all of the wood fiber products for the second largest employment sector of our economy in this area comes from paper mills, in terms of the hardwood that you produce, in terms of a variety of other softwood lumber used in the building trades and so on, about 95 to 98 percent of that is coming off of private lands, and less than 5 percent, I think considerably less than 5 percent, is coming off of public lands.

What's your view of that? There are two ways to look at that. One is that that's putting too much pressure on the private land, and it's not environmentally sound for the public land to not have the harvesting of some more wood than is taken from those lands, because of the fact that the forests continue to mature, we fight forest fires, we fight disease and insect infestation if you don't manage those lands, and it grows into a serious environmental problem.

The other perspective is from some land owners who are concerned that if we take substantially more timber from our public lands we are going to depress prices on the private lands.

What's your perspective?

Mr. SHEETS. First of all, we participate in the world markets, and I talked about our product being so specific. If cherry bedroom furniture is hot in the U.S., probably somebody in China is buying cherry off of us. Somebody in Italy is buying poplar off of us to make it look like cherry. Somebody in Germany is buying white hard maple off of us to make it look like cherry. That's how our market works.

Mohongahela National Forest has had one no sale, and they are getting ready to have another no sale. After they jump through all the hoops, they did not follow industry standards in logging, they have to go through the environmental regulations, and then their agenda of building roads, which is OK with us, but that comes right off the timber sales.

They had a huge cherry sale that everybody looked at, put a lot of manpower in it, and they had no bid. That's a National Forest sale.

I have one now under contract in Deerfield, which is not too far from here. We have to helicopter 90 some percent of it, they said you could conventional log with skidders 10 percent of it, that's why we had to build a \$25,000, \$30,000 road. We built the road, we will log it all with helicopters, because when you are in there you'll do the whole thing. The whole track could have been logged with conventional, the Government could have gotten more money.

We delayed it because of the price of fuel, the price of red oak, which I bought, the track has bottomed out to unheard of low price, we are going to have to cut it this year.

The CHAIRMAN. I agree with you that there are management issues in our National Forests. Would you think it would be wiser to take more timber from the National Forests or not?

Mr. SHEETS. Yes. It's not—there's an appetite out there, Again, because of what we bring to the global market.

The CHAIRMAN. Phil, in your testimony you mentioned that you utilize the EQIP, and I wonder from the perspective of an apple orchard operator you can tell us what type of projects you utilized on your farm?

Mr. GLAIZE. As I said, this was the first year, and I was very unfamiliar with it. Luckily, our extension agent educated me about the program, and what we were looking at was, basically, reducing the volume of the spray that we put out, we are able to make some adjustments to our equipment, so that we are spraying with less pressure, thus reducing the amount of pesticides that we were putting out, it was a conservation effort.

In addition, we have various sections of the orchard that we were able to avoid, as far as some trees. We took a few trees out, to grass the area so that we weren't creating ruts with the equipment as we were running around.

These were very simple conservation measures that did not affect our production to a great degree. However, certainly, enhanced the use of the land.

The CHAIRMAN. Thank you very much.

Ms. Randel, you mentioned in your testimony the need for more research for the viticulture industry, and I wonder if you might describe some of the problems that you think we need greater research for?

Ms. RANDEL. One problem here in Virginia is Pierce's disease. It isn't affecting the Shenandoah Valley yet, but it is in the more eastern sections of Virginia, and that's very important if we are going to keep our vineyards healthy.

I might say out in California I think they have more of a problem out there.

The CHAIRMAN. Yes, thank you very much.

The gentleman from Minnesota is recognized.

Mr. PETERSON. Well, thank you, Mr. Chairman, and I want to thank the witnesses for good testimony, and I'm going to keep this short, since everybody is probably getting—been sitting long enough, but I just want to ask one thing that Mr. Bain said.

Why didn't you—I've been here, we don't grow peanuts, Etheridge tells me we maybe could in Minnesota, but we probably would lose money, I don't know. But anyway, the storage issue, there's some folks who were trying to get the storage program that was put into the 2002 farm bill extended. I don't think you mentioned that.

Is that something—

Mr. BAIN. You are right, time was a running out, we do support extending the storage, because I feel like if we don't it will come back on the grower, where the grower will have to pay for that storage, it would be another burden on his shoulders, so we do support extending the storage.

Mr. PETERSON. OK, thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

The gentleman from Texas, Mr. Neugebauer, is recognized.

Mr. NEUGEBAUER. Mr. Chairman, a couple of things we've talked about some of the program crops, and we talked about a safety net. One of the safety nets that I think is also very important for producers, and that is making sure we have a good crop insurance program.

I think Mr. Spiers mentioned the fact that in the last few years there's been a lot of consolidation in some of the operations, a lot of forming operations are much larger today than they were in the past. So, agriculture really across the board is very big business.

And, as I talk to producers around the country, particularly, they talk about inadequate crop insurance program, and one of the things that I feel very strongly about is that we have to, as we look at the new farm bill, also look at making sure that we put in place a better crop insurance program.

One of the things that I'm doing, working on that, is I have introduced a new, a bill that combines two products. One is just your multiple peril risk policy, but on top of that then you would be able to put a GRP type program on top of that, so increase the amount of coverage. And, when you look at the cost of doing that, it's relatively small in comparison for the amount of coverage that you get.

And so, one of the things I would encourage, I've been encouraging some of my cotton and peanut folks, and corn, and other folks around the country, to look at this bill, because it, in fact, does increase the amount of coverage that you get. It does it in a very fiscally responsible way, as far as Federal participation in what we think the cost of providing that coverage is.

I think as we move forward, I know a lot of people talk about should we build in a disaster program into the farm bill. If you have a good crop insurance program you don't have to build a disaster program into it. In fact, that is, in fact, building a disaster program in there, so that producers around the country can insure the risk that they are taking.

And today, as I said, I think it's very important that we do that, because of the fact that it's big business.

I think the second thing I wanted to mention was, when we talk about payment limitations, and I don't know if this panel has mentioned that, but some people want to raise them, some people want to lower them, but again when we talk about this consolidation, and the fact that a lot of producers are having to farm more land to be more cost effective. When you start running \$150,000 harvesters, harvesting equipment, whether it's peanuts or cotton, you can't just run that over a small amount of land to make that.

What would be your thoughts if we have to start making choices on this farm bill, what would you think as far as payment limitations with some of the other programs that are currently built into, say, cotton and peanuts?

Mr. SPIERS. I think the payment limitation question is definitely a loaded question. While in Virginia our operations are not bumping the level, most industries you are not penalized for being successful, or being good managers, or increasing in size, and also if you compare the size of farms almost anywhere, when you compare the size of a farming operation to many other industries they pale in the size of other industries. Even a large farm is still almost a small business. They are large compared to farm operations, but also the return on investments on most farms are very low, and as we know in, particularly, specialty crops, there is huge investments in capital, and your return is even lower.

Mr. BAIN. As Mr. Spiers said, farm operations have grown. My operation in 1977 was 450 acres, today I'm at 2,200 acres. So, by the way agriculture works in this country today, because of trade agreements, and the Government has agreed to subsidize agriculture, that's the way the system works.

I don't know how you can do it, but if you can segregate it, where these large corporate farms That are not really family farms, maybe that does need visiting for the over-sized farms that are not really true family farms, that are not farming for a living, they are just another venture. I don't know how you discriminate against

that, but that's a question. I know in the western States there's been a big question about some of these big payments going to some of these corporate farms.

The CHAIRMAN. I thank the gentleman.

The gentleman from North Carolina is recognized.

Mr. ETHERIDGE. A very brief question.

Mr. SPIERS, I'll just ask you to answer this, in the speediness of time.

Two years ago Congress eliminated the Tobacco Program. Previous to that, they had done the Peanut Program, and I know that there are critics of our farm policy at home, as well as overseas. There are those who really say we really shouldn't have any programs, we shouldn't be spending this money on them, and a lot of them are saying that about cotton as well.

And, since you grow cotton as a program crop, and tobacco, you have a unique perspective, I think, to offer us and put on the record.

If you would, tell us your experience with growing tobacco, since the end of the Tobacco Program, and I recognize that this is unique, because I worry that some of these folks have increased their production.

My question to you is this, though, do you find growing tobacco still profitable? Are buy-out payments that you receive, if any, subsidizing your ability to continue growing, and would you have abandoned tobacco production if there were both no program and no buy out?

And, based on your experience from tobacco and cotton, tell us the consequences that you would expect if there, as some want to do, remove the cotton production as we did for tobacco.

Mr. SPIERS. I am a flue-cured tobacco grower, and my 37-year old son, basically, we grow tobacco to make room for him in the operation. We've talked about our children coming back home. Tobacco is, while it's not a politically correct crop, it is a high income crop, if an individual is willing to grow it and can grow it well.

We have fared very well under the contract arrangement. We tried to, as with any contract agreement, you try to provide the product that they ask for. We follow the rules. It's still a good crop, we've actually grown a little bit under the contract arrangement, but we've only increased about 10 percent.

I see some expansion in some areas. I do not know the net, hopefully, this is not a boom bust deal. There were some advantages under the quota program, but that is gone. We have been able to reduce our costs, we are more efficient growers, because we can tailor where we grow it more so than under the old rules.

Cotton, if support is drastically reduced, I think it would be a shift. We are on the northern edge of the cotton area, and some of the safety net is beneficial. We can grow a very good crop of cotton in Virginia, but we have to be high management on the crop.

So, some transition payments above my wife's complaints have gone into reducing debt and has helped the operation, but we are—you have given us more confidence.

Mr. ETHERIDGE. Thank you.

Thank you, sir, I yield back.

The CHAIRMAN. I thank the gentleman.

The gentleman from California, Mr. Cardoza, is recognized.

Mr. CARDOZA. Yes, Mr. Chairman. I'm just interested to ask Ms. Randel one quick question.

What is the vector that spreads Pierce's disease in Virginia?

Ms. RANDEL. Where is it?

Mr. CARDOZA. What is it? We have glassy wing sharp shooter in California, amongst there's a couple other, blue green sharp shooter does some, but I was just—

Ms. RANDEL. Since it's not in my vineyard, and not in the Shenandoah Valley, I really don't know the particulars about that.

Mr. CARDOZA. All right, thank you.

The CHAIRMAN. I thank the gentleman.

The gentlewoman from South Dakota is recognized.

Ms. HERSETH. One quick question for Mr. Bain.

I notice from your testimony, and I know you weren't able to get through all of it, from your written testimony you make a couple of points.

First, peanuts have experienced a significant decrease in profitability under the new program, as growers have become contract producers, and that current contracting methods, essentially, give handlers the right to redeem loan peanuts and in turn provides the handle or the proceeds of the market in loan gain.

Do you have, or if you do at some point, specific recommendations for the committee, so as to address this issue, whether it be in your experience for peanuts, any other commodity you are familiar with that has experienced this in the past, or that may very well experience that in the future, given the interaction of our farm policy with trade agreements, as well as the consolidation within various sectors of American agriculture?

Mr. BAIN. Your question is the fact that the grower does not get the marketing gain, is that what you are questioning me on?

Ms. HERSETH. The question is do you have specific recommendations for members of the committee about how to address this particular problem, in light of how things have evolved over the last few years for peanut growers.

Mr. BAIN. Well, the handler is getting the marketing gain, when you sign that contract you give up your right to the marketing gain. If I were to say that it should be the growers irregardless, then I would assume that the handler would lower his contract price to me. And, I really think that the intent of this committee and Congress was that the grower get that marketing gain, that's why the system works the way it does.

So, one way to address that would be in law that the marketing gain would go to the grower. However, how much is that going to affect the contract I might receive another year, it might wash out in the end.

So, that's the best answer I can give you, not having the knowledge of what the option might be.

Ms. HERSETH. Well, I appreciate that, and if you have additional thoughts, it's something that we are all going to be considering, in light of what some of the trends are and the overall goals here, ensuring, as the prior panel pointed out, as you all are pointing out, how do we structure the design of the programs and the policy to benefit family agriculture, to maintain a quality of life in rural

communities and in rural America, that can also be a win-win for all taxpayers as it relates to our environmental policy, the cost of food, the cost of energy, as well as meeting our other commitments for growing jobs and international trade commitments that we've made.

Mr. BAIN. When you say a win-win for everybody, even the taxpayer, I mean I know that supply management, the Peanut Program, Tobacco Program, are gone, in my opinion they were two of the greatest programs in American agriculture. The old Peanut Program, it did not cost the Federal Government but \$75 million, and that cost did not lie in Virginia, by the way, because all our peanuts were sold, there was never a surplus because we grew for the market.

And now, these same program costs for the 2004 crop costs \$375 million, because the way the system works. Now, how you address that I'm not the expertise, but I'm sure there's a better way of getting to the point.

The bottom line has got to keep the money in the farmer's pocket, he's the one that needs the dollars.

The CHAIRMAN. I thank the gentlewoman.

The gentleman from Oklahoma, Mr. Lucas, is recognized.

Mr. LUCAS. Thank you, Mr. Chairman, just for a quick observation, and I want to assure this panel and the previous panel, we on the Agriculture Committee, we are your friends. We represent all regions of the country. We represent all commodity groups. We want to help. We want good policy, good agricultural policy, good economic policy, good policy that ultimately helps strengthen Rural America.

Now, part of the challenge we face, and this will be my third opportunity to work through a farm bill, 1996, 2002, is coming up with bills that involve that good policy, but yet are politically doable.

The Peanut Program and the Tobacco Program went away, not because they cost a lot of money, not because any of the producers in any of those programs didn't want them to continue, they went away because the forces that fought us on the floor of the U.S. House, fought us during the appropriations process, and fought us during the farm bill process, finally secured enough political clout, enough votes to overwhelm us. That's the challenge we face this time once again, how do we do good things, but do them in a way that we politically can get the votes together to pass?

All of you, and a number of you here clearly have a lot of wisdom, the days of passing farm bills all by themselves stopped in the 1960's, and from the 1960's until 2002 we passed farm bills that were commodity programs and social nutrition programs, and in 2002 it became quite obvious, and we strengthened the conservation title, bringing our hook, and bullet, and the camera lens friends along with us, to create a broader coalition, a 3-legged stool, to get those votes. We have to work through that kind of thing again all the time, trying to do good policy, but it's a challenge, but we are your friends. We are trying to work with you.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

I think that concludes the questions by the members of the committee, and I want to thank this panel as well for doing an outstanding job of providing the committee with a great deal of useful information and answering our questions.

I'd like to thank all the witnesses who testified here today, and I appreciate their careful consideration in preparing for today's hearing.

I'd also like to thank Kathy Fogarty and Carol Smith, and all of the staff here at the Stonewall Jackson Hotel for the time and effort they put into making this hearing possible.

The information you provided here today will be very helpful to us as we begin this review process. We look forward to maintaining an open dialog with you and your fellow producers across the country, as we consider the next farm bill.

Also, just a reminder to grab a card with the feedback form address and information on our way out.

The record will remain open for 30 days, anyone who would like to submit a written statement for the consideration of the committee is welcome to do so. Please see Lindsey Correa, our clerk, and let me take the opportunity, while I'm recognizing Lindsay, to inform everybody that right now she is the assistant clerk on the committee, but she's been given a new promotion. Jeremy Carter, who is sitting over there with the crutches, he is going on to graduate school in Colorado, and leaving the committee, and he's been handling inquiries to the committee from Virginia farmers from across the State, and Lindsey will be taking over that responsibility.

So, don't only look for her to put testimony in the record here today, but also in the future if you are having a problem with the Federal Government, and I know none of you ever do.

Does the gentleman from Minnesota have anything to add?

Without objection, the record of today's hearing will remain open for 30 days, to receive additional material and supplementary written responses from witnesses to any question posed by a member of the panel.

This hearing of the Committee on Agriculture is adjourned.

[Whereupon, at 1:17 p.m., the committee was adjourned.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF TOM SHEETS

Mr. Chairman and members of the committee good morning; welcome to Staunton Virginia. I am Tom Sheets president of Blue Ridge Lumber Company and I am honored to be here and speak to you about Blue Ridge Lumber and the Hardwood Lumber Industry.

Blue Ridge Lumber

1. Founded by John Root in 1981
2. 150-plus employees and 50-plus contractually
3. Payroll of \$4-plus million a year
4. Sales of \$32 million a year
5. Export sales of \$15-plus million a year .
6. Purchase \$15 million a year in timber and logs

Blue Ridge Lumber has accomplished this with little help from the Local, State or Federal Government. The Hardwood Lumber Industry usually does not ask for much in the way of direct subsidies; however I would like to raise your awareness in a few areas.

Access to Timber

95 percent of my raw material comes from privately owned land. For this practice to continue it is important to consider:

1. Maintaining or lowering the current capital gains tax rate.
2. Encourage the conservation of Timber Lands
3. Do not over regulate the Hardwood Lumber Industry or the private Timber Land owners.
4. Much of the private land that we currently harvest will never be harvested again due to development or environmental pressures on local governments. Therefore it is important for our government to reconsider the role of the National Forest and return to a more balanced use, a true multiple use, by allowing greater access to an under used resource.

MARKETS

The Hardwood Lumber Industry participates in a Global Free Market with prices being established practically daily. Wood fiber is so specific in its uses; we need to market our products worldwide. Currently Blue Ridge Lumber sells to more than 20 countries including two Communist countries. I have visited Cuba twice on trade missions. To assist our industry I ask you to consider the following:

1. Increase funding to the American Hardwood Export Council. (AHEC) AHEC promotes the use of American Hardwoods in foreign markets.
2. Recognize, encourage and reward biomass conversion into energy. At Blue Ridge Lumber we have operated a wood fired gasification boiler since 1993 and receive a tax credit based on the amount of BTU's created.
3. Export sales are such a large percentage of our sales we need to continue with smooth, fast international banking transactions. My concern here is Home Land Security regulations and their effect on small business owners.
4. Maintain efficient ports with adequate access for export of material. I believe Virginia does a very good job with this.

In closing I want to remind you that I am not a spokesman for the entire Hardwood industry. I am speaking as the President of Blue Ridge Lumber Company, a small sawmill that has realized the American business dream. We grew from a small sawmill selling green rough lumber to a local market into a multi million dollar company providing lumber to a worldwide market. This was accomplished by our ideas and hard work, not by government subsidies. I'm not asking for much but I truly believe these issues are important to my company and to my industry.

STATEMENT OF PHIL GLAIZE

Good Morning Chairman Goodlatte, Ranking Member Peterson and distinguished members of the Committee. My name is Phil Glaize and I am a third generation fruit farmer with operations in Shenandoah and Frederick Counties Virginia.

Glaize Apples currently operates 650 acres of orchard, along with a packing house and cold storage. We have 12 full time employees and employ anywhere from 15 to 65 seasonal employees depending upon the time of year. In addition, we must add 80 harvest workers to this force for the months of September and October. We are considered a small to medium sized operation for our industry. Our focus is fresh fruit, but we also maintain about 15 percent of our production for processing.

Thank you, Chairman Goodlatte for holding this hearing, it provides a real opportunity to assess the current needs of agriculture with an eye toward the future.

Some in agriculture have called for an extension of the current farm bill, but I believe that would be a mistake. Much has changed since those policies were written and I believe they no longer reflect the reality of agriculture. Today we are faced with sky rocketing fuel costs, a near agriculture trade deficit, ever-increasing regulations and labor shortages. In addition, as a nation we are confronting an obesity epidemic, an aging population and an increasingly global economy. The challenges and opportunities of today's global economy call for a new direction in agriculture policy and I welcome the opportunity to testify on this issue today.

The specialty crop industry does not want policies that sustain yesterday's business; we want investment in the future. For example, the produce industry is not looking for a direct payment program. I do not believe that would be in the best interest of my business or of the industry as a whole. We are advocating for programs that grow demand and build the long-term competitiveness and sustainability of the specialty crop industry.

A strong domestic produce industry is in our national security interest. With the government's mandate that domestic producers meet very stringent regulations in environmental, labor and other areas comes the responsibility to help those produc-

ers achieve cost-effective compliance. Without appropriate assistance U.S. production will relocate to foreign growing areas with far fewer regulations, abundant labor, and lower production costs.

INCREASING COMPETITIVENESS AT HOME AND ABROAD

The produce industry is already facing a net trade deficit. This makes programs such as the Specialty Crop Block Grant Program critical to our industry's survival. Authorized under the Specialty Crop Competitiveness Act of 2004, this program builds on the success of the 2001 State Block Grant Program. The program allows States maximum flexibility to determine what types of programs best serve producers in that State. The local administration of this program is critical to its success as the needs and challenges that specialty crop producers face varies greatly from State to State.

Virginia apple growers benefited from the original block grant program which helped the Virginia Apple Growers Association establish an Export Trading Company. I am one of the original members of that ETC. With the help of the ETC, we increased the dollar value of our exports by 100 percent in three years. Funding through the original grant expired, and grower members picked up the slack for the 2005 crop. However, we are in danger of losing the ETC this year as funds appropriated for FY 2006 have not been dispersed and the growers cannot afford the level of commitment required. This is one concrete example of the effectiveness of the block grant program. Expansion would mean increased funds for marketing, trade promotion and research that will benefit apples and the entire specialty crop sector.

The export market is critical to the health of the apple industry here in VA and nationally. The export market provides an outlet for approximately 25 percent of the U.S. apple crop. The Market Access Program (MAP) has been of great benefit to our industry, helping to level the playing field as we compete with countries such as China and Chile that have much lower production costs. I would also add our strong support for the Technical Assistance Program for Specialty Crops (TASC). This grant, which was administered through the Virginia Department of Agriculture, played an integral role in getting Virginia apples into Mexico. Future TASC grants can address the few technical issues remaining with the Mexican export program and begin to open new doors for Virginia apples.

Apple producers and the entire specialty crop industry continue to face mounting pressures from the decrease in available crop protection tools. While at the same time, consumers are placing an increased value on agriculture production that also conserves and enhances our natural resources. Unfortunately for producers, investments in natural resource management and conservation programs can be very costly and these costs are difficult to recoup. Therefore next farm bill should include expansion of conservation programs such as the Environmental Quality Incentives Program (EQIP) and the Conservation Security Program (CSP). These programs benefit both producers and consumers as they lead to a more stable and productive farm economy and an improved environment. Glaize Apples participated in the EQIP program this past year. Our cost sharing was less than full value due to over subscription by specialty crop producers. Current usage of the program points to the fact that continued and higher funding is appropriate.

Federal farm policy should also re-emphasize the need for significant investment in specialty crop research and development in order to keep fruit and vegetable producers competitive in a rapidly evolving and highly competitive global marketplace. Of particular interest to us as apple growers are research programs that improve labor productivity, rootstocks and varietal selection, production efficiency, fruit quality, and address other challenges to the future competitiveness of the industry. I support proposals to mandate an emphasis on specialty crop research as part of the National Research Initiative (NRI) and to establish grant programs within USDA with the goal of improving the efficiency and competitiveness of specialty crop producers.

INCREASING CONSUMPTION AND IMPROVING HEALTH

A vibrant fruit and vegetable industry will produce a strong return on investment for all of America, not just producers. Proper nutrition is critical in promoting good health, preventing disease, and improving quality of life. Yet studies show that the vast majority of Americans are not eating the recommended servings of fruits and vegetables. On any given day, 45 percent of children eat no fruit at all and 20 percent eat less than one serving of vegetables.

We need to reach consumers at an early age to help establish habits that will last a life time. Programs in schools such as expansion of the Fruit and Vegetable Snack program are an important first step. We do not yet have that program in Virginia,

and I believe we should have it in all 50 states. By providing fruits and vegetables to students on a daily basis, this program has the potential to create lifelong customers for our industry and in turn have a positive effect on the health of the next generation.

For these same reasons, I strongly support an expansion of the section 32 purchases of fruits and vegetables. It is my understanding that the 2002 farm bill called for an expansion of this program by an additional \$200 million but that USDA has not interpreted it that way. I have had many years experience selling to USDA through this program and believe it is a win-win for the produce industry and for our students.

The next farm bill should also include a Fruit and Vegetable Nutrition Promotion Program designed to help all Americans increase their consumption of fruits and vegetables to meet the 2005 Dietary Guidelines. Meeting Federal health guidelines would require Americans on average to double their consumption of fruits and vegetables, an increase in demand that would create significant value to U.S. growers in market opportunity. The program would be a cost-effective way for the Federal Government to invest in sustainability of U.S. fruit and vegetable growers while tackling the critical obesity and health crisis that is draining Federal funds for ever-escalating health care costs.

The specialty crop industry is preparing itself to meet the new challenges being placed before us. The 2002 farm bill and legislation that followed, such as the Specialty Crop Competitiveness Act, represent a step toward this goal.

Thank you for allowing me to testify before this Committee. These discussions and the final reauthorization of the farm bill offer an exciting opportunity to take these programs to the next level and set the stage for a vibrant and healthy future for fruit and vegetable growers and U.S. consumers.

STATEMENT OF GERALD HEATWOLE

I'm Gerald Heatwole, a dairy farmer from the Shenandoah Valley of Virginia. My wife Anita and I, along with our son Monte, operate two dairy farms, milking a total of 475 cows and producing over 11.5 million pounds of milk in the last 12 months. We farm approximately 1400 acres. We have been in the dairy business for 33 years. I serve on the Southeast Area Council of Dairy Farmers of America, Inc. (DFA). DFA is a national milk-marketing cooperative based in Kansas City, Missouri with dairy farmer member owners in 48 states.

I represent my neighbors by serving as chairman of the board for the Shenandoah Valley Electric Cooperative, and I serve on the Ag Advisory board of First Bank and Trust Company, a regional bank. Additionally, I serve on the Board of Directors for the Virginia American Dairy Association, which is a milk-promotion agency. I am also a partner in two farm equipment dealerships in my area.

I appreciate the opportunity to testify at this hearing today.

While organizations that I belong to have not officially established positions for all of the 2007 farm bill issues, I would like to share my thoughts on some of the major themes that will define the dairy sections of the bill.

Before I speak to those issues, I would like to thank Chairman Goodlatte and Ranking Member Peterson for their help to all DFA dairy farmer member owners in the passage of S. 2120—the producer handler legislation. We worked on this issue for more than three years, and it would not have been passed without your support.

I have a written testimony that is more detailed on all of the points that I will touch on today. I'd like to submit that document for the committee's reference. I will spend most of my time today discussing some Federal Order issues that my fellow Southeastern dairy farm families are most concerned about.

(1) We support continuation of the Federal Milk Marketing Order program. Marketing Orders are important to us as they undergird all of our marketing and pricing efforts all over the country. Orders assure dairy farmers a minimum price, assure that all competing milk buyers pay the same minimum price, assure that all dairy farmers share equitably in the returns of the marketplace and assure that the terms of trade are uniform throughout the Order's marketing area. These objectives remain very important ones in the dairy marketplace. Moreover, despite the claims that they are outdated and not relevant, the primary reasons for the institution of Marketing Orders still exist: There are many more buyers than sellers, and the average-sized milk buyer is much larger than all but the very largest dairy farms; milk production is still very seasonal and milk demand has a weekly and seasonal purchase pattern that requires substantial costs to balance producer supplies with buyer demand. Individual dairymen, and even large groups of dairy farmers, continue to need the stability of Orders to deal with these marketing challenges.

Milk markets are priced based on national supply-demand situations, which are largely influenced by areas of the country that have a surplus of milk. The national situation does not necessarily reflect the needs of the class I market; therefore, we feel the need for a separate pricing system that allows all class I milk to be priced differently than current. Because of this situation we are suggesting a policy that would establish a floor for the class I mover at no lower than \$13.00 per hundred-weight. This solution would be market based and have no additional government cost.

We are, however, becoming very frustrated in our attempts to get the Order system to recognize the increasing cost of transporting milk to the market. Our concern is the very real impact that fuel costs play in the transportation equation, and the manner in which these costs are not equitably shared among all producers in the Federal Order system. The transportation cost issues have become increasingly important because of: (1) transportation cost increases, especially for diesel fuel and (2) "flattening" of the class I price surface in the process of implementation of "Order Reform" by congressional directive in January 2000.

The dairy farmers who supply the Southeastern markets work together through the Southern Marketing Agency (SMA) to most efficiently deliver milk to the market. We have asked USDA to look into recovering transportation costs at an Order Hearing that I testified at. Specifically, we asked that the existing transportation credit system be adequately funded and a fuel cost adjustor be added to the Order's pricing provisions. The current system has been in place since the late 1990's and helps to share the cost of bringing in milk supplies from outside of the Southeast into the market. In June of 2005 the Southeast had to source 58 percent of its sales from dairy farmers located outside the Southeast. Outside purchases in August 2005 were double those needed in August 2000. The over-the-road hauling cost in 1997 when the credit was implemented was \$1.75 per mile, and by 2005 had increased to \$2.35. I am sure members of Congress are familiar with diesel fuel cost changes, so I don't need to provide any information about them. In 1997 this particular Federal Order program offset 95 percent or more of the transport cost. In 2005 the reimbursement rate covered less than 40 percent. The volatility of fuel costs changes is nearly impossible for dairy farmers to pass through in a timely manner.

We also asked USDA to institute an additional transportation credit system that would help move milk produced inside the southeast to customers within the southeast. This new program would function much like the existing program and would be run by the Order system to insure fairness and accuracy. It would require all farms to pay the cost of getting milk to the closest plant to them, and then have the market share in the cost of any additional miles.

Even though the Southeast is a deficit market, there are several pockets of heavy milk production. I live in one of those. But not all the milk produced here in the Shenandoah Valley can be sold here—there are not enough local plants to process the milk nor are there enough local consumers. Milk from my farm regularly goes into North and South Carolina supplying markets there, but most days it is hauled 485 miles to Charleston. The cost of this transport falls to producers like me whose milk is pooled in the SMA pool. This transportation expense just adds to the other high production costs, resulting in part from climatic conditions detrimental to milk production and high on-farm energy costs and contributes to the loss of dairy farms in the Southeast which cannot remain profitable. Every farm in the Order, through the blend price, shares the revenues from these sales, but not all share in the cost to get it there! Believe me, this is an important issue to Shenandoah Valley dairy farmers and to all the other dairy farmers in the Southeast.

I'd also like to point out that our Hearing proposals were supported by all of the major cooperatives in the Southeast who represent over 80 percent of the production and all of our customers. I have attached a summary of the key points that we presented to the Secretary of Agriculture in the Hearing for your review.

We seem unable to get the USDA staff to realize the dilemma we face. They seem to understand the problems that energy costs play in manufacturing dairy products and have asked for proposals to address make allowances. But when we try to get the same rationale to apply to transport costs, we are struggling to get them to respond.

It is not for a lack of trying that we can't seem to communicate with USDA. We have made several proposals to deal with these issues in various Orders around the country with the following results:

- The Central Order (Order 32)—Transportation credit proposals were rejected in a recommended decision and a final decision is pending.
- The Mideast Order (Order 33)—Transportation credit proposals were rejected in a recommended decision and a final decision is pending.

- The Appalachian Order (Order 5)—Hearing held in January, no decision to date.
- The Southeast Order (Order 7)—Hearing held in January, no decision to date.
- The Northeast Order (Order 1)—No action has been taken upon a formal request for a hearing submitted February 3, 2006.

If USDA fails to help dairy farmers in this dilemma, we may need legislation to address this issue.

Also, while we are frustrated with the slow pace of change through Federal Order hearings, we are hopeful that proposed reforms initiated by USDA will speed up the hearing process and make it easier to get a Decision.

(2) DFA members are participating with all the other members of the National Milk Producers Federation's Dairy Producer Conclaves to develop a consensus position on farm bill issues. We will keep you and your staffs informed of our efforts and seek your counsel on issues as we discuss them.

(3) Because we do not think there will be radical shifts in policy direction as a result of the 2007 farm bill, we support the view that an extension will work well for most of the nation's dairy farm families.

(4) We feel the next farm bill should maintain some form of an economic safety net for dairy farmers. Safety nets prevent prices from falling so low that businesses become unviable. Because dairy products are such an excellent source of nutrition for our nation, and due to the high fixed cost of becoming a dairy farmer and the fact that milk production assets have limited use in any other agriculture enterprise, past Congresses have maintained safety net provisions for the dairy industry. We hope this Congress will continue these policies.

The most important safety net provision we have is the dairy price support program. We favor continued operation of the dairy price support program at a targeted \$9.90 U.S. average manufactured milk price. We would oppose granting the Secretary of Agriculture any discretion, which would reorient its intended purpose away from supporting income to farmers just to result in minimizing government costs—and we may need Congress to instruct the Secretary of Agriculture of this fact in some official manner. Under President Bush's proposed Ag budget, the Secretary of Agriculture would be allowed to adjust buying prices for products made from milk (cheese, butter, and nonfat dry milk) so as to reduce the cost to the CCC for products purchased. This could allow for a reduction in the targeted support price of \$9.90 as specified in present legislation.

Additionally, I would request that the Commodity Credit Corporation (CCC) take action and adjust the support program purchase price levels for cheese, butter and nonfat dry milk to reflect the significant additional costs manufacturers face when selling products to the CCC. The current CCC purchase prices for dairy products do not reflect any costs beyond those incurred for commercial sales. As a result, market prices for individual products have, from time to time, fallen below support levels, allowing the price of milk used to produce them to fall below the statutory support level for milk of \$9.90 per hundredweight at average test. NMPF has provided information to CCC but thus far CCC has been unwilling to take action. The result is that manufacturers will sell to buyers other than CCC at prices below the support level in order to gain a higher net value than the support purchase price due to the cost of selling to the CCC.

Right now CCC is buying some quantity of NFDm—doing what safety nets are supposed to do. The last time milk prices fell to safety net levels was in 2000 when the average class III price for the year was \$9.74 (below the support price of \$9.80 for milk of 3.5 percent butterfat test). The 10-year average class III price is \$12.62. Because the price support program is in place and working, we hope to avoid a price crash like in 2000—but if it wasn't around and prices did fall to that level, our two dairies would face a loss in income of \$331,200 on an average year's production. That would be hard for our business to withstand. We are very interested in stable policies that help to keep reasonable prices and a safety net that maintains some level of viability for a dairy farm family.

In general, the guidelines for a safety net program should be that it:

- does not discriminate between farmers of differing sizes,
- does not discriminate between farmers in different regions of the country and
- is not high enough to encourage additional milk production.

The government's safety net policy should only operate at a point where a collapse of producer prices could force too many producers out of business, and our nation's milk-producing infrastructure would be damaged.

(5) A majority, but unfortunately not all of the nation's dairy farmers, have funded and are operating a self-help program—Cooperatives Working Together (CWT). Dairy farmers voluntarily pay 10 cents per hundredweight on all milk produced in order to structure the size of the nation's dairy-cow herd and more closely tailor

milk supply to demand. Additionally, the program works to assist exports of dairy products in an attempt to market and promote domestically produced dairy products to the world.

However, the CWT program is not intended to replace Federal farm programs and can never do so, because there will always be those who choose to take advantage of the program's benefits but never pay their share. Even after three years of successful implementation, there are still over 25 percent of the country's dairy farms that choose not to pay in. In spite of our success, we still need Congress's help in providing policy support to our industry.

(6) Dairy Farmers also see policies outside of the farm bill impacting their future such as: Environmental Policies.

The implementation of conservation and environmental practices on our farm is extremely important to our operation. We have developed a close working relationship with our county NRCS and FSA offices in developing conservation programs for our home farm, Cub Run Dairy. We have a nutrient management plan to help control runoff of phosphorus and nitrogen discharges and have also implemented a conservation plan for our entire operation.

We applied and received funding through the EQIP programs to offset the cost for these practices. Without the cost sharing mechanism it would have been difficult to fund all of these activities, and we are very appreciative that they exist. However, based on our experience, the process needs review.

The methods used by the Department of Environmental Quality (DEQ) took a long time to process. Their estimates of the cost of our particular project were understated—primarily because their construction cost formulas were based on data that was several years old and not reflective of current material and labor costs. This weakness in the process can easily be corrected.

The end result is a sizable gap—in my case over one hundred thousand dollars between the program reimbursement and the actual cost—far below the program's goal. Instead of the stated goal of 75 percent reimbursement we ended up with 40 to 45 percent of the final costs covered. Our experience is similar to that of our neighbors, so the estimation methods of the DEQ are behind those in the real world economy.

Again, my farm is appreciative availability of the program, but it may be a problem for many dairy farmers to fund the gap and more than a few may not be able to make the needed changes that will meet the goals of the program. Increasing the funding for the Environmental Quality Incentives Program (EQIP) in the 2002 farm bill was very significant, but if the legislation is to meet its goals and encourage more farmers to apply for and use the funds as intended, the payout ration must more closely approximate real world conditions.

If you are not already a co-sponsor, I urge you to join the more than 173 House members cosponsoring H.R. 4341 as part of a bipartisan effort to clarify that animal manure is not a hazardous waste under the Superfund Law or its counterpart, the Community Right-to-Know Act. Congress should clarify that it never intended to jeopardize American agriculture by imposing strict, joint, and retroactive CERCLA liability on farmers for their traditional farming practices, including the use of manure as a beneficial fertilizer.

My family has always taken our responsibility to protect the environment very seriously. Dairy farmers and other agricultural producers for years have been regulated and required to have permits under the Clean Water Act, Clean Air Act and numerous State laws and regulations—but never under the Superfund Law. It is essential that Congress protect farmers and businesses that depend on agriculture from this potential threat to their livelihoods.

WORKABLE IMMIGRATION LAWS

I support the AGJobs Provisions contained in the Senate version of the Immigration Reform and I ask your support for passage of legislation that contains such language.

ESTATE TAX ISSUES

Ways & Means Chairman Thomas (R-CA) has proposed a compromise on the estate tax issue. He proposes to set several levels of taxes on estates. Estates of \$5 million (singles) and \$10 million (couples) would be exempt from taxation indefinitely. Tax on estates of \$10 million to \$25 million would be taxed at the capital gains rate (15 percent currently & rising to 20 percent in 2011). Estates worth more than \$25 million would be taxed at twice the capital gains rate. This proposal appears to be very good for dairy farmers and I would encourage your support.

7) Another reason we support extending the current farm bill is so that we can have a more clear view of the Doha Round of the WTO trade talks. We can see no reason to change our programs until we know what the world trade rules will be and, more importantly perhaps who will play by them.

- We support multilateral trade talks that level the playing field of dairy export subsidies, tariff protections and domestic support programs.

- We can't support a final agreement unless it represents a net increase in our ability to compete against our more heavily subsidized and protected competitors in the EU, Canada and Japan, as well as more balanced trading opportunities with key developing countries.

- We support the continuation of the dairy price support program with or without a successful Doha Round. We strongly disagree with those who claim that the price support program must be phased out or eliminated upon completion of the Doha Round.

- We support additional legislation to make the import assessment for dairy promotion (15 cent check-off) WTO-compliant by extending it to dairy producers in Alaska, Hawaii, District of Columbia and Puerto Rico.

8) We support the Dairy Export Incentive Program (DEIP) and the requirement that the Secretary of Agriculture be directed to see that the allowable amounts of cheese, butter and nonfat dry milk be afforded export assistance equal to what we are allowed under the current WTO agreement. Currently no government export assistance is being offered, even though, by law, the Secretary is directed to do so, and by agreement we are allowed to do so under the WTO agreement.

In closing, Chairman Goodlatte, I want to thank the House Committee on Agriculture for having this series of field hearings. We know we can't explain all of our concerns here in detail, but we want to make you aware of them so that when we do provide you with additional details you will better understand our concerns. I will be happy to answer any questions or provide any additional information that you might want.

STATEMENT OF DAN KING

Good morning. Thanks you Chairman Goodlatte and members of this committee for the opportunity to reflect with you on some of the issues I feel are important as we look at reauthorizing the farm bill. While I was a member of the Virginia Poultry Federation in the past the comments I make here today are my own. Yet as I interact with my fellow farmers at coop meetings, young farmer activities or just visiting over the bed of a pickup truck I am aware that these views are shared by many of my farming friends. Thank you for your interest and active involvement with the agricultural community during this time of reauthorization. We need your strong leadership in this important process to ensure that a new bill will be in place in a timely fashion. We can not afford to have the current bill expire without a new bill in place.

My name is Dan King. My Wife Janet and I are first Generation Farmers. We operate a 550 acre poultry and beef farm north of Harrisonburg, Virginia. It is a family farm with our three teen age sons heavy involved in the operation.

Poultry is an important part of our farming operation. Traditionally when we think of the needs of the poultry industry as related to the farm bill we think of insuring an adequate feed supply, opening up markets and providing EQIP funds. These are important issues in the poultry industry but a successful farm bill must make sure that each segment of the nation's agricultural economy is vibrant for the bill to be a success.

I am a strong supporter of renewable energy. And while, in a global economy, I have concerns of the lower net efficiencies of carbohydrate production when compared to cellulose production of ethanol, the current path in this country is the use of carbohydrates. With the certain explosion of ethanol production from corn and bio-diesel from soybeans the new farm bill will need to make adjustments in the CRP and maintain de-coupled payments to ensure an adequate supply of feed stocks for the poultry industry.

I'm certain these types of issues have been testified to at length so I would like to spend the rest of my time bring up issues that I believe are important to all sectors of agriculture.

- Security
- Super Fund Liability
- Eminent Domain—Open Space
- Inheritance Taxes

In today's climate security is on everyone's mind. For the farmer concerns over security go beyond our borders and transportation systems. The spread of diseases and pathogens, whether by natural or intentional means, are a concern for all in agriculture. Having served on the Avian Influenza Taskforce in Virginia in 2002 I can insure you that there is a continual need for strong Federal leadership in this area. These issues must continue to be addressed in the next farm bill.

As a conservationist, I do want clean air and water, and I have done a lot on my farm to improve the environment. I do not however feel that Super Fund legislation was ever intended to impact the family farm. Just last year I was "threatened" by an EPA official. I was told that I'm the type of high profile person the agency would like to use as a public example. At issue was whether or not I was going to pay a fine and admit to violating a non-existent standard on ammonium emissions. In exchange they would offer me amnesty while they use my fine money to determine my ammonium emissions. This is not the type of treatment we expect from our government agencies. The new farm bill and other legislation must do all it can to protect us from being harassment by governmental agencies and environment extremist.

In a related area, those of us with a passion for agriculture must use every opportunity we have to promote a limited use of Eminent Domain and a clear definition of open space. Just last week I caught a headline that a community had used eminent domain to condemn a farm. They were doing it because they felt they needed more open space. Couple this with the recent Supreme Court ruling and we need well written legislation that limits government's right to use eminent domain and defines open space. Land that is used for production agriculture is open space!

I know the House recently took action on a bill to raise the exemption for the inheritance taxes. Thanks. Please work to have it become law. Being a farmer in an area where real estate is increasing by moving the dismal point the elimination of the inheritance taxes will be vitally important to preserving a vital agricultural economy.

Thanks again for this opportunity to be engaged in this process. I welcome any questions.

STATEMENT OF LINDA IRBY

Good morning, Mr. Chairman, Representative Peterson. I am Linda Irby, State president of the School Nutrition Association of Virginia. I am submitting these comments on behalf of the 1,600 members of the School Nutrition Association of Virginia and the 55,000 members of the School Nutrition Association (SNA.)

As you know, our members serve 30 million students each and every school day. The National School Lunch Program was 60 years old on June 4 and continues to serve our country very well. If we are going to compete effectively in the world, we must educate our children. And to do that, we must provide nutritious school meals.

With your permission, I would like to make the SNA's 2006 Legislative Issue Paper a part of the hearing record and focus on just two points.

- USDA provides 17 cents in commodities for each school lunch served, but none for breakfast. We believe that the farm bill may be the right place to address the issue and finally provide commodities for the breakfast program. Our suggestion is that USDA should provide an additional 10 cents for each breakfast. The commodities would help us keep down the cost of a meal and, of course, assist American agriculture.

- I would also like to bring to your attention an emerging issue growing out of the recent Child Nutrition Reauthorization. SNA strongly supported the new Wellness Policy and we are delighted by the attention it has put on the issue of obesity and implementing the HHS/USDA Dietary Guidelines. Unfortunately, however, the new section of law is leading to a patchwork quilt of different nutritional standards all over the country. The nutritional needs of a child in Virginia are the same as the nutritional needs in Minnesota or any other State. Perhaps you can clarify in the farm bill that the USDA nutritional requirements are a national standard so that we are all on the same page. Currently, different states seem to be interpreting the Dietary Guidelines in their own way. Greater clarity would be helpful.

- As a part of the nutrition issue, we do believe that USDA needs the authority to regulate the sale of all food on a school campus during the entire school day. This was a controversial issue a few years ago, but we believe the feeling is changing and would ask that you revisit the issue.

Mr. Chairman, Representative Peterson, thank you very much for holding this hearing and for allowing us to participate.

STATEMENT OF SONNY MEYERHOEFFER

Good morning Chairman Goodlatte and members of the committee. Thank you for the opportunity to testify here today. My name is Sonny Meyerhoeffer, and I am a farmer with a poultry and dairy background. I currently am a contract grower for the VA Poultry Growers Cooperative in Hinton Virginia. I also serve on the Board of Directors of the National Turkey Federation, which is the turkey industry's national trade organization.

The turkey industry today is vibrant. American turkey growers will raise nearly 270 million turkeys this year, which will be processed into five billion pounds of ready to cook turkey meat valued at almost \$8 billion. I should mention that Virginia is now the nation's fifth-largest turkey producing state; we raised 20 million birds here last year. The overwhelming majority of those where in the Sixth District.

In many ways, the industry's outlook is bright, but there are challenges that could darken our horizon. By building on the success of the last two farm bills, Congress can help our industry successfully handle those challenges.

The biggest key to our industry's profitability is access to a plentiful, reliable supply of feed, which accounts for 70 percent of the cost of turkey production. Turkeys' diets consist of corn and soybeans, with corn being the most critical ingredient. Ensuring a reliable supply of corn is vital, especially in a feed-deficit State like Virginia.

Demand for corn worldwide is on the rise. U.S. corn farmers are aggressively seeking new domestic and overseas markets for their product. Two factors stand out—the increased use of corn as an energy source and China's move from a net exporter to a net importer of grain.

As you write the next farm bill, we ask you to remember the singular way in which the last two farm bills have helped the traditional feed consumers. By decoupling support payments and allowing farmers to respond to the growing world demand for corn, we have—in most years—enjoyed U.S. corn crops large enough to fill the needs of new and existing corn consumers. With the legislative mandates for ethanol and Biodiesel production in the coming years, as well as the growing number of products produced from corn and soybeans we must be able to meet the acreage requirements for this production.

But, we also must recognize that the flexibility to plant new corn acres to some extent has come at the expense of soybean acres. In some feed-deficit states, turkey and hog producers are importing soybean meal from Brazil. Unless new arable land is found, more feed ingredients may have to be imported. When writing the next farm bill, we ask that you do two things:

- Maintain the de-coupled payments so that farmers have maximum freedom to respond to market signals; and
- Expand the arable land available for production by ensuring that only truly environmentally sensitive land is enrolled in the Conservation Reserve Program.

Another major challenge is in the environmental arena. We accept the strict agricultural environmental laws of this country as part of our responsibility to be good stewards of the land. Many of you also are aware that some are trying to extend industrial environmental laws to agriculture, and we thank those of you who are working to prevent this.

Whatever environmental rules are on the books, the poultry and livestock producers will need help with compliance if they are to continue to prosper. The Environmental Quality Incentives Program (EQIP), created in the 1996 farm bill and expanded in the 2002 farm bill, has the potential to help tremendously. In writing the next farm bill, we would urge you to:

- Increase EQIP funding to the maximum extent possible;
- Consider increasing the percentage of EQIP funds that are reserved for livestock and poultry operations; and
- Examine ways EQIP funding could be used to facilitate projects that turn animal waste into fuel.

Finally, I would mention three other matters—trade, research and the so-called “competition” issues.

Foreign markets are our fastest-growing markets. The Foreign Market Development program and Market Access Program are vital to increasing exports of value-added poultry and meat. The 2002 farm bill was generous to those programs, and we urge you to maintain those funding levels in the next farm bill and, if possible, increase them. Each farm export dollar stimulates an additional \$1.48 in economic activity, according to a recent Economic Research Service and USDA study. Also each one billion dollars of agriculture exports adds over 13,400 full-time civilian jobs with over 7000 of those jobs being in the non-farmer sector.

Directly related to this are the competition issues. We face stiff challenges from foreign companies as we seek to open new markets. In addition, the way Americans purchase their poultry and meat has changed dramatically in the last 40 years. Some raise objections to our industry's current structure, but this structure evolved specifically to meet the demands of our domestic and foreign customers. If we make it impossible for the U.S. industry to organize itself in a way that serves those customers, we can be sure competitors from other nations will step quickly in to fill the void.

Finally, Federal agriculture research is a vital to our ability to provide safe wholesome food. Just one example is the Agricultural Research Service's on avian influenza. ARS researchers not only have played a vital role in helping U.S. growers prevent the type of avian influenza outbreaks that have plagued Asia, but ARS scientists have helped Asian nations tackle their AI problems. We urge you to maintain and, if possible, increase agriculture research funding, especially in the areas of food safety and animal disease control.

Again, thank you for the opportunity to testify. I look forward to answering your questions.

STATEMENT OF ROBERT HALL SPIERS

Chairman Goodlatte, members of the committee, my name is Robert Hall Spiers, Jr. I am a row crop producer from Southeast Virginia and have farmed full time for 32 years. My home farm has been in my family for over 125 years; I am the fourth generation to farm the land I currently own and I have a 37 year old son that is preparing to take over the operation in a few years. The history of my family as farmers in Dinwiddie County actually goes back eight generations to the 1740's. My son would be the 9th generation in a long-line of Virginians who have chosen farming as the primary means of their livelihood.

My comments today will center on some of the policies which affect me as a small commercial size row crop farmer from southeastern Virginia, with an emphasis on cotton. I produce 450 acres of cotton, 550 acres of soybeans and 55 acres of flue-cured tobacco. I am sensitive to the huge task facing the agriculture community and appreciate the different viewpoints expressed by the many segments of agriculture affected by the farm bill.

While my region of the State is primarily a row-crop area in which farm programs play a crucial role, I speak to you today in a part of the State where livestock production plays a predominant role. I would dare say there are fellow farmers in the Valley who may not be fully aware of the importance of cotton and farm programs to southeast Virginia. In talking to you today about farm programs, it is important to note the critical role the crops I and others produce play in maintaining a stable and affordable supply of feedstuffs for the livestock sector, both in the form of protein and energy. Commodity programs in the farm bill have an important and positive economic impact on the livestock sector and this should not be overlooked.

While my testimony today is a personal perspective, I would note that I currently serve as vice-chairman of the Virginia Farm Bureau Federation's cotton advisory committee and also sit on the Colonial Farm Credit's board of directors. This gives me a unique perspective regarding the needs of both a producer and a lending institution. I have been actively involved with these and other organizations for over 25 years.

There are those that believe we have a farm bill that needs a major overhaul. Many of these opinions have been put forward by individuals and organizations that are not directly involved in production agriculture. As a farmer, I would argue strongly that we are currently operating under a good farm bill that may need some modifications, but not a major rewrite.

As you can imagine, I have had experience with numerous farm bills over my 32 years of farming. With the longevity of my operation the first item I look for in a farm bill is stability with the ability to produce for the market. The safety net woven into the current farm bill gives me the ability to farm with confidence. The freedom to farm provisions give me the ability to follow the market signals as I choose the crops I grow.

Virginia has planted an estimated 100,000 acres of cotton this year. We are one of the northernmost cotton producing regions in the "cotton belt". While our acreage is small in comparison to other states in the belt, it is important to note that our crop is concentrated in only a handful of counties in southeast Virginia. The financial impact of cotton not only to the agricultural sector, but to our local businesses, is tremendous. I cannot overemphasize the economic importance of agriculture to our localities; too often this is overlooked. Cotton has helped ease the pain in our

communities in southeast Virginia from a declining peanut sector in which our acreage has gone from over 70,000 acres a few years ago to an estimated 13,000 this year.

Over 300 farmers grow cotton in Virginia; this is down from over 400 a few years ago. The vast majority of these operations would be similar to mine, they are family businesses that go back several generations; many can be traced back to Colonial times. They grow a variety of crops and often raise livestock and they are a critical element in maintaining and preserving open spaces in our communities.

There are those who complain that farm program payments are going to fewer and fewer farmers in increasing amounts. What they often overlook is that structural changes are forcing farmers to increase their acreage, not to increase profitability, but to remain competitive and to offset steadily escalating costs of production which have little bearing on the price we receive for our crops. For many farmers, this is brought on more by necessity than choice. It is not difficult to understand why fewer farmers are getting more in the form of payments.

While the independence of the individual American farmer is a cornerstone of our industry, as producers of non-perishable crops we operate at the mercy of market forces and factors beyond our control that can adversely affect entire farming sectors. These include weather, trade agreements, political wrangling and posturing both here and abroad, government ag policies in other competing countries, and a multitude of other factors. This is especially true of cotton which is very much a global crop. It is grown and processed in, and transported to, virtually all corners of the world.

For decades, Americans have supported the idea that a stable domestic food and fiber production sector is a major component of our society and our economy. Affordable and safe food supply is a national necessity and should be assured. I feel the cost can surely be justified compared to the huge benefits enjoyed by the American public. A sound farm bill, such as the one we are currently operating under, is a critical piece to maintaining this stability. The farm bill needs design features which will protect this valuable industry.

I am aware of differing viewpoints and ideas concerning the safety net. While as an operator of farms with program crops, I receive sizable payments; these of course vary from year to year. The reality is I rent about 800 acres of my 1100 acres of crop land from over 30 different land owners and my son is involved in the operation. My point is that in many operations just as in mine, many people benefit from safety net payments beyond the named individual which receives the payment. These payments often affect decisions on whether land will remain in ag production or be sold for purposes which will remove it from production forever.

As we all know, a farm bill is made up of many different pieces. The commodity provisions of title I are just one of several titles. Program crops support are dealt with in title I. I would urge support for a continuation of the direct and counter-cyclical payments and marketing loan program as is in the current law. They have worked well for all involved across the country. These programs are not designed to guarantee profitability but instead to help protect our industry from low price cycles and provide some level of financial predictability demanded by our lenders.

There are other titles in the farm bill that provide support and protection both for and beyond row-crop production. These include conservation, crop insurance, market promotion, energy, and risk management training. Each of these is important to my family and my farming business as well as farmers all across the country. I would urge adequate funding to enhance program delivery and increase participation in all these areas.

I have read a lot recently about how our cotton program is causing economic harm to farmers in developing countries. However, there are a myriad of factors well beyond our farm programs that impact the economies of these countries.

On the flip side, consider the rapid, and I would say unfortunate, demise of our domestic textile industry. This has forced a major shift in how our raw cotton is consumed. We now must export over two-thirds of our production. At the same time, the United States is the largest worldwide consumer of cotton products. So while much of our crop leaves our shores for further processing, it is providing a raw material that fuels economic development and job creation in many developing countries. That cotton often returns to our stores in the form of finished goods. While we would all prefer to see a product that is "made in the USA", that imported cotton garment you purchase at your local store may very well be from cotton grown here in America.

The freedom to farm provisions of the current farm bill has been a valuable asset to producers. I hope policy which gives me the ability to follow market signals as I choose the crops I grow will continue. While I would support an extension of the current farm bill, I know that may not be a reality. The current farm bill does not

guarantee a profit but it has many stabilizing features which allow a producer to farm with confidence.

I have heard good people make good decisions when they have good facts. You have a challenge in crafting a bill that will stabilize agriculture as we compete in a world wide economy with rising energy cost. I urge you as members of Congress to stay the course and work with us to ensure my son and hopefully his son one day can continue to farm for many years to come.

In closing, let me just note that I have seen many changes to my family's operations over the years. With these changes, we have needed access to all of the credit and financial resources that were available. As we compete in a global economy, our needs will continue to change. The Farm Credit System has undertaken a project called Horizons in which they and others outside the system have analyzed the needs of agriculture and put forward some ideas on how the System can continue to meet those needs. I am attaching a copy of the Horizons report for your consideration as you debate the features that will need to be included next farm bill.

Thank you.

STATEMENT OF EMMA FRENCH RANDEL

Congressman Goodlatte and members of the House Committee on Agriculture:

My name is Emma French Randel. I am co-founder and president of Shenandoah Vineyards of Edinburg, VA, which was founded in 1976.

I have been asked to speak before this committee on behalf of the Virginia wineries and vineyards concerning the Federal farm policy.

Shenandoah Vineyards was founded in 1976 and is the fourth oldest winery in Virginia and the first winery in the Shenandoah Valley. In those early days not much information was available on growing wine grapes or making wine in Virginia. There has been tremendous growth in the number of wineries and vineyards since the mid seventies. Currently there are 110 wineries and more are being started. This growth has benefited from the research and technology support of our Virginia enologist, Dr. Bruce Zoecklein, and our Virginia viticulturist, Dr. Tony Wolf.

It takes the investment of many years of dedication, hard work, a large investment of capital, and, I might say, passion, for a winery finally to become profitable. Many Virginia wineries have become profitable. The new farm bill should help the growth of present and future wineries, as well as other specialty crops, by helping growers improve quality and enhance marketability of agricultural products. It should help promote new efficient methods to increase production, and promote agriculture sustainability that adds value to the economy and keeps our farmland's rural character.

Specialty crops are a significant part of American agriculture with a farm gate value of about \$55 billion. Specialty crop producers represent more than half of all agricultural production. Thus it is very important that the next farm bill address the needs of specialty crops in a fair and balance manner.

I would like to see continued viticulture and enological research through block grants to the Virginia Department of Agriculture to support research in area and regional plant diseases and pest problems, and other competitiveness-enhancing programs. Research to develop virus-free rootstock is urgently needed for Virginia vineyards and well as those of other states. Soil studies of former tobacco land as ecologically safe for vineyard development would promote more vineyards here. We need better access to affordable technical and professional laboratory analyses, i.e., the founding of an East Coast viticulture and enological laboratory center.

Availability of labor is a big concern of winery and vineyard owners. Could this concern be addressed in some way in the new farm bill?

As wineries grow in size and number in Virginia, I envision the need for help in marketing our product here and even out of the country. A part of marketing that has been adversely affected here in Virginia is the loss of self-distribution of our wines. I am not sure how the farm bill would help this problem, but there must be a way, because many of our wineries will find it much more difficult to grow and become successful. Grants for marketing possibly could help with this problem.

Funds to help sustain the wine industry in Virginia, and promote its growth, adds value to the economy, environment and quality of life in rural communities, i.e., Virginia's farmlands. With more vineyards, there will be fewer housing developments!

Thank you for allowing me to speak to you today on this vital subject.

STATEMENT OF BILLY BAIN

Thank you, Mr. Chairman, for the opportunity to address your Committee today. My name is Billy Bain, and I farm in Dinwiddie County, VA. I grow wheat, corn, soybeans, peanuts, and hay and raise some beef cattle. I have through the years been an active Board member of the Virginia Peanut Growers Association and Peanut Growers Cooperative Marketing Association. I am here to speak about issues affecting all of agriculture but will concentrate on peanuts.

While many outsiders are not aware that peanuts are grown in our state, peanuts are very much a part of our agricultural history. From the period 1975–1981, Virginia averaged 102,000 acres planted with a value of \$60,580,000 dollars. From 1982–1995, we averaged 93,000 acres with a value of \$117,124,000. From 1996–2001, we averaged 76,000 acres with a value of \$50,425,000. Beginning in 2002 with the present peanut legislation, we dropped to 58,000 acres and the slide has continued. USDA estimates the crop currently planted is 13,000 acres. The value of this crop could reach \$8,000,000. The current planted acreage is 1 percent of what is planted nationally. In 1975 we planted 6.8 percent of the nation's acres.

I think it is important to highlight two figures in the previous paragraph—the value of peanuts raised in our State was fairly recently \$117 million at the farm gate and is now \$8 million. In some cases acres which used to be planted to peanuts are now being used to raise other crops, and the value from those crops will add to the \$8 million. However, there is no way the loss of peanut income can be fully made up—either to the producer or to the state's economy. Further, the number of times money paid for crops has been estimated to turn over in the economy is 2–3 times when you include banks, equipment and chemical dealers, and local shops. Finally, these figures really become apparent when you realize we are talking essentially about a triangle of land bordered by Norfolk, Petersburg, and Emporia. The economic effects are tremendous.

The end of our supply managed peanut program brought many changes to our industry. As you recall, the old program, even though it operated at little or no cost to the taxpayer, finally succumbed to the pressures of imports and the critics who labeled it as taxing the consumer, as represented by retail prices, to the tune of \$500 million annually.

I recall at least five items that were hoped to be accomplished when the old program was rewritten, besides abolishing quotas. These will be mentioned and will be dealt with in some detail in the testimony:

- The program must allow for growth in the peanut industry. At the producer level it has grown in some regions, but only at the expense of other growing areas.
- The program must lower the cost of peanuts and peanut products to the consumer. While some decreases have occurred, it has been minor in relation to producer prices.
- The program must encourage more exports of U.S. grown peanuts. We export about half as many tons as we used to.
- The program must provide a safety net for the producer. The safety net is inadequate for producers in my area.
- The program, through lower prices, should discourage imports. Shelled peanut imports have fallen. These have been more than replaced by other imports not counted in tariff-rate quotas. Taking all peanut classifications into consideration, there were more imports in 2005 than in 2000 or 2001.

What has changed with this new marketing loan program? First, there are fewer industry buyers. In 1980, there were approximately 54 shellers nationwide. Today there are approximately 12. Historically a grower sells to a sheller who then processes the peanuts into a form usable by the manufacturer. There has also been significant consolidation among the manufacturing sector.

Second, the number of acres planted nationwide is virtually unchanged. In the late 1980's, the U.S. had 1.5 million acres planted. Last year, there were 1.657 million. The current crop is forecast at 1.3 million acres. Since the restrictive tendencies of the old program have been lifted, there are significant numbers of new growers and new growing areas in most of the peanut belt states. These growers are taking advantage of soil virgin to peanuts and the predominance of good weather conditions since 2002. It is one thing to grow a crop for a year or two. It is another to show the commitment over generations. The acreage shifting could not occur in Virginia. The only growing area with the soil and climate conditions for peanuts is the same area still being used—there was no new land to move to and few if any new growers willing to try their hand at peanuts.

Third, there has been a significant decrease in the financial returns of peanuts. Growers have become contract producers, and have few alternatives in proximity to their farm. Contract prices are less than 70 percent of what was paid to producers

under the old program. This price is supplemented by some government payments, but these payments fail to make up the difference between income per acre under the old program compared to the new one. All the while, costs associated with an already expensive crop are growing every day. The combination of prices received compared to costs has hit VA producers extremely hard. If something doesn't change soon, we are afraid our industry will disappear.

Fourth, while there have been some retail price cuts, these have been few. The retail price reductions as a whole have not decreased at the same percentage as farmer prices or shelled prices. The price reductions have helped to derive some consumption growth, but not enough.

I want to take a bit of time to look at the actual operation of the program so we can see where adjustments need to be discussed. First of all, the basic premise of the peanut language—to apply the marketing loan program to peanuts thereby making peanuts look like all other commodities—is flawed unless you realize the differences between peanuts and the other commodities.

First of all, peanuts are a specialty crop that requires unique harvesting, dry, and storage equipment. The capital investment for equipment needed to produce peanuts is a major portion of the cost of production. The high start-up cost limits our ability to get into or out of the peanut business. It is difficult, if not impossible, to replace or upgrade that equipment when you must rely on yearly contracts with little idea of what the next year's contract price will be. I am concerned that some growing areas will lose even more producers when their existing equipment wears out and needs replacing.

Second, peanuts are perishable. They must be stored under carefully controlled conditions to maintain the quality that U.S. peanuts are known for. Few producers have the facilities to store their crop and if they do, storage is only for a limited time. This forces us to move our crop at harvest when the market is oversupplied. Other crops can be put under loan in extended on-farm storage and delay sale until the market improves. We have limited options, and essentially are forced to put our crop in the buyer's facilities where they can dictate the terms, conditions, and costs.

Handling and storage charges were authorized to be paid to facilitate the movement of the crop, and these payments have become important to the industry. While these payments are set to expire after this current year concludes, it is hoped that a way can be found to authorize funding through the life of the current and future bills as there is a fear that the nonpayment of these charges could become a producer expense. These charges do not apply to on-farm storage.

The marketing assistance loan for a producer must be obtained by January 31, and the duration of a loan is for nine months. This is far too long to properly store peanuts, a perishable commodity, and expect an adequate quality when they are delivered from storage. Heat and insects affect peanuts under extended storage, and it is our recommendation that the loan period be reduced to a 6 month loan or an expiration of June 30, whichever occurs first.

The loan rate for peanuts is currently set at \$355 per ton. Without recommending a certain rate for new legislation, we are extremely concerned about the overproduction that has occurred over the course of the last few years. This has put the program at risk in turns of government costs due to the level of forfeitures.

Forfeitures have increased from being nonexistent in the first two crop years to over 100,000 tons from the 2004 crop to an expected 500,000 plus tons from the 2005 crop. We have repeatedly asked USDA to restrict the disposition of forfeited peanuts to crushing use only, but to no avail. If there is a need for the peanuts, the current 9 month loan or even a 6 month loan allows plenty of time to redeem them. The system now allows forfeited peanuts to be purchased at prices below levels contracted months earlier, so there is no incentive to purchase these before the loan expires. Further, due to the quality of most forfeited peanuts, the crushing market is the only suitable market for these stocks. It is our feeling that forfeited peanuts should be crushed to protect our quality. This will also prevent these stocks from being held over producers' heads going into a new crop year.

When confronted about redemptions before forfeiture, USDA has maintained that it is the growers loan and he is the one with the choice to redeem the peanut. While technically this is true, reality will show that current methods of contracting give this right to the handler, and in turn gives the right to marketing gains to the handler and not to the grower. It is our hope that USDA will realize this situation at some point.

Growers have been forced to try to adjust to this program. Unfortunately in many cases the decision has been to quit or dramatically cut back in peanut production. For those with disease free land, it has been a definite plus, although this situation will not last even with adequate rotations. For previously established growers who are choosing to grow peanuts at the loan rate or just above it, my hat is off to them

as I do not know how they are profitably able to do so. Many justify it when they say that peanuts are better than the alternatives. This unfortunately shows us the sad State of affairs in all of agriculture.

I cannot conclude my remarks without touching on trade agreements. For peanuts, through the various trade agreements including GATT, NAFTA, CAFTA as well as bilateral agreements, we have granted quota access into our country of over 70,000 tons of peanuts and over 20,000 tons of peanut butter. In the case of Mexico, peanut butter imports will soon be unlimited. It has been most helpful to our industry to have had these quotas and to have been placed on the longest phase-in period allowed under most agreements. However, it comes a time when you look back and assess what these agreements have gotten us. We export less than half of the amount we used to, so access to other markets has not happened. In addition to the figures above, there were nearly 300 million pounds in 2005 and over 400 million pounds in 2004 of other imports brought into the U.S. containing peanuts. These imports include confectionary products and crude or refined peanut oil. For years we have asked that these categories also be included in access amounts granted to countries under trade agreements, but to no avail. It appears to us that we as a trading entity are usually ready to offer a peanut quota but we as peanut producers get nothing in return. One of the main thrusts of the WTO Round is to help and write special rules for developing countries. The U.S. is the only developed country growing peanuts. Our country is the largest of the few whose peanut production industry is driven by the edible market rather than the crushing market. Under these conditions, every country wants a piece of our market and we as producers have little if anything to gain.

Finally, it is an unfortunate fact that growers, whether it be in peanuts or any other row crop, must have a strong program to provide some form of stability against a marketplace in which they have little control. All of us as consumers are direct beneficiaries. We do believe that we must do all we can to supplement this program in any way possible. Virginia has recently joined with North Carolina and South Carolina to obtain a certification logo issued by the U.S. Patent and Trademark office. This logo denotes Virginia-Carolina Grown. We are very proud of the type peanut we grow, the unique uses of this peanut, and the flavor and quality characteristics that we have historically produced. We feel that consumers need to know what their options are. If their inclination is for Virginia-Carolina produced peanuts, then we want them to be able to find them. It is our hope that this will help unite the shellers and manufacturers with the growers in our area, to everyone's benefit.

I do have one final concern to share with you. As you know, consumers follow fads, and one that is currently growing is that for organic products. There are suddenly significant quantities of organic peanuts on the market, and, to our knowledge, few acres of organic peanuts are grown in our country. We have indications that many of these products originate in China and are certified there by USDA as organic. We have brought this issue before USDA but with thus far inadequate responses. Perhaps with your help we can more fully understand the nature of this situation. USDA should not be authorizing their organic certification to be used for production grown halfway around the world.

In developing the next Bill, I assume you will start with current law and make appropriate changes. I have addressed some areas of change. There will be others, and I assure you we stand ready to work with you to craft these changes so the producer, regardless of whether he lives in Virginia or not, is the beneficiary. With declining Federal budgets and steadily rising production costs, it will take all of our efforts to be successful.

Chairman Goodlatte, members of the Committee, thank you for your interest and efforts through the years on behalf of agriculture. As a producer for many years, I feel that agriculture is at a crossroads. In the marketplace all commodity prices are below the cost of production. There are no incentives for young men or women to become farmers as they see their predecessors struggle. Fewer members of Congress are farmer-friendly, and the list of groups continues to grow who thrive on feeding misinformation about trade, government payments, or other topics to a public which takes food production for granted. I hope through your efforts we can find ways to give more of the final product cost back to the farmer. Take most any product off the shelf at the store and calculate the prices actually received by the farmer. This quickly leads to the sad realization that farmers are at the mercy of everyone else in the supply chain. I appreciate the chance to testify before you, and we look forward to working with you in the development of the next farm bill. I will be glad to answer any questions.

STATEMENT OF MARGARET ANN SMITH

Good morning. Chairman Goodlatte, welcome home. The Honorable Members of the House Committee on Agriculture welcome to Virginia's Shenandoah Valley. My name is Margaret Ann Smith, I am a young farmer. I operate a mid-sized cattle farm along with my family in Rockbridge County only a few miles away from this location. It is my understanding the Federal farm legislation and programs are intended to provide stability, economic stability for farmers and ranchers, economic stability for rural communities dependent upon agriculture, and ultimately the stability, abundance and security of our nation's food supply which all citizens are accustomed and expect. As a young farmer I am concerned about what future farm bills hold for the stability of not only beginning farmers, but all farmers. There are several organizations and individuals calling for significant changes to current Federal farm policy. I urge you to resist major changes and stay the course for production agriculture. Reducing total agricultural spending or shifting portions of remaining dollars from production agriculture to conservation initiatives does not strengthen American agriculture's safety net. Reducing support to America's production agriculture in the next farm bill only acquiesces to foreign interests and weakens our nation's ability to negotiate for a fairer WTO agreement.

When I can not feed my cattle because a drought destroys my pasture and hay land, a safety net will help keep me in business, not a conservation program, that I may or may not qualify for because of a bureaucratic ranking of my watershed's status or because I can not afford to spend the money for the producer's share. Federal farm legislation must include programs that provide a safety net for all types of agriculture, including permanent disaster assistance for all crops, livestock, including equine, and poultry.

The next farm bill should reform Federal crop insurance programs by providing farm income or cost of production coverage options for all producers. After all, it doesn't matter whether a farmer produces corn or cattle; it's the production-generated revenue that is critical for farmers to pay their bills. We're certainly not taxed differently if we raise corn versus cattle and the IRS doesn't accept bushels of grain for tax payments.

The next farm bill needs to continue the counter cyclical payment and marketing loan programs with significantly higher payment limitations while retaining planting flexibility. County yields need to reflect current proven producer yields, LDP basis calculations should reflect the actual nearby or in-state cash market conditions. Some argue that these payment programs keep grain prices low and limit the amount of tax dollars being spent on conservation. Anyone that feeds grain to livestock or poultry benefits from low or stable priced grain. Also, I am curious how grain producers receiving program payments are supposed to benefit from additional conservation spending, when they must already comply with Federal conservation requirements in order to receive the program payments in the first place. Some of the proposals for increased conservation funding would increase CRP and WRP enrollment which means I will probably have to compete with the Federal Government to rent pasture and hay land from my neighbors. Conservation agencies tend to have "pet watersheds" and "pet programs" with a variety of participation conditions, so regardless of any technical need that my farm may have for a conservation practice, I may or may not benefit from additional conservation funding.

Speaking of participation conditions, these quasi-regulatory conditions often double as regulatory creep. For example, the Virginia State Office of the NRCS is currently drafting a Biosecurity standard for inclusion in its Field Office Technical Guide. The proposed standard would, among other things, require producers participate in the National Animal Identification System. State NRCS staff has suggested the Biosecurity standard will be required of all livestock and poultry producers receiving future financial assistance for Federal conservation programs in Virginia. In essence NRCS would require Virginia livestock producers who receive Federal cost-share to participate in a highly controversial voluntary program which is still under development and administered by another USDA agency, APHIS.

However, conservation programs are necessary for farmers to continue to do their part to conserve soil and protect water quality for the benefit of all. But simply directing additional dollars to these programs without providing convenient access to adequate technical field staff does not equate to improved stewardship. Farmers need timely access to both NRCS and FSA field staffs.

The United States agricultural production portfolio is as grand in scale as it is diverse in scope. Numerous regional and commodity based differences exist in U.S. production agriculture. All crops and livestock types need to be included in the safety net. Federal programs need to address the differences, but not necessarily with the same program. For example, corn prices are likely to trend higher due to in-

creased ethanol production, the livestock producers would benefit greatly from additional research concerning the use of the ethanol co-product, distillers' grain solubles, as an alternative feedstock.

The next farm bill must continue to look to the future. We must continue programs and funding that encourage new and beginning farmers to enter agriculture. Markets are continually evolving, both domestic and abroad, market development funding and assistance are necessary for farmers to produce for the market. Programs and funding are also needed that preserve highly productive farmland without unduly restricting property owners' rights and ability to farm preserved lands. But I can tell you this; a strong and stable U.S. agricultural economy will attract more new farmers and will keep more land in production than any Federal set-asides.

It is very important for the future of American agriculture and its farmers that the Federal farm programs provide a reliable and meaningful safety net for all crop and livestock types. If farmers can not make a decent living and return on their investment, all of the conservation programs and trade concessions in the world will not keep them in business. The stability and security of the United States is tied to the stability and prosperity of the American farmer. In closing, I'd like to quote a fellow young farmer from Georgia, Mr. Ben Boyd, "If you like being dependent on foreign oil, you're gonna love being dependent on foreign food." Thank you.

STATEMENT OF BETTY JO HAMILTON

A farm bill listening session was held recently in Staunton, Va., at the Stonewall Jackson Hotel and Conference Center. I was unable to attend that event. I submit the following as my written statement concerning areas that need to be addressed in the farm bill.

- (1) Administrative processes relating to conservation practice applications and filings should be streamlined and shifted to NRCS clerical staff for processing;
- (2) Professional NRCS staff should provide conservation technical assistance to farm and ranch operators installing conservation practices;
- (3) CRP implementation should extend over 2 years rather than one year;
- (4) Multiple NRCS conservation practices should be consolidated under one contract per one farm or ranch operator to eliminate inefficiency in the application process;
- (5) NRCS should offer a total resource conservation plan, one per farm or ranch operator, to include multiple conservation practices to be implemented over a several-year period of time.

I have been participating in conservation practices through Natural Resources and Conservation Service since 2003. This participation has included multiple conservation practices that have been beneficial to the environment but which also have facilitated improved farmland management and animal health. However, there is multiplication of effort in the administrative processes that direct these programs. This creates a waste of time and money on both the part of NRCS and the farmer.

For instance, for my average-size family farm (550 acres, one operator) located in Virginia, I have 16 separate contracts to install conservation practices. Each one of these contracts creates the need for administrative services by a multiplier of 16. The professional NRCS staff overseeing these contracts must spend all of his time administering paperwork to conform to these programs. There is no time available for NRCS staff to provide CONSERVATION TECHNICAL ASSISTANCE to farmers when conservation practices are being installed on a farm. Clerical staff should handle administrative functions relating to these programs. This would free professional NRCS county staff to provide conservation technical assistance.

Also, from a logistical standpoint, many of the practices supported by these programs take considerable time to incorporate on a working farm. For example: CRP (excluding livestock from streams, installing a livestock watering system and planting trees in the designated CRP area). To participate in this program, farm operators should be allowed to initiate CRP practices over a two-year period of time, rather than a one-year period of time as is the case at present. Having multiple contractors on a working farm within a narrow window of time is almost impossible to manage while also trying to maintain the typical routine of farm work. At one time during 2003, I had three different private contractors on my farm working on 10 different contracts. Trying to run the farm single-handedly while also directing the progress of three private contractors is more than many farmers can be expected to manage.

Additionally, from a farm management standpoint, it is difficult to switch livestock from free-range water systems to closed water access systems (livestock water

fountains). Livestock needs time to learn to use fountains and to know fountains provide their source of water. Expecting livestock to make an abrupt change from free access to controlled access is foolhardy. Time is needed to troubleshoot watering systems to ensure their ability to provide water to herds and flocks. Farmers can't have hundreds of heads of livestock standing around perishing for water while problems with a new watering system are being resolved. Watering systems should be installed one year and then followed the next year with the stream exclusion phase of CRP. Allowing the CRP practice to be carried out over 2 years rather than one is the desired approach to this conservation practice and the approach that is most manageable for many farm operations.

I believe, however, that there is a logical solution to these concerns. Rather than having many individual contracts for multiple practices there should be one all-encompassing contract with multiple parts to be carried out over a specified period of years. NRCS professional staff should create a total resource management pLAN for a farm operation to participate in multiple conservation practices. This would enable the farm operator to manage the workload in order to participate effectively in multiple farm conservation programs. It also would permit the local NRCS staff to provide conservation technical assistance necessary to assist farm operators and private contractors with the incorporation of conservation practices on farms and ranches.

I am pleased with the conservation practices that we have used here on my farm. They have provided untold benefits from a conservation perspective. To my surprise, they also have provided profound improvements in my farm operation's efficiency. They have promoted a high level of good animal health as well. In my mind, these conservation practices are a win-win situation for both the farm operation and the environment.

I want to see these practices managed with increased efficiency to enable farmers to participate at an increased level. It is my hope that the new farm bill will include language and funding to:

- (1) Streamline administrative processes related to conservation practice applications and filings and designate these responsibilities to NRCS clerical staff for processing;
- (2) Enable professional nracs staff to provide conservation technical assistance to farm and ranch operators installing conservation practices;
- (3) Extend CRP implementation over 2 years rather than one year;
- (4) Consolidate multiple NRCS conservation practices under one contract per one farm or ranch operator to eliminate inefficiency in the application process;
- (5) Offer total resource conservation plans through NRCS, one TRCP per farm or ranch operator, to include multiple conservation practices to be implemented over a several-year period of time.

I welcome an opportunity to speak with someone about these matters at any time.

STATEMENT OF ARTHUR GRAY COYNER

As a Virginia Farm Bureau member, I want to thank you for holding the recent field hearing of the Agriculture Committee in Staunton, Virginia. This hearing allowed many Virginia farmers an opportunity to meet and talk to your colleagues on this committee and also see the difficult task ahead of the committee.

As a sixth generation Virginia farmer, I have visited Washington several times with the Virginia Farm Bureau but this is the first opportunity for me to see the committee in action. I also appreciate the fact that so many committee members went to the trouble to attend the reception and the field hearing.

After farming for over 40 years, I decided to follow a different career path in 2000. I went to work for the Piedmont Environmental Council in Warrenton working to help farmers and other landowners voluntarily protect their property for farmers in future generations using tools such as conservation easements and local purchase of development rights (PDR) programs.

One tool that Virginia provides to assist farmers is the transferable tax credit for donated conservation easements. The great feature of this tax incentive is that it allows landowners (farmers) that do not normally have a large income tax liability to trade their tax incentives to tax payers that may have substantial tax liability. This program allows taxpayers that may not normally participate in a farmland conservation program to provide resources to preserve that land. I realize that the U.S. Congress has recently passed incentives to help individuals conserve farm land from residential development but I think the timing is good for a similar tax credit program on a Federal level whether it is enabled in the 2007 farm bill or in stand alone legislation.

Thank you again for your support of Virginia agriculture.

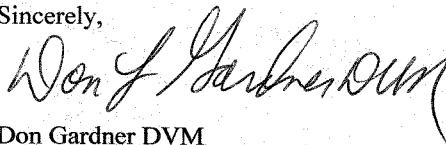
Dear Congressman Goodlatte,

Let me introduce myself. I am Don Gardner, a practicing dairy cattle veterinarian and custom dairy heifer grower. I have represented the Professional Dairy Heifer Growers Association on the NAIS Dairy Cattle Working Group and a consortium composed of the National Milk Producers Federation, American Holstein Assoc., Jersey Cattle Club, National Association of Animal Breeders and the Professional Dairy Heifer Growers Assoc. called IDairy. This group was formed to encourage dairy producers and heifer growers to register their farm premise IDs. I also am Secretary-Treasurer of the Virginia Academy of Food Animal Practitioners. As a result of this involvement for the last couple of years I would like to make the following comments.

1. There seems to be a lack of political will among bureaucrats at USDA and politicians in government to implement the scientific knowledge that is available to provide a workable National Animal Identification System. This has manifested itself in a large amount of frustration in myself and others working toward this goal.
2. Is it going to take a huge national crisis to get the above groups to make a decision to move forward in a timely manner and get this job done on schedule? Epidemiologists and our disease control experts are currently working with little or no way to do trace backs because of a lack of implemented ID's to follow the animals back to their source.
3. Multiple data bases are going to be harder to coordinate than a single national data base. If we suffer a foot and mouth disease outbreak that can affect cattle, sheep and swine all three data bases will have to be accessed and coordinated to find all potentially exposed farms in a given geographical area. This is a lot easier said in theory than done in real life experience. IDairy has endorsed the FAIR database currently in use in Wisconsin with a successful track record for dairy cattle ID. We project a onetime 5 cent charge to be included in the purchase price of the RFID eartag to cover movement recording for the animals life.

4. The idea that this NAIDS is going to work on a voluntary basis is pure pipe dreaming. An informal pole of cattle producers that are of average size in Virginia has told me that most are not going to ID their animals until it is mandatory. Do you truly think vehicle registration and income tax payments would be done if they were voluntary?
5. When are we going to quit fooling around with the technology neutral methodology stance and admit that most systems in the world that are working use RFID tag technology? What good will it do if a sale barn in Virginia uses RFID tags and a feedlot in Kansas decides to use retinal scanning. How are you going to coordinate ID systems on a national basis if everyone can use a different system?
6. I have yet to encounter a reasonable person that was against a NAIDS that had a clear understanding of how it was supposed to work. Most resistance has been overcome when their fears were answered and the workings of the system was explained. For example, rumors have been spread that chickens will have to have ear tags, it will cost the owner \$1.00 every time the animal is moved and recorded and the next step is to require RFID implants in all people for Big Brother's control.
7. I and the organizations making up IDairy would like to strongly encourage Secretary of Agriculture Johanns, the professionals at USDA and the Congressional leadership to quit the indecision and let's get this NAIDS implemented before we absolutely need it, but don't have it.

Sincerely,



Don Gardner DVM
1751 Gardner Farm Rd.
Huddleston, Va. 24104

Reeves

Mr. Chairman, Members of the Committee, welcome to Augusta County and thank you for holding this hearing, allowing us the opportunity to provide input on the upcoming 2007 Farm Bill. My name is Ernie Reeves and I am a cattle and poultry producer in this county. I am a member and a past president of the Virginia Cattleman's Association, and serve on the Virginia Cattle Industry Board.

I would like to take this opportunity to thank Chairman Goodlatte and anyone else that assisted in the formation of the Virginia Poultry Growers' Cooperative some two years ago. Through the wages paid to employees, patronage refunds, dividends, and grower payments, this group has put seventy million dollars into our local economy in the first year and a half of operation.

Trade

As a cattle producer, I depend on grasslands and our natural resources to feed and care for my livestock. This enterprise allows me to generate economic activity on land that is generally unsuitable for the production of traditional cash crops such as corn or soybeans. During the past three years, cattlemen have enjoyed improved cash flows and returns as a result of improved demand for our products. We produce a healthy, nutritious, enjoyable protein source for consumers not only in this country, but in other international markets as well.

U.S. cattlemen have been and continue to be strong believers in international trade. We support aggressive negotiating positions to open markets and to remove unfair trade barriers to our product. We support government programs such as the Market Access Program and the Foreign Market Development Program which help expand opportunities for U.S. beef, and we urge sustained funding for these long-term market development efforts.

We also support Congressional and regulatory action to address unfair international trade barriers that hinder the exportation of U.S. beef after the discovery of BSE on December 23, 2003, in a Canadian cow in Washington State. As you are aware, we continue to fight to get our products into several countries. We ask that you continue to support the effort to see that sound science is being followed in bringing down these artificial trade barriers. To grow our business, we have to look outside of the U.S. borders to find 96% of the world's consumers. We encourage the Committee's continued strong and

vigilant oversight of the enforcement of any trade pact to which American agriculture is a party.

Conservation and the Environment

These same grasslands that I use for my cattle and livelihood also provide benefits for all the people of our community. Not only serving as greenspace and scenic vistas, this land also serves to preserve water quality, to provide habitats for wildlife, and as an area for recreational activities. Our particular farm has a brown trout fishery on Mossy Creek that is open to the public. These grasslands and forests also could be a carbon sink that captures and holds carbon and reduces CO₂ in the atmosphere, and could be a potential source of biofuel in the quest to be more energy independent. I think we need more incentives to maintain open space on the most productive lands, for the many benefits to the whole community.

I would like to thank you for our local Natural Resources Conservation Service office. It provides invaluable technical assistance not only in the course of many programs administered by the NRCS office but also to supply answers and input to solve problems in the management of our operation. Cattlemen appreciate the funding provided for the numerous programs but we think that it is important that you maintain a level of funding for the technical assistance to manage the many programs and to provide the level of service that we have grown accustomed to.

In this county alone, roughly one million dollars is used annually through the programs administered through the NRCS, with a minority of operations participating, an example being that 200 out of 1691 actually participate in stream fencing. Greater participation would require more manpower for technical assistance and more money to reach a larger percentage of our operations.

Cattlemen are partners in conservation. Our livelihood is made on the land, so being good stewards of the land not only makes good environmental sense, it is fundamental for our land to stay strong and economically usable for future generations. Our industry is threatened every day by urban encroachment, natural disasters, and misinterpretation and misapplication of environmental laws. We strive to operate as environmentally friendly as possible, and it is here where we can see a partnership with the government.

The goal of conservation and environmental programs is to achieve the greatest environmental benefit with the resources available. One such program that achieves this is the Environmental Quality Incentive Program or EQIP. Cattle producers across the country participate in this program, but

arbitrarily setting numerical caps that render some producers eligible and others ineligible limits the success of the program. Addressing environmental solutions is not a large versus small operation issue. All producers have the responsibility to take care of the environment and their land, and should have the ability to participate in programs to assist them in establishing and reaching achievable environmental goals. Accordingly, all producers should be afforded equal access under programs such as EQIP.

Secondly, many producers would like to enroll in various USDA conservation programs such as CSP and CRP to reach environmental goals. However, to enroll in these programs requires the producer to stop productive economic activity on the land enrolled. We believe economic activity and conservation can go hand in hand. As such, we support the addition of provision in the next farm bill that will allow managed grazing on land enrolled in CRP. This will have tangible benefits on environmental quality, for example, helping to improve lands threatened by invasive plant species.

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

Conclusion

Every day I see best management practices that have been carried out in our local watersheds on private land to protect water quality and to enhance wildlife. I am convinced that we are now seeing positive results such as reduced erosion and surface water sediments from our efforts in the past.

America's cattlemen are proud and independent. We want the opportunity to run our operations in the best way that we can to provide a quality product for the consumers of the world and to ensure economic vitality for future generations. We provide benefits such as the preservation of water quality and the enhancement of wildlife for everyone in our communities. We come to you in an effort to work together, to find new ways to use the limited funds available in the best way possible to conserve our resources, to build our industry and to provide for individual opportunities. We ask for nothing more than a Federal agriculture policy that helps build and improve the business climate for cattlemen.

REVIEW OF FEDERAL FARM POLICY

SATURDAY, JULY 22, 2006

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Marshall, MN.

The committee met, pursuant to call, at 9:00 a.m., in the Conference Center Ballroom, Southwest Minnesota State University, Marshall, MN, Hon. Bob Goodlatte (chairman of the committee) presiding.

Present: Representatives Goodlatte, Moran, Gutknecht, King, Peterson, Holden, Etheridge, Cardoza, Herseth, Melancon, Costa, Boswell, Larsen.

Also present: Representative Ross

Staff present: William E. O'Conner, Jr., staff Director; Bryan Dierlam, Ben Anderson, Alise Kowalski, Mike Dunlap, Lindsey Correa, Tobin Ellison, Rob Larew, Anne Simmons, Chandler Goule, and April Demert.

OPENING STATEMENT OF HON. BOB GOODLATTE, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF VIRGINIA

The CHAIRMAN. Good morning, this hearing of the Committee on Agriculture of the U.S. House of Representatives to review Federal farm policy will come to order.

I am Bob Goodlatte, I'm chairman of the committee and I am delighted to be back in Marshall, Minnesota with my good friend and colleague and the ranking member of the committee, Collin Peterson. I had the opportunity to be here last year to tour a swine facility, to attend Farm Fest, to visit a sugar beet plant, and I am looking forward today to the opportunity to visit a biodiesel and an ethanol plant as well.

Congressman Peterson is a great host for the committee, we are very delighted that we have 15 members of the committee here today and this is a very bipartisan committee, but Collin, this morning, there will be no recorded vote. [Laughter.]

It is indeed a very bipartisan committee and Collin has been the ranking member of the committee now for this Congress, so I have had the opportunity to work even more closely with him than I had in the past. You cannot accomplish anything worthwhile in agricultural policy without working in a bipartisan fashion. That is the history of the committee and that is something that we look forward to having as we work toward writing a new farm bill.

So without further ado, I have some opening statements. I will keep them brief to allow plenty of time for our witnesses to share

their thoughts with our members and first and foremost, I would like thank all of you for joining us here today for the committee's 10th field hearing to review the 2002 farm bill.

The CHAIRMAN. In our nine previous hearings, we have heard from a variety of witnesses representing various regions of the country and the unique agricultural environment of each region.

Earlier this week, the committee traveled to my home district in Virginia to hear about the issues facing farmers in the Commonwealth, and I am pleased to now be here in the ranking minority member's district to hear from our witnesses about how the current farm bill is working here in this part of the country.

The purpose of this hearing is to gather feedback from producers on the 2002 farm bill, which is set to expire in September 2007. To ensure that American agriculture remains competitive and that our producers can continue to provide fellow Americans with a safe, affordable and wholesome food supply, we must make sure that our producers are equipped with an adequate safety net.

As we travel throughout the Nation, the feedback we receive from our producers will give us a good sense of how these policies work in practice and what improvements can be made within the budgetary constraints we face in Washington.

I would like to thank Representatives Collin Peterson and Gil Gutknecht's Subcommittee on Department Operations, Oversight, Dairy, Nutrition and Forestry chairman, for hosting today's hearing. And I thank both members and their staffs for all of their efforts in facilitating this hearing.

Additionally, I would like to thank the witnesses who will be testifying today. These witnesses are themselves producers with livestock, crops, fields and dairies to tend and I appreciate the time they have taken out of their busy schedules to be here to speak with us today.

Now let us get down to the business at hand. I look forward to the testimony of the witnesses before us today and I respectfully request members submit their opening statements for the record, so that we may proceed with our first panel of witnesses, with two exceptions. First, the Ranking Minority Member, Mr. Peterson, and then quickly our other Minnesota member on the committee, Gil Gutknecht, who is, as I just mentioned, a valued subcommittee chairman.

The gentleman from Minnesota.

OPENING STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. PETERSON. Thank you, Mr. Chairman. Thank you for coming to the seventh district of Minnesota. We are pleased to have you here and the committee.

As you saw yesterday, driving up from Sioux Falls, we know how to grow corn and soybeans and quite a few other things here and in Minnesota and in the seventh district.

I want to do a couple of things first. I want to recognize Dr. David Danahar—there he is—he is the president of Southwest State University and the host here for us today. We want to thank

him, and Vince Pellegrino, who is vice president, who helped us put this together. So thank you for making these facilities available.

Also, the refreshments today have been provided by the Farmers Union and we have Doug Peterson, the State president, with us here, former State representative from our area. The Farm Bureau, I do not know who is here representing the Farm Bureau—there is Kevin— and Pheasants Forever is also one of the sponsors of the refreshments.

As the chairman said, we work on a bipartisan basis and I agree completely with him that without that, we would not get a whole lot accomplished. The problems that we run into generally are more along the lines of regional differences, commodity differences.

Oh, I forgot, we have Marty Seifert, who is the State Representative from this area, I want to recognize Marty. I apologize, I did not write you down here. And also Steve Wenzel who is an old colleague of mine from the legislature, who is now the head of Rural Development for USDA in Minnesota.

But we are going to have a challenge ahead of us as we work on the next farm bill and we will not know exactly how big of a challenge that is going to be, it depends on what happens with the trade agreements, depends on what kind of budget allocation we get and what the base line is, all that sort of thing.

Generally what we have been hearing around the country so far is that people are pretty satisfied with what we did in 2002. We have heard a lot of folks testify they would like to see us extend the current farm program, and we look forward to hearing what you think here today.

One thing that I have been concerned about, and I think is getting to be more of an issue and maybe getting more people on board with this idea, is the whole issue of disaster. When you get north of here—right here, it looks pretty good, they had some rain here a couple of days ago. But the further north you get in my district, the worse it gets. We are very dry, especially north of Highway 10. You get west of here in South Dakota and North Dakota, they have got big problems, and all down through the middle of the country. We have been trying to get a disaster bill through the Congress starting way back when we were doing the budget reconciliation last November and December. We tried again in the supplemental appropriations bill. I think, given what is going on and the magnitude of this drought that is happening, my prediction is that at some point, we will do a disaster bill to address what has happened here in the last year or two. We have done that I think 9 years out of 11 or something like that, we have passed a supplemental ad hoc disaster program.

My idea and the one thing I think we missed in the 2002 bill was putting in a permanent disaster program that would work in conjunction with crop insurance, to recognize that some place in this country we are going to have a farm problem every year. In my opinion, it does not make sense for us to have to sit around as farmers and wonder whether Congress is going to pass something and when it is going to happen, all that sort of thing. So what this would do is give the Secretary the authority, if they declared a disaster in a county, they would have the authority to go out and make those payments, it would not take an act of Congress. I think

it would cost less money in the long run, because whenever we do one of these disasters, stuff gets added in there that should not be added in. So that is one thing that a lot of us are concerned about right now, is getting some help out to these producers that are really suffering and I hope that we can work to try to get something like that accomplished in the next farm bill.

The other thing that the committee is very interested in, I am very interested in, is the whole renewable fuels area, where Minnesota has been a leader and we commend all of the State legislators and others that worked on this. We are going to be doing some touring this afternoon and some meetings tomorrow helping the committee better understand what we have done here in Minnesota and understand some of the issues surrounding renewable fuels. But I think this is the biggest opportunity we have had in agriculture in maybe 100 years, what is going on with ethanol and biodiesel. This committee, I think, is going to seriously look at doing an energy title to try to expand that out into the future.

I am talking way too long. I want to thank all my colleagues for being here. As you see, I think we should have a vote, Bob, we could probably get this disaster thing through today. [Laughter.]

But I really appreciate my colleagues being here and appreciate all of you being here today. It is a great turnout, and the witnesses. So welcome to the seventh district, Marshall, Minnesota, and we are glad to have you and look forward to the hearing.

The CHAIRMAN. I thank the gentleman very much.

As you could tell from the title of the Subcommittee chaired by the gentleman from Minnesota, Mr. Gutknecht, he chairs a very important subcommittee, one that I chaired prior to becoming Chairman of the committee, with a diverse array of responsibilities—oversight of the Department of Agriculture, dealing with issues as diverse as dairy and nutrition programs and forestry. So it is a real pleasure to have him on the committee and to work with him for the many years that I have.

Gil Gutknecht.

OPENING STATEMENT OF HON. GIL GUTKNECHT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. GUTKNECHT. Mr. Chairman, I will be very brief. Again, I want to thank all my colleagues for coming. This is the biggest turnout I think we have had at any of these field hearings.

It seems like just yesterday, we were having these hearings with Chairman Combest around the country. And I think sometimes people believe that Congress does not listen, but the truth of the matter is the reason we have the farm bill that we are operating under today is because Congress did listen.

We operate under a relatively simple model—listen, learn, help and lead. And what we have been doing is having these hearings listening to farmers and ranchers about some of the concerns they have, what is right with the current farm policy, what they would like to see changed. And that is why these hearings are extremely important. So Mr. Chairman, I want to thank you for coming to Minnesota.

One person who has not been introduced, and I want to introduce him, is Gerald Tumbleson—Gerald, stand up. Gerald was just installed as the president of the National Corn Growers, and I have stolen a lot of his ideas and I usually give you credit, Gerald, but I just want to share with you a couple of things that Gerald says that I think are so important, not just for the benefit of the members of the committee, but for your benefit as well.

Gerald often says that there are really only two things that the world needs more of—one is energy and the other is protein. And if you think about it, he is absolutely right. But more importantly, we are in a unique position here in American agriculture, and particularly here in this part of the world. We saw the wind turbines yesterday and we are going to see some of the most advanced technology for the production of ethanol and biodiesel right here in this part of the country. So farmers are a big part of the solution to those big problems we face today. As we move forward, it seems to me, that has to be part of the philosophy that has to under-gird what we do in terms of farm policy. And I think if we do our job, I know that we can count on the folks in this room to do their job, and we can solve the problems that the world really faces. And as I say, I could not agree with Gerald more, that the world needs more protein and it needs more energy. And we are going to produce more of both and I think both are going to be—that philosophy is going to be a very important component in the kind of farm bill we put together.

So I want to thank you, Mr. Chairman, I want to thank the witnesses. I look forward to some interesting testimony and a chance to show off what Minnesota is doing. Thank you very much.

The CHAIRMAN. I thank the gentleman for his comments.

We will now proceed with our witnesses. I would like to welcome our first panel: Mr. Richard Magnusson, wheat producer from Roseau, Minnesota; Mr. Rob Rynning, barley producer of Kennedy, Minnesota; Mr. Steve Williams, sugar producer of Fisher, Minnesota; Mr. Bob Worth, soybean producer of Lake Benton, Minnesota; Mr. Jerry Larson, potato producer of Climax, Minnesota; Mr. Ron Obermoller, corn producer of Brewster, Minnesota and Mr. Jerry Van Zee, sorghum producer of Platte, South Dakota.

I will advise all members of the panel that they should limit their testimony to 5 minutes, and that their entire written statement will be made a part of the record. So if you do not get to say it, it is still going to be in the record available to everybody.

We will start with you, Mr. Magnusson, welcome.

**STATEMENT OF RICHARD MAGNUSSON, WHEAT, BARLEY,
CORN, SOYBEAN, SUNFLOWER PRODUCER, ROSEAU, MN**

Mr. MAGNUSSON. Thank you, Mr. Chairman, members of the committee. I too welcome you to Minnesota.

My name is Richard Magnusson, I am from Roseau, Minnesota, home of Polaris Snowmobiles and ATVs, which is 13 miles from the Canadian border. I raise wheat, barley, corn, soybeans, sunflowers, canola, flax, dry beans along with Kentucky bluegrass for seed, perennial rye grass for seed, Reed Canary for seed as well as native grasses for seed.

The majority of farmers I speak to are very supportive of the current farm bill. You do not hear grumblings about this program as we have heard about programs in the past. The current farm bill offers a stable income source through the use of direct payments, offers us income protection through counter-cyclical programs and provides a market for us through the loan program. However, we have to realize that this program was put together in 2002, and the economics of farming have changed dramatically since that time. The increasing costs of energy have eroded the small margins of profit that farmers must live with. We do not enjoy the liberty of passing these costs on to the middlemen. The instability we see in the Middle East creates havoc in the oil markets which so much of our farm inputs are priced on. The price of fuel impacts us as we plant, harvest and transport our commodities to market. We have seen the price of fuel and fertilizer double since we wrote the farm bill. I realize that we will be writing this new farm bill under difficult budgetary circumstances, but a rebalancing of the formulas amongst the commodity program crops to reflect the higher cost of production should be taken into account.

I also believe that we should add a bioenergy component to the farm bill. I recently re-read some parts of Thomas Friedman's book, "The World is Flat", and the one part of the book I find interesting is the idea that our country needs to make alternative energy and conservation our next "moon shot." If our country would put forth the same effort into making the United States energy independent as we did in putting a man on the moon in the 1960's, we could come a long way to solving our problems in the next 10 years. What we need is leadership to bring all the forces to bear that got us to the moon in 1969. We need additional funding for science across the board to remain the world leader in innovation and invention. Our leadership in technology over the past decades has come from investments that the Government put into the sciences in the 1960's. That investment inspired technology and other innovations that led to the development of a new industry base in the United States. We now need leadership to inspire this generation into dreaming of a way to become an energy independent nation in 10 years.

A case in point: Northwestern Minnesota produces Kentucky bluegrass and perennial rye grass seed which is used in lawns and athletic fields. We also produce the seed that farmers sow to grow switchgrass. However, the switchgrass we produce today is not bred to fit the needs of the bioenergy concept. It does not produce enough tons per acre to economically be used as a fuel conversion source. We need to enhance the germplasm to bring forth new varieties that would produce enough tons per acre of biomass needed to make switchgrass and other biomass a viable feedstock for energy conversion. I have submitted for the record, I believe the members have a copy of this, a Comprehensive Bio-based Renewable Energy and Industrial Systems plan put forth by the University of Minnesota, North Dakota, South Dakota and the Northwest Grass Seed Growers group. This could be the start of our dream of energy independence.

Thank you again, Mr. Chairman, for the opportunity to be here today and I would be happy to answer any questions.

[The prepared statement of Mr. Magnusson appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Magnusson.

Mr. Rynning, welcome.

**STATEMENT OF ROBERT RYNNING, WHEAT, BARLEY, SOYBEAN
AND CANOLA PRODUCER, KENNEDY, MN**

Mr. RYNNING. Thank you very much. My name is Rob Rynning, I farm with my brother Tim in northwestern Minnesota near the towns of Hallock and Kennedy, about 20 miles from the Canadian border. We raise wheat, barley, canola and soybeans.

The first thing I would like to address today are the effects of the current farm bill. I would also like to thank the committee and the chairman for this opportunity to speak. The current farm bill I believe has a very good basic structure. The existing bill is sound and the 2002 farm bill is basically a good bill. The problem is that the bill has not been able to truly do all that it was supposed to, I believe. I do not feel that the bill is completely balanced between the various crops as well as it could have been. Some crops were treated better than others in their payment rates and support levels. I do feel there needs to be some rebalancing, if possible, for the long term to make this work. One crop that I was personally involved with a little bit in the last farm bill was barley. We do feel that there needs to be a little addressing of barley subsidy rates.

Farmers are still at a huge financial risk if they have production shortfalls. The farm bill and crop insurance programs combined do not have the ability to save many farmers from weather-related catastrophes. In 2005, my region suffered excessive rains that caused extensive flooding and crop loss. Much of the land was too wet to plant and the land that was planted did not produce very much. Even with Government payments, crop insurance and some crop to sell, we just did not have enough money to meet our needs. My brother and I lost basically \$238,000 to \$268,000 in working capital simply from the production losses of 1 year. This is one reason our region is in dire need of a crop loss disaster program covering 2005 crop year. I also feel that there is a strong need for FSA to have adequate funding to implement such a program. The need for the same type of disaster program seems to be raising its head in this country for the 2006 crop year, my local region seems to be running into problems again, this time from too dry.

It looks to me like some consideration should be given to inserting a permanent crop loss disaster program as part of the next farm bill. The discussion of the next farm bill should be very interesting. I believe an extension of the existing bill or a slight modified version of it may be most workable in the short term. Changes dictated by possible conclusion of WTO negotiations would best be addressed once we know all the details of an agreement. Preempting an agreement with a unilateral change to our farm program may not be a very good idea in my fee. Another possibility is that the entire DOHA Round fails and then we have to deal with the existing rules and rulings that have come out of the existing WTO. When the whole WTO issue has been sorted out, then the Green Box versus other payment methods could be discussed with much more clarity.

Because one of the biggest factors affecting my region is this disastrous weather cycle, I feel the need to return to this issue and address the fact that income received from Federal crop programs is important to farmers, but you also have to produce a crop to keep in existence. During the last 15 years, northwest Minnesota has suffered a cycle of weather extremes—too hot, too cold, too dry. Crop insurance cannot carry many farmers through these bad stretches, you have to have a buffer. My great grandfather, my grandfather, my father, they were all able to build up a financial buffer during good times. Great grandfather farmed through the boom ag times of World War I. My grandfather saw prices right after World War II like \$2.55 a bushel for barley in 1948. I just contracted for \$2.65. They had \$2.70 flax in 1949. Many young farmers came back from World War II and paid for their entire farm with one flax crop in 1949. My father had good wheat prices 1973 through 1975. The problem is we do not have those same good years to make that buffer and even the old \$5 wheat is not so magical any more with our cost of inputs.

Our farm started carrying crop insurance in 1988. They went for 80 years without it and seemed to do fine, but we cannot do it any more. Our margins are too tight, our multiple crop losses have been too hard on us and we just need to keep addressing this. And I think one good way to do that would be through a permanent crop loss program. And if we do not have emergency spending for it and required offsets, I think it is even more reason to have a permanent program.

I would like to thank the chairman and the members of the committee again for hearing me out. Thank you very much.

[The prepared statement of Mr. Rynning appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Rynning.

Mr. Williams, welcome.

STATEMENT OF STEVE WILLIAMS, SUGAR PRODUCER, FISHER, MN

Mr. WILLIAMS. Thank you, Mr. Chairman. My name is Steve Williams I am president of American Sugarbeet Growers Association and the Red River Valley Sugarbeet Association. On behalf of my fellow Minnesota and North Dakota sugar beet growers, I welcome you to sugar country. Minnesota grows more sugar beets than any other State in the country.

I am a lifelong resident of Fisher, Minnesota and a third generation sugar beet farmer. I raise about 700 acres of sugar beets along with wheat and soybeans on some of the same fertile ground that my father and grandfather farmed.

Here in the upper Midwest, the sugar beet industry is an important economic force. It generates over \$3 billion in annual economic activity, creates 3000 direct jobs and indirectly supports 30,000 jobs. These jobs keep our small towns alive. This small town success story was not achieved, nor can it be sustained, by accident. The Red River Valley of Minnesota and North Dakota are arguably the most efficient sugar beet producing region in the world. These family farms these small town employees are among the best at

what they do and we believe Congress should maintain a fair and stable sugar policy well into the future.

The United States is the world's fifth largest sugar producer and consumer and is the second largest importer of sugar. U.S. production is divided evenly between sugar beets and sugarcane and all of the sugar beet processing companies are now farmer-owned and 75 percent of the cane mills and refineries are farmer-owned.

U.S. sugar policy is unique among U.S. commodity programs. While other programs provide income support to farmers when market prices fall below the loan rate, sugar policy does not, and is designed to run at no cost to the Government, by avoiding loan forfeitures. Sugar policy is an inventory management program. The Secretary of Agriculture has two tools to manage the market—a WTO legal tariff rate quota to control imports and a marketing allotment program to control domestic supplies.

The administration is negotiating bilateral regional FTAs with 21 other sugar exporting countries and we do not believe that subsidized foreign sugar producers should take preference over American sugar farmers in their own market. We, therefore, urge the administration to ensure that import concessions do not reduce our production or depress prices in our market.

Piecemeal market access concessions in bilateral and regional free trade agreements will not help solve the global subsidy program. Such concessions on top of concessions already made in NAFTA, CAFTA and Colombia would put the sugar industry out of business. Further, it will force U.S. sugar producers to grow other crops, depressing those prices and increasing Federal program costs.

Sugar is the most distorted commodity market in the world. The government in every country that produces sugar intervenes in the sugar market in some way. The biggest producers and the biggest subsidizers dump their surplus on the world market for whatever price it will bring. As a result of this pervasive dumping, so-called world market prices for sugar have averaged barely half of the world cost of production over the past two decades.

The sugar subsidy problem must be addressed globally in WTO. American sugar farmers are proud of the fact that sugar is the only major U.S. commodity program run at no cost to the taxpayers. We derive all our returns from the marketplace. We receive no income support from the Government to cushion the blow when market prices drop. We have not had an increase in our support price in 21 years, though inflation since 1985 has been 81 percent.

American consumers also get a great deal on sugar. Consumer prices are low and affordable by world standards and extremely stable. U.S. retail prices averaged 43 cents in 2005, 43 in 1990 and 43 cents in 1980.

U.S. sugar policy has worked for American taxpayers and consumers. It has given American sugar beet growers a chance to survive in a highly subsidized and distorted world market. We urge that a fair and stable U.S. policy be allowed to continue.

Thank you.

[The prepared statement of Mr. Williams appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Williams.

Mr. Worth, we are pleased to have your testimony now.

STATEMENT OF BOB WORTH, SOYBEAN PRODUCER, LAKE BENTON, MN

Mr. WORTH. Good morning, Mr. Chairman and members of the committee, especially to our Minnesota Congressmen, Mr. Collin Peterson and Mr. Gil Gutknecht, thank you.

I am Bob Worth, a soybean, corn and wheat farmer from Lake Benton, Minnesota and very proud to be serving my second year as president of Minnesota Soybean Growers Association, MSGA. I very much appreciate the opportunity to appear before you today.

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

Unfortunately, the current budget baseline for farm program spending declines over the next 10 years, and will probably not accommodate expected outlays based on current support levels. We would need additional funding, as was made available in 2001 for the 2002 farm bill, in order to extend existing programs. Given the outlook for Federal budget deficits as opposed to surpluses in the coming years, we will be fortunate to keep the funding level we have. And after facing cuts in agriculture budget last year, we can expect Congress to consider further reductions in spending after the elections this fall. Therefore, budget factors alone are likely to force Congress to look at changing the current farm bill in next year's farm bill.

Another important concern is the potential for additional WTO challenges of current programs. We are familiar with the results of Brazil's case against the U.S. cotton program last year. In order to avoid sanctions, the U.S. will need to change the direct payment program to eliminate the planting restrictions on fruit and vegetable crops. Also, both the Marketing Loan and Counter-Cyclical Programs are found to cause serious prejudice and could cause other cases against other crops, including soybeans.

We also are watching the current negotiations on a new WTO agreement. Last October, the administration offered to make a 60 percent reduction in outlays permitted under the most production and trade distorting programs including the market loan, dairy and sugar price supports, and a 53 percent overall reduction in all trade distorting programs. MSGA strongly supports ASA and the other farm organizations who are insisting that importing countries make equally aggressive reductions in their tariffs, including soybeans and livestock products. If an agreement is reached and approved by Congress next year, we will need to make major changes in current farm programs.

Given the uncertainties, MSGA's policy on the 2007 farm bill is that: (1) there be no further cuts in the CCC budget baseline for agriculture spending; (2) that farm programs not distort planting decisions between crops; and (3) that future programs be WTO-compliant to avoid challenges like the cotton case.

If an acceptable WTO agreement is not achieved prior to the expiration of the 2002 farm bill, MSGA anticipates supporting ex-

tending the current farm bill's general provisions until a WTO agreement is eventually reached.

To explore alternatives, a multi-commodity and farm organizations farm bill Task Force has been working to look at the so-called green box programs that would be considered non-trade distorting under the WTO. The results of their analysis indicate a variety of options that would guarantee 70 percent of historical income and still be WTO-compliant. These options include basing the guarantee on whole farm versus specific commodity income, looking at using either net or gross income for guaranteeing income for only program commodities, for program crops plus horticulture crops or for all crops plus livestock. The cost of these options varies considerably from \$3.3 billion per year to guarantee 70 percent of the gross income on a whole farm basis for only program crops to over \$10 billion per year to guarantee 70 percent of net income for specific commodities for all crops and livestock.

No farm or commodity group has endorsed the revenue insurance concept, but we want to see how the revenue guarantee could be combined with one or several other farm programs to create a more effective safety net for producers.

Mr. Chairman, MSGA is very supportive of proposals to strengthen the conservation, energy and research trade titles of the 2002 farm bill. We would like to also make sure there is plenty of stuff done for conservation, biodiesel CCC.

All this stuff is very, very good. The rest of mine is written before you. I thank you again, Mr. Chairman, for the opportunity to speak here today.

[The prepared statement of Mr. Worth appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Worth.

Mr. Larson, we are pleased to have your testimony.

STATEMENT OF JERRY LARSON, POTATO PRODUCER, CLIMAX, MN

Mr. LARSON. Thank you, Mr. Chairman and members of the committee and thank Mr. Peterson and Gutknecht for bringing the committee to our area.

I am Jerry Larson representing the Potato Growers Association. I am past president of the National Potato Council and Red River Valley Potato Growers Association that is now Northern Plains Potato Growers Association, consisting of northwest Minnesota and all of North Dakota.

Specialty crop production across the United States accounts for \$46 billion in farm cash receipts, representing 44 percent of the U.S. total crop value. While the domestic potato production remains a strong \$3 billion industry, we have seen increasing imports in our sector. In all horticultural products, the U.S. imported 21.9 billion and exported 12.3 billion worth of goods in 2003. As far as potatoes are concerned, this past year is the first time we have been ahead on exports. We have been a net importer of potatoes for about 6 years prior to that, most of them coming from Canada because of the trade agreements and the way Canadian issues were not addressed in the trade agreements previously.

Over the years, potatoes as well as other specialty crops have gone through tremendous change in an effort to remain profitable, satisfy consumer demand, adapt to new technology and compete in the increasingly global marketplace. Today, growers are facing the most stringent economic conditions and regulatory challenges they have seen in decades. Meanwhile, consumption of our commodity seems to be stagnating. While the perishable nature of our product presents unique challenges and highly volatile markets, our industry has not relied on traditional farm programs to sustain our business. We are proud of our commitment to the free markets and do not want to change that.

As far as policy recommendations:

We would like to see the planting flexibility restrictions so that acres that are receiving Government payments cannot be planted to non-program crops, thereby distorting the value and the volume of product available.

Disaster assistance: we are in dire need, because of last year and also going into this year, we had land last year that had 30 inches of rain from planting through harvest of potatoes, and this year that same ground has seen about less than 4 inches since the first of April and most of that came before planting when we were trying to plant. So we have gone to complete extremes both ways in the last 2 years.

As far as disaster assistance, the current \$80,000 payment limit on disaster payments is not equitable for specialty crop producers due to higher inputs and labor costs. Possible loss per acre experienced by specialty crop producers as a result of disasters is generally significantly greater than for program crops. FSA currently maintains a database that has cost of production figures for various agricultural enterprises and this cost of production should be taken into index with disaster programs.

As natural disasters are occurring, it has been said previous that, and as Mr. Peterson alluded to, we need a mechanism in place so we do not have to go through the gathering of funds every time we do have a disaster, which seems to be happening more frequently all the time. Our farm too never carried crop insurance until 1988 and previous to that, grandpa and dad did just fine, but the position we have been in lately, you cannot recover from the amount of disasters that we are getting.

I want to thank the chairman for bringing the committee to Minnesota and will be willing to answer any questions. Thank you.

[The prepared statement of Mr. Larson appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Larson.

Mr. Obermoller, welcome.

**STATEMENT OF RON OBERMOLLER, CORN AND SOYBEAN
PRODUCER, BREWSTER, MN**

Mr. OBERMOLLER. Mr. Chairman, Ranking Member Peterson, members of the committee, thank you for holding this important hearing.

My name is Ron Obermoller, with my wife, we own and operate a corn and soybean farm and a finishing unit near Brewster, Minnesota.

MN is very proud to be represented on this committee by the distinguished ranking member Congressman Collin Peterson and by the Subcommittee Chairman Congressman Gil Gutknecht.

The message I bring to you today on behalf of thousands of Minnesota farmers could not be clearer. If it is not broke, do not fix it. The farm bill is working. Do not amend it, just extend it.

Mr. Chairman, I do not remember another farm bill that was this popular among farmers 5 days after the law was passed, much less 5 years later. Minnesota strongly supports this farm bill.

First, it provides a very strong safety net for U.S. farm families and gives us a fighting chance against foreign subsidies and tariffs.

Second, it creates economic activity and jobs in rural America, without which our small communities would dry up.

And third, this farm bill has helped make the Minnesota miracle of renewable fuels possible.

Former Federal Reserve Chairman Alan Greenspan used to talk a lot about big obstacles to economic growth being the lack of equity capital. If we do not have the equity capital this farm bill provides, local and farmer-owned investment in renewable fuel projects would not be possible. Take away this farm bill and you take away the ability of the farmers to invest. Take away the farmer's ability to invest and you take away jobs from rural communities.

There is not enough time to go through the misleading information lead by critics. So I will just quote a Tufts University paper that was written to expose some of the errors. "Farm statistics are regularly quoted in the press and in policy circle, often in misleading ways. This, in turn, can easily lead to mistaken policies." Then the paper goes on to cite a few examples of whoppers used by critics and then states, "All of the above statements are true—and they all truly mislead."

You will also find that these critics usually contradict themselves and almost always contradict each other. When you look back on the parade of horrors that the critics predicted if Congress passed the farm bill, you would wonder how these folks could have been wrong so often.

But instead of responding to the nonsense, I will focus on a few serious considerations that may influence the 2007 farm bill.

First, the budget. So far the farm bill has come in about \$13 billion under cost. This does not include the \$3 billion saved during reconciliation. According to USDA, costs are expected to drop about another \$5 billion this year as compared to 2005. When it is all said and done, the farm bill could come in between \$15 billion and \$20 billion below cost. The farm safety net costs about one-half of one percent of the budget. Compare this with the Senate Finance Committee finding that \$300 billion per year of unpaid taxes are owed, it is nearly \$2 trillion over 6 years. We could wipe out this year's deficit and chip away at the debt with that kind of money. If the farm safety net were zeroed out, it would take 117 years to save that amount. Going after tax cheats makes a lot more sense than going after rural America.

The WTO. Navigating the WTO rules in 2002 with a pleace clause proved to be difficult. But navigating without a pleace clause would be impossible. Without a pleace clause, there is no safe har-

bor from litigation. Like any business, American farmers and their lenders need certainty. This farm bill provides that certainty and it should not be changed in order to go after a mission impossible. Farmers across the country are extremely fearful of our trade negotiators giving away the farm in the WTO. In exchange, we will get market access that nobody knows how to pencil into the bottom line. So far, trade negotiators have stood firm. But it would hit us all in farm country very hard if in the middle of the current WTO stalemate the United States Government would end up doing to us what our trade negotiators have not, and that is to unilaterally disarm us.

U.S. competitiveness. When U.S. manufacturing lost 3 million jobs to offshoring a few years ago, Congress passed the American Jobs Protection Act which cost about the same as the farm bill. The bill was aimed to help U.S. manufacturers compete in a lopsided global playing field. Unlike the farm bill, few if any called it corporate welfare or wanted to means test benefits. The bill was about U.S. competitiveness, economic growth and American jobs. Well, so is the farm bill. World agricultural markets are the most distorted of any economic sector. The farm bill is about keeping 25 million American jobs and maintaining \$3.5 trillion in economic output per year.

Mr. Chairman, helping to feed a hungry world, fuel a nation, and create millions of American jobs does not sound like corporate welfare to me. It sounds like common sense.

Thank you, Mr. Chairman, Congressman Peterson, members of the committee for always standing up for American farmers when we need it. Thank you.

[The prepared statement of Mr. Obermoller appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Obermoller.

Mr. Van Zee, thank you for coming over from South Dakota. You and a witness on our second panel make this a regional hearing and you are also very well represented here by your very fine Congresswoman, Stephanie Herseth, who herself is just across the line in Brookings. You will hear more from her and about her as we proceed, but we are delighted to have your testimony today.

**STATEMENT OF JERRY VAN ZEE, SORGHUM PRODUCER,
PLATTE, SD**

Mr. VAN ZEE. Thank you, Mr. Chairman, members of the committee. On behalf of the National Sorghum Producers, I would like to thank the House Committee on Agriculture for the opportunity to discuss the farm bill and its impact on the sorghum industry and my farm.

My name is Jerry Van Zee. I serve on the Delegate Body of the National Sorghum Producers. I farm with my father and my sons near Platte, South Dakota. In our semi-arid region of the country, sorghum is the best cash crop we produce. We also grow soybeans, alfalfa, sunflowers, wheat and corn. I appreciate the opportunity to be here. Sorghum is known as a water-sipping crop, using one-third less water than other feed grains. I can grow a sorghum crop with 20 inches of rain and it typically uses less fertilizer than other feed grains and can perform better on marginal soils. Most importantly,

we have experienced a 57 percent increase in the use of sorghum in the ethanol industry over the last 2 years.

Sorghum is interchangeable with corn in the ethanol industry as one bushel of sorghum produces the same amount of ethanol as one bushel of corn. The distiller's grains are also identical in feed value.

There are ethanol plants in the semi-arid sorghum belt that have trucks dump sorghum and corn into the same hopper at the ethanol plants. Also, numerous ethanol plants outside the Corn Belt use sorghum as their sole starch source, and in Kansas, more sorghum than corn is used in ethanol production.

My letter of invitation asked me to discuss current and future challenges that might be addressed in the next farm bill. A challenge I would like to put in front of members of this committee is to implement a bold energy title in the next farm bill. The sorghum industry is interested and ready for energy production opportunities. I ask that this committee give serious consideration and discussion to this growing segment of the industry. While the commodity title remains the most significant title to most sorghum farmers, energy programs are drawing an increasing amount of attention.

Sorghum has a unique role in bioenergy science. It can and does fit into three schemes for production of biofuel: grain or starch based; sugar-based and biobased feed stocks. In the U.S., almost all of the current ethanol production is based on starch conversion using primarily corn and sorghum grains to produce ethanol. To the ethanol production process, starch is starch. It does not matter if the starch comes from corn or sorghum.

Regarding sweet sorghum, most Americans know of it as a type of sorghum used to make syrup or molasses. Sweet sorghum is also used worldwide in the production of ethanol. India is producing ethanol from sweet sorghum while South American countries that have limited or no fossil fuels are making serious efforts to utilize sweet sorghum to produce ethanol.

Finally, forage sorghums can play a significant role in producing ethanol from biomass. Biomass production is based on utilizing the whole plant by breaking down cellulose and hemi-cellulose to produce ethanol. Sorghum fits well into biomass production with the potential to produce more ethanol per inch of water than any other popular biomass crops.

Regarding the commodity title of the farm program, direct payments are important to our members but most of the sorghum is raised in semi-arid regions of the country. We are not always guaranteed a crop to collect an LDP or counter-cyclical payment.

Regarding the conservation programs, we encourage Congress to look at programs that save water, not just increase efficiency. For example, we have seen programs that actually increase water usage. Long-term, this policy will not work.

Again, thank you for allowing me to testify. I would be happy to answer any of your questions.

[The prepared statement of Mr. Van Zee appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Van Zee.

I will start with the questions. Let me turn to you. We have had more than 120 witnesses at all of our hearings, we have not had

the opportunity to hear from very many sorghum producers, so I wonder if you might tell us how you would prioritize your industry's most pressing issues that the Congress needs to deal with to help producers like you.

Mr. VAN ZEE. Would you ask that again?

The CHAIRMAN. Sure. Let me give you a little more background. We are interested in knowing, of the various programs that you participate in, which ones are the highest priority, the most useful to you.

Mr. VAN ZEE. Of the commodity title programs, you mean?

The CHAIRMAN. Sure, and other programs too.

Mr. VAN ZEE. Well, like I say direct, LDP and counter-cyclical payments, it varies from year to year. One year direct payment might be the way to go, the next year, we get a crop, LDP might be the way to go.

The CHAIRMAN. When we wrote the last farm bill, we were coming off the first budget surpluses in the Congress in many years. We now have deficits again and, while those deficits are getting lower, we are still no doubt in the budget which we write next year, which allocates funding for a farm bill, whether it is a continuation of a farm bill or a new farm bill, we have to be mindful of the fact that we are going to have tight budgetary concerns. So I am asking you and then I am going to go down the line and ask everybody else to tell us, of those, how you would prioritize them. If you had to choose between direct, LDP and counter-cyclical, how would you rank them?

Mr. VAN ZEE. I guess I would have to say direct payment, then LDP and then counter-cyclical.

The CHAIRMAN. Very good. Let me see now, others of you who are participating in these programs—Mr. Obermoller?

Mr. OBERMOLLER. Yes, Chairman, I guess from the corn perspective—the whole program is a balanced program, I guess really I would not be willing to give up any part of it. I mean much like the sorghum people, what works one year does not work the next year. I guess if we were going to get into things, we might get into the rural development and tie some of that money or something to farmer ownership of these renewable plants. We are rather concerned about Wall Street taking over the renewable fuel industry. We do not want to end up out here like we did with the cargoes and with exports to where we just simply have a market. We want to share. There are numerous studies, we can get numbers to you, of how important it is to keep the ownership out in the countryside, to keep the money circulating out here. It does us no good if the profits off of these industries go to the east and west coast.

The CHAIRMAN. Well, I appreciate that, and we had a good—as we were coming in here yesterday, a good discussion of that as it applies to wind power and wanting to see if some changes can be made to encourage more direct ownership rather than simply leasing the land for that source of renewable energy. But if you had to pick between these three commodity programs, how would you rank them?

Mr. OBERMOLLER. I would say back to the direct, in my area, it is probably the most important and then probably LDP is next and

counter-cyclical last. But I am not willing to give up any of them without a major fight. [Laughter.]

The CHAIRMAN. Very good. I think I got that message.

Mr. Larson, you do not participate—do you produce other than potatoes?

Mr. LARSON. Yes, we produce soybeans and wheat.

The CHAIRMAN. How would you rank them then?

Mr. LARSON. I guess the same order as everybody else has been.

The CHAIRMAN. Mr. Worth.

Mr. WORTH. I guess in the soybean industry, we would like to go along with corn, we do not want to give up any of the three, but we would go with the same ranking. Soybeans are a little bit different crop. Since we have to export such a large percentage of our crop—50 percent in the United States and 63 percent in MN—so we really do need an export market too. So we want to be fair to everybody, but we do not want to give up any of the three payments, but we need to expand in other areas.

The CHAIRMAN. Let me see, Mr. Rynning, I hear you on the—I will come back to Mr. Williams, he has a unique situation. I hear you on some of your concerns about the barley program.

And Mr. Magnusson, what would you say with wheat?

Mr. MAGNUSSON. I guess I would compare it to a little bit like a 3-legged stool, no matter which leg you pull off, it is still going to fall over, but out of the 3, direct payments—the same order.

The CHAIRMAN. Direct is your highest priority?

Mr. MAGNUSSON. Yes.

The CHAIRMAN. Mr. Williams, sugar does not participate in a program like that and that is something I guess to be grateful for, in that respect. But you face some other challenges in terms of the trade issues that you have mentioned and we certainly hear and understand the concerns you have expressed. I wonder if you might tell us what things are being done in the industry to adapt as market conditions have changed over time with some of the trade agreements, with some of the domestic demand and so on.

Mr. WILLIAMS. Well, with our flat—our prices have been flat, like I said, for 30 years, so we have to become more efficient, increasing yields and better efficiency on the farm. But we are also owners of our processing facilities, so we have to continue to be efficient there. And the biggest efficiency is increased throughput, so we need the ability to grow. Fortunately, consumption is now going in the right direction on sugar, which helps us some, but every time we seem to get our consumption going in the right direction, we get another FTA that does not allow us to increase our production. So we need to increase—get our share of that production so we can increase our efficiency in the flat market.

The CHAIRMAN. Very good. The gentleman from Minnesota is recognized.

Mr. PETERSON. Thank you, Mr. Chairman.

Mr. Magnusson, the switchgrass issue, you guys are involved with the university on this research that is going on with switchgrass?

Mr. MAGNUSSON. Yes.

Mr. PETERSON. Are you also working with the guys in Lincoln, Nebraska and in Ames, Iowa and in Michigan; there is switchgrass

work being done in a bunch of different places. Is that being coordinated or are they kind of all doing their own thing?

Mr. MAGNUSSON. I believe the research from Minnesota and North Dakota, this group that put together the proposal I brought with me, they have had some contact with them, but it is not a collaborated effort, I do not believe.

Mr. PETERSON. We are going to I think make more corn and we are going to be able to significantly increase the ethanol industry with corn, but eventually, I think we are going to be looking at biomass, at wheatstraw and rye straw and eventually switchgrass. Do you know what the tonnage is that you guys—you said it is not enough, what is it 4 or 5 tons an acre or what?

Mr. MAGNUSSON. Yes, depending on the particular cultivar you are looking at, some of them are 3 to 5 tons in the upper Midwest here.

Mr. PETERSON. I have been told that they think they can get this up to 10 tons. Is that what you think, if you can get the right kind of work done?

Mr. MAGNUSSON. Yes, I have even heard reports of up to 15 tons if enough genetic improvement is done. You have got to remember these native grasses are in the selection process, this is literally taking grass that has been growing wild off the prairies and has had no breeding effort put into it. And what selection has been done has been for a whole different purpose than what we are intending here for biomass.

Mr. PETERSON. For those in the audience, they get 80 gallons of ethanol out of a ton of switchgrass, so you could figure that out, if you get 15 tons, you are going to be making 1200 gallons of ethanol out of an acre and we are getting about 500 out of corn. So if we ever get this figured out, it will be big.

Mr. Van Zee, in my work on all of this ethanol stuff, the sweet sorghum keeps coming up. I mean I know what sorghum is, but I do not know what sweet sorghum is. Is that something we can grow here or do we want to grow it or is that more of a plant that is for like over in South Carolina and Georgia and the Southeast?

Mr. VAN ZEE. Well, I personally do not grow sweet sorghum either, I just grow grain sorghum.

Mr. PETERSON. Right. And I am familiar with that, and it is just as good as corn, as you say.

Mr. VAN ZEE. They are doing quite a bit of study on it down in Texas, and I can get you more information on it.

Mr. PETERSON. Are we growing very much of this stuff in the country?

Mr. VAN ZEE. Sweet sorghum?

Mr. PETERSON. Yes.

Mr. VAN ZEE. Well, it is kind of like switchgrass, it is kind of in the early stages.

Mr. PETERSON. OK, so we are not growing a lot of it now.

Mr. VAN ZEE. No.

Mr. PETERSON. What do they do with it right now, use it in molasses or something?

Mr. VAN ZEE. Well, some places they do; like I said, in India, they do. But they are just kind of working on it here and a lot of it is going for silage, just trying to find ways to utilize it.

Mr. PETERSON. Yes. Well, if you have information, I would be very much interested in learning more about it.

Mr. VAN ZEE. OK, we will get some to you.

Mr. PETERSON. I lost my train of thought. I had a good question and I lost it. [Laughter.]

The ethanol industry, Mr. Obermoller I guess, I have been talking to the people that build a lot of these plants and so forth and they tell me that—at least what I have heard is that Wall Street is trying to get into this big time, but they really are not having that much success so far. Would you agree with that?

Mr. OBERMOLLER. Yes and no. I guess I have been working with some other projects and I know there was \$3 billion to \$4 billion funds that was interested in investing in renewables just simply because they knew they were having some financial problems. So the big dollars are out there and it is tempting. I am hoping a lot of farmers have the long-term view rather than taking the money and run. I guess that is what my concern is. I hope they look at not only this generation but the next generation, that we need the ownership, and do not take the quick dollar.

Mr. PETERSON. Yes. I know what I was going to ask. Right now, the sugar prices are what—world price is up to what, 15 cents?

Mr. WILLIAMS. Yesterday, it was between 15 and 16.

Mr. PETERSON. Do you guys think that is going to stay up there or do you have economists or people that have a crystal ball that can be able to tell us what—

Mr. WILLIAMS. I can give you my opinion.

Mr. PETERSON. OK, that would be good.

Mr. WILLIAMS. High prices usually cure high prices. So this is—at the present time, the factors, the hurricanes down south are very unfortunate, but it cuts the supply in the world. Brazil is turning sugar into ethanol and also the fact that Europe is not exporting—will not be subsidizing their exports, I would say it is a nice price now, but it will not last.

Mr. PETERSON. But if Brazil keeps making—if the ethanol market stays up, my guess is Brazil and Colombia and these countries are going to convert more of their sugar to ethanol.

Mr. WILLIAMS. I would agree with that and I think it is going to—the price of sugar will probably follow the price of oil.

Mr. PETERSON. Right. And the Europeans are finally getting out of some of their export subsidies, cutting back some of their industry, so it almost looks to me like this might be there for awhile. We may not go back down to the kind of dump prices we had.

Mr. WILLIAMS. I think that is the case.

Mr. PETERSON. But nobody knows obviously.

Mr. WILLIAMS. Unfortunately I do not.

Mr. PETERSON. Well, hopefully they will short this market to the point where the prices go up so much that the sugar users are supporting us to extend the sugar program. That is what we are hoping, so they can keep the prices down.

Mr. WILLIAMS. I think the supply problems last fall showed how necessary a good capacity is in the U.S. spread geographically across the country and I think the sugar users have acknowledged that. So hopefully we can continue working together on some of those issues.

Mr. PETERSON. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

I am very pleased that we have so many members of the committee here from every part of the country and you are going to see that as I introduce each of them. I am very pleased that we have three of our subcommittee chairs with us. The most senior is Congressman Frank Lucas from Oklahoma, who also has a wide portfolio. His subcommittee covers conservation, rural development, research and credit. The gentleman from Oklahoma, pleased to have you with us.

Mr. LUCAS. Thank you, Mr. Chairman.

One of the great barometers in my part of the country down in Oklahoma, of course, of things in agriculture are land prices. And if you do not mind, I would like to poll the crowd.

In comparison to 1982, which was the last high point in Oklahoma, and we went through this horrible period of the 1980's, which we all went through, we now in the last 2 years have met and crossed that mark again. How do your land prices in Minnesota and your part of South Dakota, sir, compare to 24 years ago? Just thumbs up, thumbs down, quick answer. Up, dramatically up?

Mr. WORTH. Dramatically up, twice as high.

Mr. LUCAS. Is the land staying consistently in agriculture or the sales you are seeing going out, winding up in the hands of non-farmers, perhaps even from different regions of the country—staying in or leaving the industry, so to speak?

Mr. VAN ZEE. For South Dakota, our lands there have about doubled, went from about \$700–\$800 to about \$1,400–\$1,500. About 50 percent of the land is going either way, about half of it stays with the farmer, the other half is going to somebody outside of the State that either wants to get into pheasants or something like that.

Mr. LUCAS. Fair comparison to Minnesota?

Mr. RYNNING. We are slightly higher probably than the early 1980's high mark, but when you talk to the folks that have purchased land, most of the reasoning they give is interest rates. And now that is changing, I do not know how that will change.

Mr. LUCAS. Second question, crop insurance. I do not chair the subcommittee with jurisdiction, but it is a wonderfully hot topic every time you step into a coffee shop anywhere in Oklahoma. From your experience, your perspective as producers who have been involved in the program for decades or many decades, sometimes my coffee shop folks say take that \$5 billion you are spending on the Risk Management Agency and the subsidies to the companies and the subsidies to the agents and subsidies to the program, just cancel it and give it to us or put it into ad hoc disaster.

Your response, guys. Save what we have or do something dramatically different?

Mr. WILLIAMS. On my farm, crop insurance is very important. Without it, we would probably have problems with getting financing, it gives a base to the financing. It works fairly well in sugar beets, it does not work as well in my wheat crop because usually when we have a problem, there is a quality problem and it does not recognize that quality problem like it should.

So we get the Federal crop claim but then when we actually go in to sell what we have left, there gets to be tremendous discounts and we do not get the value we expect from our actual production.

Mr. LUCAS. Anyone else wish to touch on it? Mr. Larson?

Mr. LARSON. One of the big problems with risk management is with the declining T-yields, as our yields and losses are happening, you finally get to a level, especially with grains, like Mr. Williams said, that if you have got quality problems that they do not recognize and you start getting down to a level, there is no way of using it the way it was intended to be used.

Mr. OBERMOLLER. I guess in southwest Minnesota, basically we have been using crop insurance to guarantee a break-even. I mean in our area, there has been a lot of new products come along. They put the hail insurance on top of it and combined everything. The insurance industry has done a very good job on some of that in our area.

Basically if we can come back and break even, we can come back to fight another year, and we have been able to—by having those guarantees, we can make some of these off-the-farm investments like we need to do on the renewable fuels. So in our corn and soybean area, it has been a very good product.

Mr. RYNNING. In northwest Minnesota, it is still vitally important. The problem is we have had these eroding yields in proven yields and by the time you sell your crop and collect all your crop insurance, like I quoted when we lost well over \$200,000 in working capital just my brother and I, you cannot do that year after year. We have had 15 years of successive repeated disasters and the crop insurance program does not address those situations. It is the same with the 5-year drought in Montana, Oklahoma—there are some problems there.

Mr. MAGNUSSON. Just to add a little bit, I agree with what Rob was talking about, the declining yields are just a huge issue for us where we have had multiple years of disasters.

The other problem we face in our area where we have such a diversified mix of crops is lack of coverage for a lot of the crops we grow. Our main commodity crops are covered, but a lot of the grass seeds and other things we grow are not covered under crop insurance and we do need that coverage for those other crops.

Mr. LUCAS. I realize, Mr. Chairman, my time has expired, but if at some point in this panel some other discussion comes along, it would be interesting what our friends would define as should be in an energy title if we had an energy title in the next bill. But I ran out of time; thank you, sir.

The CHAIRMAN. I thank the gentlemen and I think we will hear more about that as we proceed.

I am now pleased to recognize the ranking member of the subcommittee that Mr. Lucas chairs, the gentleman from east central Pennsylvania, Mr. Holden.

Mr. HOLDEN. Thank you, Mr. Chairman.

Following up on Mr. Lucas' question about land prices, Mr. Lucas held a subcommittee hearing in my district in Harrisburg, Pennsylvania and the chairman had a hearing a few weeks ago in upstate New York and in talking about the conservation title, it was identified that one of the most used conservation programs in Pennsyl-

vania and in New York was the Farmland Preservation Program. And looking at the beautiful ride we had from South Dakota to here yesterday, I did not think there was much of a need for farmland preservation in this neck of the woods, but hearing what you said about land prices, are there developmental pressures and is the Farmland Protection Program being utilized in the upper Midwest? There was \$985 million, Mr. Chairman, I believe in the last farm bill for farmland preservation. I know Maryland leads the Nation, Pennsylvania is No. 2 and New Jersey and Vermont follow, and I was just curious if it was being utilized in this region.

Mr. OBERMOLLER. Somewhat being used I guess. I am not in a district that we can use it in. I mean it gets into certain watersheds. The people that I have talked to that are in those watersheds they talk about the reams of paperwork, they are concerned about the amount of information they are giving away. For Minnesota, with our 10,000 lakes and the amount of water we have, I mean water quality is very important. In Minnesota, there is a place for it, but yet they need to simplify and get some of the bureaucrats out of the way.

Mr. WORTH. Mr. Chairman, I am fortunate enough to have CSP, Conservation Security Program. To me, it was a great program because it took care of—it reimbursed me for the things that I have done and I have really enjoyed that.

Mr. HOLDEN. I was talking to the ranking member and I assume Farmland Preservation is probably not used too much here.

Just curious about your credit needs, how are your credit needs being met? Is the commercial banking industry engaged or is it primarily Farm Credit?

Mr. VAN ZEE. Private. I mean we do not do banking, I mean we are not going through a bank, we are going through private funding sources. Is that what you are asking?

Mr. HOLDEN. Well, in Pennsylvania, we had a commercial—actually a North Carolina bank, Wachovia, was heavily engaged in its portfolio in agricultural lending and all of a sudden, they decided to pull the plug, and if it was not for the Farm Credit system there, the farmers would be in a heap of trouble. I am just curious if it is the same situation here or if the commercial banks are engaged in credit or are you primarily depending on the Farm Credit system or self-funding.

Mr. OBERMOLLER. I guess in the 1980's, a lot of the commercial banks pulled out of the area, but they are back in the market in a big way. I mean it has kind of balanced again, it is a competitive market again.

Mr. WORTH. In my area, it is 50/50, both Farm Credit and banks.

Mr. WILLIAMS. I would say half and half.

Mr. MAGNUSSON. In our area, community banks and Farm Credit Service are both actively engaged in production agricultural lending. One big program they use is the FSA Guarantee Program. That seems to be common with both banking types.

Mr. HOLDEN. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentlemen.

We are also very pleased to have with us from the nearby State of Kansas, the chairman of the General Commodities and Risk Management Subcommittee, Mr. Jerry Moran. Jerry has been

hearing a lot about the subjects under his jurisdiction this morning. So we will welcome him here as well.

Mr. MORAN. Mr. Chairman, thank you. Thank you, Mr. Peterson and Mr. Gutknecht, for your hospitality and thank the panel for their comments. We have a lot of members here today and there will be lots of questions, so I will try not to take too much of my time. But I was pleased, I think it was Mr. Worth and Mr. Obermoller talking about the budget. I clearly think that is where the first engagement occurs. We are here to talk about a farm bill, but ultimately, the nature of the farm bill, the extent of our ability to do things for farmers is going to be determined initially in the battle over what the next budget looks like.

And Mr. Obermoller, I appreciate your comments about the percentage, what a small percentage of money we spend in agriculture and its importance. I thought you had an awfully good comment. I smiled because I am reluctant to trust the negotiators in Geneva, and you are reminding me that they are holding firm, and it is a reminder that Congress ought to do the same. So I appreciate that very much. I do think what happens in Geneva is vitally important and I have taken a bit of a different position than many of our commodity groups, and Mr. Peterson, for example, has a bill to extend the current farm bill, and at some point in time that may be exactly what I think is the best option.

But at this point, I think we ought to try to improve on the farm bill. Things have changed dramatically. I appreciate—I think it was Mr. Obermoller who was so defending of the current farm bill, and I agree with that, I think we have got a good farm bill. But things have changed since 2002 with input costs. And if we are going to have a safety net that works for farmers, we have got to take into account increasing costs of fuel, fertilizer and natural gas. And so I hope we can improve upon that farm bill.

I also have been very nervous that we would turn this farm policy in this country over to our negotiators in Geneva. Congress does not do a lot well, but I trust the House Agriculture Committee, the Senate Agriculture Committee much more than I trust 140 people in Geneva whose goal it is to get an agreement. We met just this week, this committee met with Secretary Johanns and the new USTR Ambassador Schwab, really with that same message, 60 percent reduction in domestic support is a major thing for us to ask of our farmers. You cannot go much further unless we have real market access. And by real market access, to me it is not just lowering tariffs, it is also taking care of the issues of genetically modified organisms, beef hormones, all the excuses beyond tariffs that countries find to keep our products out of their country.

Mr. Van Zee, you pointed out Kansas is a grain sorghum producing State. In fact, Mr. Gutknecht just leaned over to me as you were testifying and said you produce grain sorghum in Kansas and I just told him we were the No. 1 grain sorghum producing State in the Nation. We worked hard and in fact we were successful in the last farm bill of equalizing the loan rate between grain sorghum and corn, but it has not worked out quite as well as we would like and I would be happy to have your comments about what we have seen happen since 2002.

Mr. VAN ZEE. As far as equalizing?

Mr. MORAN. Yes, sir.

Mr. VAN ZEE. They have had some problems with the posted county price and getting that equalized. I think the biggest problem is grain sorghum runs in hundredweight and corn is per bushel, so it looks a little different. But the NSP is working on it, I mean I will tell you, the LDP has significantly helped us in our area. I mean, the LDP was a great mechanism; when we did have a crop it worked well.

Mr. MORAN. In regard to your comment about when we do have a crop, I think Mr. Chairman was—I am not sure that he pointed out that I chair the subcommittee that has jurisdiction over farm programs but also risk management, crop insurance. I never admit that to my own constituents because Mr. Lucas is right, it generates a conversation in almost every circumstance, of what has not worked quite right with the crop insurance program.

But our No. 1 priority in the time that I have been chairman of that subcommittee is to get USDA, RMA to develop a new product, a different product or an add-on to crop insurance that deals with multi-year disasters.

And what you describe here is no different than—I am in my fifth and sixth year of a drought in Kansas, what happens is the premiums go up, the coverage goes down. And RMA has assured us within the next several months, they will have a proposal back to Congress for an additional kind of crop insurance policy that deals with these kind of circumstances that we face.

And I would welcome any comments after the hearing in regard to crop insurance if you would like to bring those cases to me. We recognize that there are these unique crops that—it is a catch 22, RMA requires that you have production history and then we are out trying to get farmers to innovate and spread their risk and produce different crops.

Mr. Chairman, I told you I would be brief and my time has expired, so I will give back the microphone. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

It is now my pleasure to recognize somebody from my part of the country, the ranking member on Mr. Moran's subcommittee and that is the gentleman from North Carolina, Mr. Etheridge.

Mr. ETHERIDGE. Thank you, Mr. Chairman and let me thank all of you for being here and those of you in the audience. These are important meetings and I have had the privilege of attending many of them, as have my colleagues.

In North Carolina, we can identify with a lot of the issues that have been raised this morning because we grow a lot of the same products and commodities. In addition to that, we are a little more varied, we have pork, poultry, tobacco and we do not grow as much corn and soybeans by the acre or bushel but we grow it. And one of the common threads that we have that has been raised this morning is the energy cost. That, above all, is driving a lot of farmers to the edge of the cliff. Because as one of my friends keeps telling me back home, farmers are the only people he knows that buy at retail and sell at wholesale. It makes it very difficult making the numbers meet.

I want to thank the chairman, the ranking member and everybody on this committee, because there is some real focus related to the Agriculture Committee to really look at this energy cost this time and have an energy component to the bill I think is important.

Mr. Magnusson, let me ask you a question, because I think you touched on one of the points I would like to follow up, and you can help us and help our colleagues, because you talked about this issue of a rebalancing formula. And obviously we want to do the right thing, because you grow several of the crops—wheat, corn, soybeans and barley. Do you have any suggestion for us today how to do that rebalancing should it be able to occur and which crops should get greater support, which ones should get less support and should that be not so much in doing away with any of the three payments, but a rebalancing within the portion of direct payments or counter-cyclical or otherwise?

Mr. MAGNUSSON. I guess the actual mechanism how to do it, I am not real sure myself. It seems like there is some inequities how the target price loan rates are derived. To me, on my farm, it seems like wheat maybe has gotten a little bit shorter end of the stick. That is the way it appears to me, but it is hard to tell, every farm situation is different. But it appears to me especially the counter-cyclical and LDPs has not been as big a factor as it has been in corn.

Mr. ETHERIDGE. Anyone else want to touch on that?

[No response.]

Mr. ETHERIDGE. OK. Mr. Rynning, on a related note, you said that you believe that the 2002 farm bill was not balanced between crops as it should be. You indicated that in your testimony, and that some crops came out better than others, similar to what we just talked about. Could you elaborate on that point just a bit for us because I think it is helpful if we do look at rebalancing to hear what farmers are actually saying, those folks out there who deal with it every day.

Mr. RYNNING. Well, I have the benefit of being a little bit of both, I am a farmer and I was involved somewhat through National Barley Growers in the last farm bill. Part of the problem we have seen, especially in barley, is a reduction in acres over the last 25 years, but it still continued through this last farm bill. The safety net that would—the only one that is linked to production is loan rate and the loan program. Our loan rate we feel is still quite low in relation to many other crops because we have continued to lose production all through this farm bill and our acreage is now the lowest since the Department of Agriculture first started taking statistics. I mean it is absolutely the lowest in the history of the country since they started keeping records.

Mr. ETHERIDGE. Let me ask a question, several of you have touched on this as it relates to droughts over several years. North Carolina and our part of the country in the east have been through that just like you have here in the Midwest over periods. Anyone have a suggestion for us in the little bit of time left, how you should deal with that, as it relates not only to crop insurance, because that is part of that issue, as your production goes down, obvi-

ously your coverage goes down, but it also has an impact on a host of other things and payments. Any suggestions or thoughts?

Mr. RYNNING. Well, I am curious to see what RMA might be coming with on that type of program.

Mr. ETHERIDGE. We are too. We are glad to hear what your thinking is because you are out there every day.

Mr. RYNNING. Well, we run into the problem that anything RMA does must be actuarially sound.

Mr. ETHERIDGE. Sure.

Mr. RYNNING. We ran into a real glitch in our county because to make it actuarially sound, we would have premiums that would be more than we would get gross income off our crop.

Mr. ETHERIDGE. That is the reason I asked the question that way.

Mr. RYNNING. Yes, and an exact answer to be real honest, a disaster program that we knew the parameters and it was a year-to-year program, it would help, it would certainly help.

Mr. ETHERIDGE. Thank you. I yield back, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

We are now pleased to hear from our other Representative from Minnesota and as I previously mentioned, the chair of another important subcommittee, Mr. Gutknecht.

Mr. GUTKNECHT. Thank you, Mr. Chairman. We were talking just privately between ourselves, thank you, this has been excellent testimony, all of you, it was very candid and very helpful.

One of the things we talk a lot about on the committee is the whole issue of value-added agriculture. Obviously I am very interested in renewable energy. The subcommittee that I chair has oversight over renewable energy programs.

First of all, I would like to ask you, how many of you are participating or have ownership in something that you would describe as value-added agriculture today? In other words, let me make the point, it is an interesting story that when Andrew Carnegie started in the steel rail business over 100 years ago, steel rails for the railroad sold for about \$40 apiece. By the time he died, he had turned them into a commodity and they were sold for \$17. He had literally driven the price down that much. And I think everybody understands that in the commodity business, it can be incredibly vicious and so what we are always looking for is ways that we can have policies at the Federal level that encourage value-added agriculture. And what kinds of things are you doing—ownership in ethanol plants, biodiesel, whatever? Can you talk a little bit about that? Do you see yourselves involved in value-added agriculture?

Mr. MAGNUSSON. I think that is part of our future in agriculture is producer-owned, whether it be energy or processing. On our own farm, we have invested in a number of different value-added enterprises. Some have been more successful than others. In fact one of them is not around today, but others—in our case, seed processing, a group of farmers got together, a seed plant was going out of business that was privately held, and a group of farmers to keep that seed plant in place which is an important part of our production cycle, invested in building a new plant. The returns off the investment are not so great, but it is keeping that production of seed on our farms which is keeping us profitable.

Mr. OBERMOLLER. I guess I will comment, I am invested in probably three or four ethanol plants, a couple of biodiesel plants, wind energy, a couple of different cooperative livestock operations. First, you have got to realize the history of the American farmer, anything we touch, we force it to be a commodity. I mean that is our nature, we over-produce, that is what we do.

Having said that, I also work with research on the State level and national level with Corn Growers. Having said that, we need to have the foresight with the NFS and NIFA and some of these to be able to look where do we go from here. I mean it would be nice if we could get every ethanol plant to have a side stream into the carbohydrate economy, I mean that is kind of where we need to go, we need to be using our technology and our ability to move forward and not ethanol is a fantastic base to form new chemicals, it is a very pure product. We need to take that step and move forward. So I think, like I said, farmers, anything we get involved with, we force it to be a commodity—that is our nature. We need to see what the next step is and keep moving forward and have the research dollars there.

Mr. GUTKNECHT. Go ahead.

Mr. WORTH. One thing that is a concern to all of us is we are scared the farmer ownership will leave the ethanol plant, biodiesel plants, and that is something we certainly would like to see, make sure that farmer ownership is maintained. We do not want the ethanol plants to be owned by British Petroleum or something like this. We need to make sure that it stays farmer-owned so we have some input.

Mr. GUTKNECHT. We all agree with that and we need some help from folks like you, what we can do.

Now I want to thank Jim Nichols, he gave a great presentation on the bus on the way up here talking about wind energy, and wanted some I think important converts, or not converts, maybe I should say disciples, to try and change the way the energy tax works—now I am not a CPA, Collin is—from passive income to active. But now I think we have critical mass in this group right now that I think we can perhaps finally get that done.

Are there other things though that we can do in the next farm bill which will encourage more farmer ownership, whether it is ethanol or biodiesel or other value-added agriculture? Are there any specific ideas? You will probably have your best ideas in the car on the way home, so please send them in. That is the way it works for me, but anything you would like to suggest to the committee today that we should be looking at in terms of ways we can encourage more farmer ownership of these value-added enterprises.

Mr. MAGNUSSON. I think one of the things that could be looked at is, corn ethanol, biodiesel are proven technologies. Some of the things we are talking about, whether it be switchgrass conversion, gasification or wind technology; one of the difficult things in our plant in Willings, Minnesota, we are looking at gasifying our screenings that are coming out of the stream, about 30 percent of what is hauled in is just screenings, it is just hauled out and destroyed. That has value in gasification, we can turn that product stream into enough biogas to turn a generator to provide about \$40,000 to \$50,000 worth of electricity for that plant, which is

about the electrical consumption per year. But the challenge is that technology is so new we cannot afford to take the risk of putting the total investment in ourselves. We need somehow, whether it be grants or super-low interest financing, especially on the early edge of that technology, to be able to prove it in the field.

One good example in the field is worth 1,000 theories.

Mr. GUTKNECHT. Well said. Ron.

Mr. OBERMOLLER. Congressman, I guess some of the thoughts are maybe some of these incentives tied to the ethanol production, some of the renewables, maybe that has to be tied to the farmer ownership rather than just everybody in the industry. I mean everybody knows the profitability of the ethanol industry right now and there are a lot of questions on the incentives, so maybe this is the time to move in that direction, I am not sure. Just a thought process.

Mr. GUTKNECHT. Well, as I say, you will probably have better ideas in the car on the way home and so if you have them, be sure and send them to us because I think that is going to be an important component from my perspective in the next farm bill, because if we can figure out ways we can keep more of the value-added part of agriculture in the pockets of farmers, I think that is a goal worth pursuing.

Thank you very much, I yield back, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

Next we have a right-thinking member of the committee from the left coast. The gentleman from California, Mr. Cardoza, represents the Big Valley, the San Joaquin Valley of California. I have been very much struck by the agricultural diversity here in Minnesota that I have seen in my visits and he certainly represents perhaps the most agriculturally diverse part of the country. Mr. Cardoza.

Mr. CARDOZA. Thank you, Mr. Chairman. It is a great pleasure to be in this wonderful State and thank you for the ability that you have given all of us to travel around the country and to see different aspects of agriculture as we have made our trek across this great country. No place is more fabulous than this one when it comes to agriculture, I have to tell you, it is really something. You may have tough winters here, but I have been impressed by the territory and the great community I have seen on our trek from Sioux Falls here.

I also want to thank the ranking member of our committee, Mr. Peterson. He does a wonderful job on our side of the aisle, leading us in the directions of new technology and alternative energy. Where I come from, we grow 250 to 350 commodities in the world, with a farm gate value for my district of about \$6 billion. So we do a lot of high-intensity irrigated agriculture, but we are blessed by weather and water and we are able to do some of that.

One of the things that we do there is, because we have so many different crops, specialty crop industry and vegetable industry is so predominant, we use a lot of programs like EQIP, Market Access and research is critically important to us. I was wondering, as part of understanding the diversity and the different nature of the different regions that we travel to if you could tell us, very briefly, if any of those three programs are of assistance to you all as well.

Mr. VAN ZEE. Oh, EQIP definitely is for us. It is a very good program, we are in it right now utilizing it at our feed yard.

Mr. OBERMOLLER. Congressman Cardoza, yes, EQIP, like he said, part of our major problem in our area is we need more livestock production, with the ethanol plants and the DDGs and biodiesel plants, that gets back to using up the soybean meal. The EQIP has been used extensively by a lot of the livestock industry in the area. It still gets back to the crop area, but yes, EQIP has worked very well in the area.

Mr. LARSON. Yes, I guess for us, too, EQIP is used locally. The MAP program for market access, trying to export some of the potato commodities, be it processed or fresh, has been a valuable tool.

Mr. WORTH. Yes, Congressman, EQIP is very important. It is helping the farmers in our area—as you can see, we are on the Buffalo Ridge, a lot of hills and no tills, a lot of work on no till, and it is very helpful to all farmers for that.

Mr. WILLIAMS. Congressman, the research programs are extremely important to us, both in helping develop resistance to diseases and other problems, so research is vitally important to our industry.

Mr. RYNNING. Yes, I think in our region, both EQIP and research are very important.

Mr. MAGNUSSON. EQIP has been a great program for I think virtually everywhere. One of the big things that has incentivized farmers to try new practices, conserving the soil, air, wildlife, all those factors—one thing, it needs to be fully funded. The other thing I think is CSP needs to be more EQIP-like. It needs to incentivize farmers to try new things, where CSP, the way it has been implemented, tends to reward for practices already implemented. But I think we would get a lot more impact out of CSP if we could somehow incentivize it to get farmers to do new practices under CSP.

Mr. CARDOZA. I had to step out of the hearing for just a bit for personal reasons earlier and I missed some of your testimony. I will tell you that I am going to review the notes of my colleague, Stephanie Herseth here, she takes notes and she is one of the brightest members of our committee and I want to thank both her and Mr. Peterson for their undying commitment to alternative energy. I have seen what it is doing to your economy here and I will tell you that it is not just helping your economy, but it is going to help the economy of this entire country when we can get out of the Middle East and quit fighting over their oil and start helping our farmers produce our own energy right here in America, and these two folks and some other members of the committee are champions of that.

[Applause.]

The CHAIRMAN. I thank the gentleman.

It is now my pleasure to recognize the first of two members of the committee from the adjoining State of Iowa, Congressman Steve King represents pretty much the whole western part of the State. Steve, we are glad to have you with us too.

Mr. KING. Thank you, Mr. Chairman. Actually the line goes from Minnesota to Missouri and about a third of the State of Iowa, the western third is my district.

I sat here and I listened to this testimony, much of it I am very comfortable with because you reflect so much the values and a lot of the crops that we raise in most all of the district that I represent. And it occurs to me as I sit here that it will not be long and I will jump in a little light plane and fly from Marshall down to eastern Iowa somewhere and it will still be daylight. I did that once with a delegation from Botswana, the southern African nation of Botswana, from Des Moines to Spencer, and I flew them at about 4,000 feet and they had never seen horizon-to-horizon row crop production. They were astonished and the things that they locked their attention on were our infrastructure, our roads, our storage system, our distribution system. You have talked about a lot of those things here today. This is horizon-to-horizon row crop production and we have gone from this food and fiber to food, fiber and renewable energy. It is a quantum leap and I believe it was Mr. Peterson stated that this is the biggest change in agriculture in perhaps 100 years, I think it may be the biggest change in agriculture since the beginning of food and fiber, to go to food, fiber and energy. It is that big.

My interest falls in a couple of places. One of those questions would be the testimony came across here that land prices have nearly or perhaps doubled over the last say 5 years. I see that going on in a lot of places. We had 15.6 percent appreciation in 2004 in Iowa, 10.8 percent in land price appreciation in 2005 in Iowa, and I would first direct my first question to Mr. Obermoller, who I want to thank for sending his daughter to take care of my schedule and my life and actually made sure that I got here today. But I would pose this question, these appreciation values that are going up, what would be something that would be stable and comfortable for land value appreciation? She did not tell me to ask that either, Ron.

Mr. OBERMOLLER. Yes, I know, she tries to be kind to me.

You need a certain amount of growth, I mean you do not want to keep the land prices the same, you need some escalation, you need some inflation for any factor to be economically viable. I mean that has been through history. You do not want to go in a depression, I mean increased prices of land, I am not so sure that they are really out of line with inflation, I mean I guess I bought some land last year, that is why I am very passionate about extending the farm bill, I need a security to get that paid for. [Laughter.]

But yet as a farmer, I do not remember a time in my lifetime when you felt comfortable buying land, it was always too high-priced, that is the nature of the industry. But after a year or so, boy, you are glad you bought it. I mean we do need the increases in prices, whether we like it or not, that is the reality of it. We need the tax base, that is just part of it. Part of keeping a rural community stable is to keep up with the rest of the world.

Mr. KING. If I would state that 14 percent appreciation there, it would be about doubling every 5 years, at 18 percent land appreciation, it would be doubling about every 4 years, so if we look at doubling of land prices each farm bill or something in that concept, does that make you a little apprehensive too about what that can mean on the other end?

Mr. OBERMOLLER. Yes and no. As I get closer to retirement, I like those numbers. [Laughter.]

But I mean, anything you do, there is a winner and there is a loser. How do you come up with that balance? Most of these things we do not have control of, no matter what the farm bill does, if we do not have decent crops, those values will not go up.

Mr. KING. Thank you, Mr. Obermoller.

I would direct the same question to Mr. Worth, being the soybean producer her on the panel, and ask you to reflect upon that same philosophy.

Mr. WORTH. I am with Mr. Obermoller, I do feel that we need to see some kind of growth, we cannot have a decrease like we did in the 1980's. If we had that kind of situation happen right now, it would be devastating for all the Midwest farmers, it would be completely devastating.

As I am getting closer to retirement, the price looks good, but also I have to consider turning it over to my son, who is starting operations. I just do not want to see him strapped down with such a heavy debt load that he will never see daylight. I just do not know if seeing land that is continuing to go up and up and up all the time—what is causing a lot of the land value is not just farmer-to-farmer, it is investors coming in and they are seeing a good return on their investment and they want to see the good life and they have the funding to be able to do that. The 1031 exchange was a good program, but it is being abused, I do believe. Maybe the 1031 exchange should be going into renewables to help them, instead of putting it in land, put it in renewables and have the same advantage as that.

Mr. KING. I appreciate you injecting that into the discussion and I would yield back to the chairman. Thank you.

The CHAIRMAN. I thank the gentleman.

Next we have the well thought of and very bipartisan member of the committee from South Dakota, who as was recognized a moment ago is a very prominent leader in the Congress on the renewable fuels issue. In fact, she drove here today in an E-85 vehicle. Her other vehicle is a biodiesel Jeep, so that is about as bipartisan as you can get, I think. The gentlewoman from South Dakota is recognized.

Ms. HERSETH. Well, thank you, Mr. Chairman. Thank you for the kind comments and I want to thank Mr. Peterson as ranking member of the committee for hosting us here today and being a great leader on both sides of the aisle, but really the leader on our side of the aisle tasking and identifying our various interests and strengths and what each of the members brings to the table to compliment the work of the full committee.

Let me just mention a couple of issues that we have already delved into, and pose just two questions to the panel. And thank you for all of your testimony and, Jerry, thank you for being here today and for what you are doing in the area of sorghum production, what that can mean for different regions of the country and for ethanol production.

We are going to have a subcommittee hearing July 31 out in Wall, South Dakota, and I anticipate that we will be talking a bit about the drought that was referred to here earlier, the conditions

that exist in this part of the country, but what is happening as the central part of South Dakota burns up, so I will not elaborate on that other than to point out some of what you all have said and that is that the issue of crop insurance reform. What we did when we had this drought in 2002 in South Dakota, I was engaged in a debate then with former Governor Bill Janklow about what the ideas might be percolating to deal with the drought for covering pasture and grassland and the Secretary of Agriculture Larry Gabriel has been looking into that in past years and we hope that that will add to the ideas that we can consider. But other crops that were mentioned here, as we try to grow those crops for energy, we have to take that long-term look of what crop insurance means there.

And also I want to mention, I would have a lot of questions for you on energy, but a lot of questions have already been posed there and I think as it relates to local ownership, that is one of my biggest concerns, and as you may know, former Senators Dole and Daschle have been holding forums, including one just yesterday at South Dakota State University, to try to generate those ideas as well for the next energy title in the farm bill and I appreciate some of the comments you have already made. And I think we have to keep in mind that it is not just in the farm bill, but our colleagues on Ways and Means, like Earl Pomeroy from North Dakota, Kenny Hulshof from Missouri, and others that have to look at these tax provisions and how we modify them, like the 1031 exchange, or what we do for that next generation farmer for incentivizing, how you pass those asset transfers, not just in land, but also in renewable energy stock, to provide an incentive not to just take the big money and run, but how we maintain this local ownership and what we do for the next generation.

My questions do relate to the next generation beginning farmers, Kent Frerick was here from the Wilmont, South Dakota area, former South Dakota legislator. His son Jason is a student at South Dakota State University, very active in agricultural issues, and I know that they and others in different parts of South Dakota have grappled with what the next farm bill should look like to address some of the challenges we have in passing along or bringing in that next generation into family agriculture and family ranching.

So I would be interested to hear your thoughts there and the different titles within the farm program of how we keep our perspective focused on that next generation as well. But the other question I need to raise is one that is going to be controversial. The administration already tried to move in this direction with the budget reconciliation debate and there will be different perspectives based on where in the country you are and what size operator you are. But I would like to hear the witnesses' thoughts on payment limitations. Most on the committee oppose dealing with payment limitations in a budget reconciliation process, but recognize that that issue may very well come up for debate either in the House Agriculture Committee or even more likely in the Senate Agriculture Committee. So I would like to hear your comments on that.

Mr. OBERMOLLER. Well, I will take the first stab at payment limitations. The farm bill covers the whole United States. I mean what

we consider excessive payment limitations in this area does not necessarily pertain to rice and cotton and probably sugar beets—well, sugar beets are not in the program, but unless you want to tie the payment limitations to the specific crops being grown, when we do the farm bill, we need to have all the commodity groups at the table. I do not think we can put our standards on the other commodity groups when the payment limits would not work for their crops. I think it is more important to keep the groups together than to fight that battle.

Ms. HERSETH. Thank you.

Mr. WORTH. Having a son that is farming with me and is going to be taking over the operation, corporate farming is going to be a thing that is going to be happening, not by choice because farmers are leaving. I mean we all know that the average age of the farmer is well into the mid-50's and it is not getting any younger. We have to figure out some way to make it viable for young people to come back on the farm. I mean their friends in the city see a way of life that they are getting in the city and sometimes you do not see that in farming, especially when you have a drought or et cetera.

The 2002 farm bill does present a safety net so you have some kind of idea of where you are going to be at the end of the year, you can always plan. When you have a drought, you do not do that. So we have got to figure out some way that they can have a way of life that is equal to the people in the city, but also be able to enjoy life. You have got to admit, farming is an enjoyable life; if it was not, we would not be doing it. We love what we do. So we have just got to figure out some way to—I do not know the answer to that, but we have to figure out some way that it is easy to pass it down and they can enjoy a good life.

Mr. RYNNING. Well, last time there were proposals for low payment limits, there would not have been, under those proposals, a whole lot of Minnesota wheat and barley farmers that would have come under those constraints. But as has been stated, we have to realize this is a country-wide bill and we are going to have to figure out a way to make that work. Farm size is growing, I do not see that stopping. We cannot all be 200-acre organic farms, they have their niche, but we cannot all do that.

So it is a very difficult situation, I do not know.

Ms. HERSETH. My time has expired and I will just yield back to the chairman and just interject that I think the rural development title as well as recognition of how farms are growing in size is an important factor in that debate.

Thank you very much.

Mr. LUCAS [presiding]. And this member from Oklahoma surely appreciates those thoughtful answers on payment limitations.

Now we turn to the gentleman from Louisiana, who has worked very diligently on behalf of his constituents in the face of some horrendous conditions in the last couple of years.

Mr. MELANCON. Thank God, it is not the last couple of years, for the last couple of months has been enough. Thank you, Mr. Chairman.

I probably ought to be on the other side sitting with you all since that is where I was up until about a year and a half ago. I come

from—one side of the family, four generations of sugarcane farmers and the other side of the family, three generations. My dad told me when I finished college some 35 years ago, “you do not want to be in agriculture, boy, go find something else to do.”

All the years that I have been involved politically and with the sugar industry, we have fought battles, they have been hard-fought, and the sad part is we are fighting them against our own Government.

I have some major concerns with what has transpired in the last decade with the advent of free trade—it is not fair trade, it is free trade. No one has told the USTR that they need to make a good deal, they just say go make a deal and it does not matter who you give up as long as you do not give up the President or the leaders, and it does not matter what party.

We, for the first time last year, had more imports of food products than we had exports since this country became a republic. That is not good. For the last 25 years, this Congress has said “just say no” to an energy policy. As it now finally addresses one and talks about the need for energy so we can be self-sufficient, it dismantles its agriculture policy and starts abandoning rural America.

I do not know all the answers, but I do know that there are too many people that keep their head within the Beltway in Washington and do not come out here and talk to the people that make this country run. Farmers are a rare breed, but a very good breed of individuals that have kept this country alive and well.

We have been balancing the budget, I am afraid, on the backs of rural America, on the backs of working Americans. Instead of doing for agriculture, we have been doing for wealthy folks and for oil companies. I support the oil and gas industry because of my district, but at the same time, what we are giving them in tax incentives and tax breaks comes nowhere close to what we ought to even be doing for American agriculture.

I listened to my friend Steve Williams talk about efficiencies, and efficiencies in agriculture have been the lifeblood. If you had not been growing, you are not in business any longer. Then you turn around and your Government tells you to start cutting back production and in the sugar industry, it is quite apparent that you cannot stay competitive in a world market if you cannot produce enough to pay your bills, with the advent of the cost of diesel and fuel and all the inputs for growing crops. In talking to my farmers, of course I wish there was some way that we could give a supplement just for the diesel fuel—the shrimpers need it, the fishermen need it, and every other area—truckers need it.

So we need to start looking in-house at what we are doing, Mr. Chairman, and American agriculture was here long before a lot of other industries and businesses, and I myself do not like going into the grocery store and finding stickers on the fruits and vegetables that they came from other countries rather than coming from the United States. And I challenge any one of you to go find a fruit or vegetable commercially grown, other than some local stuff, that comes from the United States any longer.

We, I believe, and I challenge all the commodities, the groups, not only to collectively come together and realize that these trade agreements have been put together as a mechanism to circumvent

the authority of the Congress of the United States and its management of commerce and trade in this country. One person, regardless of who he is or who she may be, in a big White House on Pennsylvania Avenue, makes the deal and we either take it or we leave it. And we should be leaving a whole lot of them, as I sit here and listen to people, as I have back home, talking about how hard and difficult it is to make ends meet and even more importantly, pass it on to the next generation to keep America strong.

As I said, I should be on the other side speaking to the panel. I do not really feel I need to ask a lot of questions because I think I understand the problems, as I think most of the people in this Agriculture Committee do.

Your charge, ladies and gentlemen, is to make sure that everybody in this Congress understands the importance of this industry, whether it is corn, whether it is soybeans, whether it is sorghum, whether it is sugar, to the strength and the security of this Nation.

I yield back my time and I apologize for pontificating. And Mr. Obermoller, you look so much like Van Olson, it scares me. [Laughter.]

Mr. LUCAS. On that note, the Chair now turns to the gentleman from California who represents a very diverse and productive agricultural base, Mr. Costa.

Mr. COSTA. Thank you very much, Mr. Chairman. I too want to add my commendation to the chairman of this committee and the ranking member, who do such an able job in trying to allow us as members of various parts of the country who feel passionate, as you do, about American agriculture, to try to do the best job we can in representing American farmers, ranchers and dairymen, as we try to put together this 2007 farm bill. I also want to thank my esteemed colleague from Louisiana for his testimony. [Laughter.]

I would like to get to a couple of the points here that have been touched upon. I think the idea to combine our disaster loan program with crop insurance prospectively and looking at ways in which we can do that to create greater efficiencies, cost-effectiveness makes a lot of sense, we ought to be working on that.

A lot of guys in my area—and Congressman Cardoza's district is just north of mine so everything that he said and more so is obviously reflective in the agriculture that I represent. Like many of the members of the committee here and those who are testifying, I too am a farmer. I represent a third generation farm family and currently farm west of Fresno. So I obviously am very interested in the comments that are here.

The EQIP question that was asked earlier and the Market Access, some of the folks that have testified in our area recommended that we look at funding it in an area that allows you to fully maximize the options with EQIP. It was over-subscribed last year, I believe, to the tune of about \$95 million, and that can inhibit the current program because of the lack of flexibility in development and implementation of new systems and technologies. Would you folks kind of agree with that in terms of really utilizing the full potential?

[Witnesses nod.]

Mr. COSTA. I see a nodding of heads here. You would like to see greater flexibility in EQIP. There were some comments in Califor-

nia that my farmers have made that the timing, in terms of the fiscal year, does not allow you to adequately carry over when you are applying to participate in the EQIP. I see another nodding of heads, so that is something we ought to be looking at tweaking as well.

The area that I have been—one of the reasons beside the fact that we are all trying to curry favor with our ranking member, Mr. Peterson, that I came here today. [Laughter.]

The CHAIRMAN [presiding]. What about me? [Laughter.]

Mr. COSTA. I have been trying to go to all the hearings because of you.

But the tremendous job you are doing in terms of developing energy from agriculture. And boy, at \$3 a gallon gasoline, do we ever need it. Adding an energy title to the farm bill would be new and innovative, we would be breaking new ground, not without some downsides and risks. I would like to get a better idea from you folks as to where you think we ought to focus if we create an energy title in the 2007 farm bill, where would it do the most good for producers? Who wants to start?

Mr. OBERMOLLER. Everybody seems to be looking at me, but I am not sure what I am going to say yet.

I guess I had the pleasure of serving on the ACE Board with Patty's father for a number of years—to me, so maybe some of this is his thoughts in the background, but what that group now is kind of starting to work towards is basically a 60 to 70 billion gallon ethanol market. They are looking at 30 percent out of corn and the rest basically out of cellulose and other products.

Like I say, I am trying to think of where I should go with this. But it is not just the ethanol and the energy markets, we need to get into all the other markets. Anybody that has been involved in the petroleum industry, there is absolutely nothing that goes to waste, they have got 100 products coming out of oil refineries. We need to do the same with ethanol, we need to do the same with biodiesel. If you look at an ethanol plant today, one-third of that production output from the corn is ethanol, one-third is CO² and one-third is DDGs. There is a lot of opportunity being missed because they are concentrating so hard on the ethanol. Where the profits are now, you would be foolish not to. I mean there are going to be a lot of things moving as we go forward, a lot of opportunities out here. I mean we are back to the same old thing, we need to research, we need to be forward-looking on these things and we will get there.

Mr. COSTA. My time has run out, but, Mr. Chairman, if you could—it has not been spoken of here yet, but the administration, in their latest offer in the World Trade Organization negotiations, has offered to reduce the farmer safety net by 60 percent in exchange for increase in market access. You have been following the WTO, you have testified just today about it. In your view, how significant must be the increase in market access for you to be willing to accept 60 percent cut in the amount of support you currently receive from the farm program? I see smiles.

Mr. OBERMOLLER. Since I commented in mine, I will take a shot at that. I will repeat what I said in my speech. There is no way

to get a figure in market access to pencil into our bottom line. If my memory serves me right, the Freedom to Farm——

Mr. COSTA. No one testified here for the Freedom to Farm, I listened very carefully.

Mr. OBERMOLLER. If my memory serves me right, market access was the pivotal point of that bill and we lost half to three-quarters of our farmers in that period. So market access does not have a lot of value. We have got the largest economy in the world here in the U.S. and it seems like we are giving it away. I think we need to concentrate on our home area and trade will take care of itself. I hate to give away the farm.

Mr. COSTA. I have exceeded my time, Mr. Chairman, thank you very much and will be interested in hearing the further testimony.

The CHAIRMAN. I thank the gentleman.

The other gentleman from the neighboring State of Iowa is another valued member of the committee, Mr. Leonard Boswell. Leonard, glad to have you with us.

Mr. BOSWELL. Thank you, Mr. Chairman. I appreciate you being here and I appreciate you having this in Marshall and I enjoy serving with our chairman and our ranking member. Mr. Peterson and I share several things in common, one is we like to fly airplanes and I managed to get up here safely today and I hope I can get home the same way. It is good to be here.

I appreciate the comments. It has been as good as I have heard over the last several years on the Agriculture Committee. We have got a big responsibility, I think it is very clear. There are several things I would just like to get some audience participation, if nobody objects. Mr. Gutknecht started and then we got sidetracked a little bit, but how many of us are invested in value-added agriculture—seriously?

[Show of hands.]

Mr. BOSWELL. That ought to tell us something, we are interested. And I appreciate the fact that we ought to keep this farmer-owned, not outside the industry and I hope we are able to do that. I am certainly concerned about it.

Not too long ago—I am a corn and soybean farmer from a long time back. I am not doing it at this moment because of other activities, but still have cow-calf operations, so I am hands on and I appreciate all the things that have been said. But we had a fuss going on between corn and soybeans not too long ago and they were in the 1,300. And the point was made, seems to me like most of you that grow soybeans or most of you grow corn actually do both. Now go solve it. And they did. And that is a compliment.

I am concerned as I listen to my good friend Charlie Melancon and Mr. Williams and others, we have got a big industry in this country in sugarcane and sugar beets, it is a big industry, very important to us, but I want you to stay very close and tell us what we can really do that is practical and worthwhile. And as I listened to Mr. Williams today, I appreciate that and I have listened to Charlie for some time. I would say this, in many other activities, but in the Agriculture Committee, and I would guess we would all agree here, we have got to work together. We cannot just hold out one commodity over another and say that is the premier, so the rest of you just take your medicine, cannot do that, it is a whole

country, it is 50 united states, let us not ever forget that. We can work together and I think that Mr. Obermoller just made a very, very significant point—several points actually. We have got to hang onto this great industry and I do not want to see it traded away.

So stay with us, do not assume we know what you know, as the producers out there. Stay with us as we work through this because we have got a chairman that cares, we have got a ranking member that cares, in fact, we have got a whole committee that cares and we are going to be challenged to do it right.

Several things have been said about keeping up the current bill and I have signed on with Mr. Peterson to extend it if that is what we need to do, but let us just talk about that for just a minute and if my time runs out, how to get ahold of us. But an example would be if the current bill stays the same or continues on, what happens if you do not have a crop? You may want to talk about that. We have almost a drought going on in some parts of the Midwest here. Parts of my district just looks real green, other parts look terrible and I am sure that everybody here could say that. So what about a 10-county area where they normally have 175 bushel production but now they have got 95? How are they going to get through it? Crop insurance pays 10 bushels, is that going to make it? What do we need to do? We said we want to hang onto everything and we have got a deficit problem in this country that worries me a lot. We are spending as much on interest as we spend on 10 different departments like Agriculture, Education, Judiciary and right on down the line. We have got a problem and so what we have heard out of the administration is there needs to be some changes. So we have got to give this some very, very serious thought because we have got to maintain this industry—we have to do it. Maybe not for me where I am at my stage in life, but I certainly believe it for my kids and my grandkids and you have all addressed that somewhat.

So I appreciate you being here. If someone would like to make a comment about the current bill and how it takes care of this weather problem that is in a small area, kind of an isolated area. If you do want to make a comment, I would appreciate it—no, my time just ran out, you will have to write to us. [Laughter.]

Thank you very much. I am glad you are here and thank you for inviting me to come and be a part of it.

The CHAIRMAN. I thank the gentleman and you all are saved by the light.

We are also pleased to have with us from the northwest part of the Pacific Northwest, about as far out in that direction as you can get and still be in the United States without slipping over into Canada, Congressman Rick Larsen, who actually happens to claim Minnesota as a second home. So welcome home, Rick.

Mr. LARSEN. Thank you, Mr. Chairman and Ranking Member Peterson. I always cringe when people start beating up on Washington because they do not mean Washington, they mean DC and I just want to be clear what we are beating up on—not the great State of Washington. [Laughter.]

It is good to be back here, I attended grad school in the Twin Cities, my wife is from Minneapolis and we own a very small piece of Minnesota north of Detroit Lakes in Mahnomen County in Col-

lin's district and the whole family will be there next week for a well-earned brief vacation before we head back to Washington State. The last time a Larsen was actually here in southwest Minnesota was about 1896 when Martin L. Scutbik from Norway, my great grandfather, stopped here and worked for a couple of years on a farm before he continued his way out to what is now my district, to settle in northwest Washington State. So it is good to be back.

A few things about energy, I made a note yesterday while we were coming north on 23 up off Buffalo Ridge and the presentation that we had, Jim Nichols said that there is about 1,000 megawatts of wind energy being produced here in Minnesota and I will give you some perspective on that. In Washington State, the Federal hydropower system produces about 50 percent of the hydropower for the Pacific Northwest, but the max on that is anywhere from 3,500 to 3,800 megawatts a year, and we are not building any new dams in the northwest. And you are only at 1,000, but you are at the beginning on wind energy and the potential upside on wind energy in Minnesota and certainly other areas in the country is much higher than certainly in the northwest, much higher than hydropower. So you are going to literally blow by what the Federal hydropower system does in the northwest.

Second, Washington State on biofuels is trying to play catch up with States like Minnesota. The State legislature took some actions under the leadership of our Governor, Chris Gregoire, this last session but you are far ahead of Washington State and I think Washington State is probably in second or third place, Minnesota and the upper Midwest generally is working very hard, and we all need to play catch up because it seems that you are really catching the tide on biofuels.

There has been a lot of things said, so I do not want to repeat questions or cover something but I do want to commend Mr. Larson's testimony—and we are not related, I am an *e-n* and he is an *o-n*, and folks here in Minnesota will understand that despite a Swedish heritage, I will commend his testimony.

Mr. LARSON. Norwegian.

Mr. LARSEN. Oh, you are Norwegian too—well, *e-n's*, *o-n's*, what part? [Laughter.]

Mr. LARSON. Do not get personal.

Mr. LARSEN. I would like you to cover this issue that you mentioned in your testimony about potatoes and Canada. Before the USTR left for Geneva, I approached her and her staff to remind them about the issue that we have, probably Roger Knudson and Nelson and all those guys. Could you just for the committee cover this issue of potatoes and Canada, problems that we have and the actions that you would like to see?

Mr. LARSON. Well, the problem stems back to the trade agreements where they set up free trade and what was alluded to earlier, but not fair. And they forgot to address the non-tariff barriers that they left Canada with for holding us out. But they can come this way freely. And they do and they have been. The only reason that our trade balance changed in the last year is Canada had the same weather problems we did in the provinces north of us and on east that cut their production. But if you get a chance to ever sit

on highway 29 up in North Dakota and even in South Dakota, why there are some Sunday afternoons it is a rarity to see a U.S. licensed truck and they are pulling anything from reefers to dry vans to grain trailers, again to livestock of any form or fashion.

With the potato situation, we had the U.S. fast food industry pushing potato processors to locate in Canada. Well, two things have happened to them now. The processors blew it, they did not listen to us, they could access potatoes on the U.S. side if they are short in Canada, but the problem is, they cannot bring them in until Canada gives what is called an easement to move them in bulk. You can move the potatoes in bags freely, but there is not a processor that I have ever seen or known of in the last 30 years that will accept a potato in a bag at a processing plant. So now they are stuck up there, cannot get raw product up to them until there is not a potato left in Canada. It does not matter if it is a frying product or not.

And another issue in your country is the fresh issue out there. That has been a battle too. Finally the Washington Potato Commission has resigned themselves that it is a working deal because they cannot sell up there under such a level and that B.C. market is a pretty good market and there are times of the year when they absolutely need the potatoes.

But the fair trade issue never got addressed at all, it is strictly free trade, but they keep their non-tariff trade barriers in place and hold us out and free wheel this way.

Mr. LARSEN. Thank you. I appreciate you painting that picture for the committee.

The CHAIRMAN. I thank the gentleman.

We are also very fortunate to be joined by a Member of Congress who is a former member of the Agriculture Committee and this is Congressman Mike Ross from Arkansas. He even brought three members of the Arkansas legislature here to Minnesota to learn more about renewable fuels. The rules of the committee do not permit non-committee members to ask questions of witnesses, so I am going to ask unanimous consent of the committee members to waive that rule, and without objection, the gentleman from Arkansas is recognized for 5 minutes.

Mr. ROSS. Thanks, Bob. I would like to thank the chairman for being so gracious as to allow me to come to this hearing and to sit here with the Agriculture Committee. I was a member of the House Agriculture Committee for 4 years. I had an opportunity to move to the Energy and Commerce Committee, and unfortunately they would not let me stay on the Agriculture Committee when moving to the Energy and Commerce Committee but I felt like it was important that agriculture also have a voice there as we deal with these alternative renewable fuels like ethanol and biodiesel, which is exactly what brings me here today.

I will be brief because the chairman has explained to me that he has put me on the end for a reason. This seat does eject and he has got the ejector button down there.

I also want to thank Ranking Member Collin Peterson, my very good friend. It is good to be in your district, Collin, and for those of you that are his constituents, this may surprise you, but he is a real authority in the Congress on agriculture issues. I do not

think that will surprise you. What will surprise you though is every year I bring him to Arkansas and we do two agricultural listening sessions. My folks never had an official ag hearing, so they think that is what we are doing down there. And we will have 300 farmers show up at each of two meetings that we will do. We will do one and I will drag him a 4-hour car ride across the State and we will do another one. And some of them are even trying to recruit him to run for President now, so he has got a real following down there in south Arkansas and I hope you will keep him up here because I do not think he would have much trouble taking my seat down there.

But Collin invited me to bring some State legislators up here and I just wanted to take a moment to introduce them. We have State Representative Alan Maxwell here with us today. Alan, if you would stand. From the Arkansas State Legislature. State Representative Scott Sullivan from the Arkansas State Legislature, and State Senator Jimmy Jeffords from the Arkansas State Senate, who stepped out for a moment, but he is here. And I want to thank them for coming. We are looking forward to the tours this afternoon to learn more about ethanol and biodiesel.

That is something I wanted to ask you all about quickly if I could. To kind of set the stage, my district—we are No. 1 in rice in the Nation, we are No. 3 in cotton in the Nation. We just had the worst drought in 50 years. However, we have got the irrigation systems in place to where it does not affect our yields, and that is one of the complications and challenges we have with disaster payments that are based on yields. Because we still have the yields this year, but instead of spending \$50,000 on diesel fuel to get there, we spent \$150,000 on diesel fuel to get there, not because of the cost of diesel fuel going up, but the amount of irrigating we had to do. So my farmers are interested in trying to find ways to reduce the high cost of diesel by investing more in biodiesel. We hear a lot of talk about ethanol and biodiesel and I am pleased that the chairman and ranking member decided to make the energy title a part of this farm bill. I do believe investing in ethanol and biodiesel creates new markets for our farm families, reduces our dependence on foreign oil and brings down the price we pay at the pump.

In Arkansas, we do not have ethanol plants. I think we have got one or two that are trying to get off the ground. We have got five gas pumps, literally pumps, where you can get ethanol or biodiesel out of them, and quite frankly, that is the way it is in most of America. Up here, everywhere you turn, it is ethanol and biodiesel. You have got the plants creating economic opportunities and jobs for people to work in the plants, you are creating new markets for your farm families, people are paying less at the pump.

My question is the fact that Minnesota has a 10 percent mandate, that every pump you go to, we know it is going to be 10 percent ethanol. Has that helped and is that a critical component in being able to do what you all have been able to do in leading the Nation? I am interested in getting one or two of you all to give me your thoughts on that. And I thank the chairman again for allowing me to come and ask that question.

Mr. OBERMOLLER. I guess I am probably the obvious one to talk again. Yes, the 10 percent was essential to get the industry up and going. That developed a market. The State in its wisdom actually paid for the plants when we first started, there are probably 10 plants that had State incentives, I think over 10 years they paid \$15 million and it basically paid for the plants. But out of that money—I think for every dollar they put in in Minnesota, it is \$8 to \$10 they have gotten back in taxes or increased activity. So it has been a very good investment in Minnesota. And it was designed for the farmers to own it. The first few years, the ethanol plants were not profitable, I mean they needed this incentive to get the industry off the ground.

As you know, Minnesota now, through the Governor's wisdom, is working toward a 20 percent mandate for Minnesota. If you talk to anybody in Minnesota, it has been there for 10 years, they do not even think about 10 percent in regular fuel. That is just—it is somewhat labeled, but that is just the way it is. The 20 percent is another battle. Probably the automobile industry will probably be the easy part of that. It is going to be the small engines and all the—there are 40 years worth of different designs in engines, in small engines, whether they are leaf blowers or lawnmowers. That is kind of where our challenge is with that 20 percent in there.

But even that is very essential, because production of ethanol in Minnesota is large enough to cover the 10 percent plus the 20 percent. So yes, for stability, those mandates are very important.

Mr. ROSS. I recognize my time is up and I thank the chairman for not ejecting me out of my chair.

The CHAIRMAN. I thank the gentleman. And I thank all of these outstanding witnesses for a great job on this panel. Let us give them a round of applause.

[Applause.]

The CHAIRMAN. We have taken so much time with them that we are cutting into our next outstanding panel as well. So I am going to ask them to exit stage left as quickly as possible and we are going to change over here and continue right on with our second panel.

[Pause.]

The CHAIRMAN. We would like to welcome our second panel to the table: Mr. Mark Seeger, grain producer of Mahanomen, MN—first one to stump me; Mr. Ron Durst, dairy producer from Mantorville, MN; Mr. Pete Rothfork, turkey producer of Melrose, MN; Mr. Peter Bakken, cattle producer of Garretson, SD; Mr. Patrick FitzSimmons, pork producer of Dassel, MN; Mr. Rod Wenstrom, dairy producer of Fergus Falls, MN and Mr. Paul Sobocinski, pork producer of Wabasso, Minnesota.

I would remind all the members of this panel that your entire written statement will be made a part of the record and ask you to strictly limit your comments to 5 minutes. And as soon as we can gavel the people in the back of the room to order—would the folks in the back of the room who wish to continue their conversations, as we say in the Congress, “take them to the cloakroom”.

Mr. Seeger, welcome.

**STATEMENT OF MARK SEEGER, GRAIN PRODUCER,
MAHNOMEN, MN**

Mr. SEEGER. Yes, I want to thank the chairman and I want to thank Representative Peterson and Mr. Gutknecht too for having us in. I want to also thank the first panel that was in for their excellent testimony. However, it did take some of my thunder away because I will be talking about the same issues that they did. I will be brief in mine, perhaps paraphrasing some to give these other members a chance for what they have come here to testify about. And you do have the text I am sure of my testification.

I just want to say that I am from Mahanomen, Minnesota which is about 60 miles northwest of the Fargo-Moorhead area, so you can kind of tell where that is at, we will go from there. I have farmed for probably more than 30 years, my wife and I do farm corn, soybeans and wheat and I am also a member of the American Crystal Sugarbeet. I own shares, I do rent them out at this time, but I do own sugar beet shares.

Mr. Chairman, I would like to focus on five issues today and that is price supports, trade, disaster aid, conservation, energy and the FSA, Farm Service Agency.

I believe that the current farm bill works pretty well. While it is far from perfect, I can work with it and I can support an extension on this farm bill. I favor keeping counter-cyclical programs for crops because it is a safety net for farmers when commodity prices drop to levels that threaten the farm's survival.

However, I am concerned about why target prices and loan deficiency payments have been lowered over the last 2 years. I believe they do need to be raised. I do not understand the reasoning behind this at a time when our costs have skyrocketed. Fuel and fertilizer prices are out of control and they are cutting farm income. A year ago, I paid \$1.60 for diesel, now I pay \$2.60.

Concentration is also making this tougher to handle. When I started farming, there were about 15 to 20 different local places for me to buy fuel and fertilizer; today there is one. Higher fuel prices have also raised the cost of transporting grain.

It was made issue too earlier that farmers buy at retail and sell wholesale. We also pay the freight both ways on anything we buy and everything we sell. So we are in quite a predicament there. For me, the problem is clear, and it is price. We do need a decent price for what we produce and that is how the root of our farm policy should work.

However, I am not convinced that NAFTA or CAFTA and other recent trade deals have done much to help my price. I know that sound trade policies are important to farmers, but what happens to my market price when our trade surplus turns into a deficit? I am concerned about the current trade agenda that does not level the playing field enough or provide opportunities for me to make a profit from the market. I would encourage the committee and policymaker to ensure that our trading partners meet the same labor and environmental standards, and that the currency manipulation be addressed.

I am not a farmer who wishes to stand by my mailbox every so often to wait for a check from the Government. With that being said, I realize that current marketplace does not always provide

that price and farmers need a safety net approach, through price supports and solid trade policies.

Compared to many farmers in the area, we have been fortunate the last few years not to be affected by weather-related disasters. However, some of my friends in northwestern Minnesota have not been so lucky. I urge the committee to advocate for disaster assistance, not just for those farmers who need it this year, but also for the 17 Minnesota counties that were declared disaster in 2005.

Flood damage faced by farmers in Minnesota counties like Kittson, Roseau and Wilkin are very troubling, and it is disappointing when Congress is forced to choose between disasters. Droughts and floods can cause as much damage and devastation as hurricanes, tornadoes and earthquakes. This is one of the reasons I would like to see Congress push for some kind of permanent disaster program.

I support conservation. I believe conservation incentives should be continued and expanded into the future. Here in Minnesota, we need the help of Federal conservation programs. Our State Pollution Control Agency has identified nearly 2,500 bodies of water that do not meet standards for the Federal Clean Water Act, and therefore are listed as impaired.

The Minnesota Legislature recently passed a bill known as the Clean Water Legacy Act to clean up these waters and leverage Federal farm dollars. Programs such as the CRP or the Conservation Reserve Program, the Environmental Quality Incentives Program, EQIP, are important to this effort. And the Conservation Security Program also has a great potential here in Minnesota.

While I personally do not have any land in CRP, I have some acres in the Reinvest in Minnesota Program, better known as RIM. It is similar to CRP and in northwestern Minnesota, many of these counties are at their 25 percent maximum of land in CRP. I know that farmers in Minnesota appreciate the flexibility of programs like this, especially emergency haying and grazing during a drought. This kind of flexibility is very important for farmers considering re-enrolling into the Farm Service Agency offices as the drought continues.

No matter what programs farmers sign up for, there is a need for the FSA, the Farm Service Agency, in their counties. I would like to thank the members of the committee for monitoring this. For farmers, travel time to offices, computer issues like speed and availability, and the need to talk to someone in person are all important issues. In fact, I would argue that our local county offices need more staff, not less. Currently in our county, we share the district conservationist, there is only one other staff member in that office.

I would urge the committee to consider the idea of a future farm bill by including an energy title. Minnesota was the first State in the Nation to pass mandated levels for ethanol and biodiesel. The State's first biodiesel plant was just a short distance from here at the Farmers Union Marketing and Processing plant in Redwood Falls. Farm-based fuels can grow even more, with the potential for farmers to use more wind and solar energy. An energy title in the next farm bill certainly would help.

While I am not a livestock producer, I am a strong supporter of mandatory Country of Origin Labeling, known as COOL. Many livestock producers I know are frustrated that COOL has been postponed. It was supposed to be enacted by 2004 and this is a program that should be going forward.

In conclusion, again, I thank the committee members for their time and I urge you to consider extending this current farm bill.

[The prepared statement of Mr. Seeger appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Seeger.

Mr. Durst, welcome.

**STATEMENT OF RON DURST, DAIRY PRODUCER,
MANTORVILLE, MN**

Mr. DURST. Thank you, Mr. Chairman. I appreciate the committee's invitation for me to come here today and present my views on dairy in regard to the 2007 farm bill. My name is Ron Durst and I am a dairy producer from Mantorville, Minnesota and a member of the Associated Milk Producers Board of Directors, representing more than 4000 member-owners.

My brothers, Allen, Ken and I represent the third generation of Dursts to milk cows and till the land in Dodge County, located in southeast Minnesota. Through a three-way partnership, we operate a 1,500 cow dairy and 2,800 acres of crop land, producing corn, alfalfa and canning crops.

Dairy is a critical industry here and we must reverse an overall negative trend. Though it is a complex challenge, sound dairy policies are a first step. Today, I am going to share two policies that will encourage producers to invest in their farms and dairy co-operatives.

Let us begin with a policy that encourages dairy producers to invest in their farms—establishing a strong dairy price safety net. Establishing that safety net is, in fact, AMPI's top dairy policy priority for the 2007 farm bill. Let me share four ways to strengthen the existing program:

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

Second, we must make the support price system work as Congress intended. The USDA's Commodity Credit Corporation must increase the milk price equivalent it is paying to remove dairy products from the open market. Because of increased manufacturing costs, the current manufacturing make allowance in the support program yields about \$1 less than Congress intended when enacting the support program. The USDA is not supporting us at \$9.90.

Third, we must provide a counter-cyclical payment. The dairy price support program alone is inadequate. AMPI and the Midwest Dairy Coalition believe a payment such as the Milk Income Loss Contract must be coupled with the dairy price support program to strengthen the safety net. Producer eligibility, payment limitations and production caps under this program, however, should be re-examined. The MILC guidelines should be similar to those developed for the grain programs. For example, under the grain program, my brothers and I are considered to be three separate entities. Under

the Dairy Program, we are one. This penalizes us for working together as a family unit.

Finally, we must manage imported dairy products to make price supports effective. Products such as butter, cheese and milk powder have been subject to tariffs for as long as we have had price supports. The problem is dairy proteins which are entering the United States through trade loopholes, displacing domestically produced milk.

As you consider these four points, know that I and other dairy producers like me are willing to walk the economic tightrope this profession demands. We simply cannot operate without a safety net.

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

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

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

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

I would like to thank Chairman Goodlatte and Congressman Gutknecht for sending a letter to Secretary Johanns in support of this change on an interim basis.

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

Our dairy legacy should include crafting policies that enable the Midwest dairy infrastructure to grow, to allow a fourth generation of Dursts to operate a dairy in Dodge County if they so choose. The challenge will be transforming our words into ideas and actions.

I would like to thank the committee for having this series of field hearings and will be happy to answer any questions or provide any additional information you might need.

[The prepared statement of Mr. Durst appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Durst.
Mr. Rothfork, we are pleased to have your testimony.

**STATEMENT OF PETE ROTHFORK, TURKEY PRODUCER,
MELROSE, MN**

Mr. ROTHFORK. Good morning, Mr. Chairman, Congressman Peterson, Congressman Gutknecht, members of the committee. I want to thank you for the opportunity to testify here today. My name is Pete Rothfork and I am a turkey farmer.

I belong to several trade associations, but today my comments are my own.

Welcome to the seventh district, the largest turkey producing district in the United States. Over 32 million turkeys are raised in this district. Over 7,000 people are employed directly in the turkey business in the State of Minnesota, most of them are in this district.

I am a second generation turkey grower from Stearns County. I can trace my agricultural roots back five generations in this country. I am an at-risk grower. At-risk growers are unique to Minnesota and Iowa. This means I buy my own poults, make my own feed, sell my birds at the market price. My father started in the turkey business in the 1960's. If he were here today and you asked him what he wanted from the farm bill, he would say simply "We want to be left alone." The turkey industry has prided itself on being successful with no subsidies and very little help from the Government. What do I want? A level playing field. I think the current farm bill is working. I just don't want to be put at an unfair disadvantage.

I am responsible for the oversight of over 600,000 turkeys on four farms. With our partners, the Maleska family, we grow a little over 1 million turkeys a year, we produce 45,000 tons of feed to feed those birds, employ 24 full time employees in our mill and turkey grow-out facilities. Most of our workers make \$10 an hour or more, plus benefits. These benefits include paid vacation, health insurance and in some cases housing and vehicles.

Two areas of concern for me are renewable fuels and environmental regulations.

Seventy percent of the cost of a pound of turkey is feed and 70 percent of our feed is corn. So roughly half the cost of the turkey is corn. We feed corn for its energy, soybean meal for its protein. The turkeys in this district consume more than 27.5 million bushels of corn a year.

We all agree that this country must cut its dependence on foreign oil, but the way the ethanol program is written, its effect on the turkey industry could be devastating. My concern is if the corn crop is too small to feed all of the animals and fill the ethanol mandate, the manager of the ethanol plant knows that the oil refiner needs to put a set amount of ethanol in his product, no matter what the price is. So he can bid up the price of corn until he gets enough. I am very price sensitive. The last time we had small corn crops, 1995 and 1996, it led to our highest feed cost that our industry has faced in the last 20 years. Not surprisingly, our industry faced record losses. In 2002 when corn was plentiful, we were profitable.

Renewable fuels are very important for this country, but so is affordable protein.

I have been told that we could use the byproduct from the ethanol plants (DDGs) in our rations. Earlier this year, we did some remodeling and had to buy feed with 10 percent DDGs in the ration. Our weights were less and our feed efficiencies on those flocks were worse than on the birds fed strictly corn and soy. For some reason, that is not a good product in my birds. Please give me the safeguards in the event of a poor corn crop so that we can continue to remain in business.

We also need protection from our Federal agencies. Many of you are aware that some are trying to extend two industrial environmental laws to agriculture—CERCLA and EPCRA. These laws were passed in the 1980's and were meant to regulate industrial activities, not agricultural activities. I want to thank Congressman Peterson and others for clarifying this to other people.

Turkey litter is a valuable fertilizer, it is not hazardous waste. If we are following EPA guidelines and have manure management plans, we should be exempt from prosecution. We are stewards of the land, we try all we can not to pollute the air and water. We are proud to have the first power plant to burn poultry litter in this district. If successful, it will serve as a model for the rest of the country. We need to be sure environmental regulations do not force animal production to leave this country for South America or Asia.

My family owns 15 percent of Turkey Valley Farms processing plant here in Marshall. We need to be sure we have a reliable supply of legal immigrant workers to keep our plant going. Our plant exports about 10 percent of our product out of this country. It is important that we keep our export markets open.

Avian influenza could devastate our markets, both domestic and export. We need to continue research funding for AI and Avian pneumovirus at current or higher levels. Also, we need continued research in the area of food safety.

What do I want from the farm bill? A level playing field. Because with a level field, I will be competitive with anyone in this world.

Thank you for the opportunity to testify today.

[The prepared statement of Mr. Rothfork appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Rothfork.

Mr. Bakken, we are pleased to have you here from South Dakota as well.

**STATEMENT OF PETER BAKKEN, CATTLE PRODUCER,
GARRETSON, SD**

Mr. BAKKEN. Thank you, Chairman Goodlatte—a good Scandinavian name, I am with Mr. Larsen. Chairman Goodlatte and members of the committee, thank you for the opportunity to speak to you today about current farm policy and the upcoming farm bill. My name is Peter Bakken, I am a third generation crop and cattle producer from Rock County, Minnesota. I currently serve as president of Rock County Farm Bureau, sit on the Beaver Creek Township board and on the board of directors for the Rock County Cattlemen's Association. Like other farmers, I am well aware of the

role the national farm policy and the farm bill plays in our livelihood. I am honored to have the opportunity to share my views with you today.

Many farmers throughout the U.S. will tell you that their ultimate agricultural policy vision would be a level playing field or a chance to compete in open markets. As we look ahead in the 21st century, agriculture policy should reflect a world where our farmers and ranchers are allowed to compete in open markets without tariff barriers, without export subsidies, without currency manipulation, and yes, without production distorting domestic subsidies. American farmers and ranchers are willing to give up commodity loan payments, counter-cyclical payments and the like if we are able to remove other trade barriers.

If traditional farm policy is reformed, doing so will be very difficult. Most sectors have vested land and capital values based on historical payments. The majority of farmers own personal retirement investments are tied up in the value of their land. The potential for a financial meltdown looms in the minds of some, especially in the banking community. Therefore, if movement is made away from these traditional payments, that movement will need to occur over a period of time. The speed of that movement will be determined by the progress made at the WTO negotiating table.

The 2002 farm bill is very popular with producers throughout the country. Continued support of the structure and funding for the 2002 farm bill is a high priority for my fellow agriculture producers and me. The 2002 farm bill provided a long-term commitment to U.S. producers and it would be wrong to shift policy before the expiration of the farm bill in 2007.

WTO negotiations also play a key role in the structure of future farm bills and modifications to the current farm bill should not be made before the results of those negotiations are known. The 2002 farm bill provides a safety net for producers, provides leverage for international trade negotiators and provides needed conservation program support.

As a third generation family farmer, I have seen first hand the importance of transitioning a farm to the next generation. I also experienced the difficulties related to that transition. The current farm bill and any future farm bills are going to be a determining factor in how easily future generations will be able to effectively and affordably enter into production agriculture.

Rural residents are dependent on rural economies. Averaged across all farms, 90 percent of farm family income comes from off-farm sources. Even large farming operations rely on off-farm income. USDA reports that farms with sales over \$250,000 derive over 30 percent of farm family income from off the farm. Vibrant rural economies are very important to farm families.

As a crop and livestock producer, I, like other farmers, make it a high priority to focus on conservation and implementing environmentally-friendly practices. However, as a cattle producer, one of the biggest challenges I face is overly burdensome environmental regulation. Addressing these issues is not a matter of operation size but rather a matter of what is best for those in the industry.

Farmers worldwide are interested in making a fair wage for their labor and an adequate return on their investment. Farmers care

about their family's future. They have a passion for the land and their livestock. Farmers everywhere have a love for agriculture and seek a fair solution to the many economic challenges we face. We want to continue to produce a safe, affordable, abundant food supply while continuing to be good stewards of the land. This can only be accomplished through a cooperative effort by all parties involved in agriculture.

Mr. Chairman and members of the committee, thank you for taking time to hear my perspective and the perspective of my fellow producers here today. Thank you for your commitment to agriculture in the United States.

[The prepared statement of Mr. Bakken appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Bakken.

I am going to yield briefly to the gentleman from Minnesota for the purpose of an important introduction.

Mr. PETERSON. Thank you, Mr. Chairman. I should know better and start writing things at my advanced age. But anyway, I forgot to recognize a very important person, the mayor of Marshall, Mr. Bob Byrnes is back here with us. Bob is also a very valued member of agriculture as he works for the Extension that does an excellent job here in the county and a big supporter of agriculture as well as an outstanding mayor of Marshall, Minnesota. So Bob, thank you for being here. [Applause.]

The CHAIRMAN. Mayor, thank you for letting us invade your town.

Mr. FitzSimmons, we are pleased to have your testimony now.

**STATEMENT OF PATRICK FITZSIMMONS, PORK PRODUCER,
DASSEL, MN**

Mr. FITZSIMMONS. Good morning, Chairman Goodlatte, Ranking Member Peterson and members of the committee. My name is Pat FitzSimmons, I am a pork producer from Dassel, Minnesota. My five brothers and I are partners in Robert FitzSimmons and Sons and Protein Sources Milling and Management which is based in Mapleton, Minnesota. In our partnership, we raise, market hogs, we have a feed milling business, we manage sow farms and we have a boar stud that we supply these farms for other farm families. We also provide these families with management service for their swine operations. Our families have a strong commitment to the swine industry and believe it is important to be involved in policy development and leadership.

There are currently 5,000 Minnesota pork producers and the State ranks third in pork production. Last year, our State pork producers earned over \$2 billion in gross income that in turn generated another \$5.6 billion in economic activity for the State. The industry also directly employs over 22,000 individuals and the industry consumes locally grown crops and provides an excellent fertilizer source for our cropland. The farm bill affects our industry in numerous ways, including the availability of feed grains, crop production, nutrient management and conservation practices.

Public research, market access, conservation and rewarding pork producers who adopt the very best nutrient management and environmental practices are ways the farm bill can assist Minnesota

pork producers. Through these farm bill programs, we can continue to meet our ultimate goal of bringing consumers a safe, reliable food supply. As an advocate for research, market development and conservation programs, I also believe we can advance alternative fuels made from ag commodities while conserving our natural resources and assuring grain supplies for our livestock needs.

I know that many of you understand the economic contribution that pork producers make to our State economy. In Representative Peterson's congressional district, pork producers' gross income from market hog sales was \$459 million last year. And in Representative Gutknecht's district, where the top 10 pork producing counties in the State are located, pork producers' gross income last year brought \$1.3 billion into the region. The income that flows into our rural communities from swine production is greatly influenced by actions beyond my farm gate. It requires a combination of factors that keep our industry competitive in domestic and international markets.

Pork exports are among reasons why Minnesota pork producers can be an economic engine at the local level and to our State. The U.S. pork industry had another year of record exports. U.S. pork producers currently export one out of every six hogs that goes to market. Minnesota pork producers received an additional \$25 per head on each and every hog they sold last year because of exports. In Representative Gutknecht's district alone, hog exports resulted in \$257 million to his district's pork producers. In Representative Peterson's district, hog exports translated into an additional \$85 million in gross income to his district's pork producers.

As we rely on exports, we also depend on our crop producers to provide the feed grains necessary for hog production. Pork producers, along with the other livestock and poultry producers, are the single biggest customer for U.S. crop farmers. Feed for our pigs is the single largest production expense. A market hog will eat about 10 bushels of corn in his lifetime, and consume 3.8 bushels of soybeans that has been converted to soybean meal. Our State's market hogs ate an estimated 158 million bushels of corn and 57 million bushels of soybeans last year. In Martin County, for example, hogs will consume over 50 percent of the corn and 70 percent of the soybeans. I believe this value-added contribution to agriculture from pork production is very important to our local and State economies.

As you write the 2007 farm bill, as it relates to Minnesota pork production, I believe there are four main considerations:

First, we must maintain our competitive advantage in export markets.

Second, we must strengthen our competitiveness.

Third, we must prevent adoption of policies that harm our industry.

And lastly, the pork industry, as well as all animal agriculture, must continue to adopt management practices that capture the full value of the nutrients in livestock manure.

The next farm bill should help the U.S. pork industry maintain its current competitive advantage. This includes manageable production costs, food safety, further advancements in animal health and adding value to the raw product so it continues to meet consumer demands.

In addition to maintaining a competitive advantage, the next farm bill should strengthen the position by expanding and including such elements as trade assistance, public research, risk management tools and science-based environmental practices.

Finally, the next farm bill should defend the competitive position of the U.S. pork industry by not imposing costs on the industry or by restricting my family's ability to meet consumer demands in an economic manner.

In conclusion, Mr. Chairman and members of this committee, I believe we can craft a farm bill in 2007 that meets our objective of remaining competitive in domestic and world meat markets. Thank you once again for holding this hearing and for your time. My family and I respectfully request your continued and focused attention to the matters that I have brought to you today.

[The prepared statement of Mr. FitzSimmons appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. FitzSimmons.

Mr. Wenstrom, we are pleased to have your testimony.

**STATEMENT OF RODNEY WENSTROM, DAIRY PRODUCER,
FERGUS FALLS, MN**

Mr. WENSTROM. I am Rod Wenstrom, a dairy farmer from Fergus Falls, Minnesota. I am on the corporate board for Dairy Farmers of America, a national milk-marketing co-op based in Kansas City, Missouri, with dairy farmer members in 48 States. As a director, I sit on DFA's Government, Member and Public Relations Committee. I appreciate the opportunity to testify at this hearing today.

While organizations that I serve on have not officially established positions for all of the 2007 farm bill issues, I would like to share my thoughts on some of the major themes that will define the dairy sections of the bill.

Before I do that, I would like to thank Chairman Goodlatte and Ranking Member Peterson for their help to all dairy farmer member/owners in the passage of S. 2120, the producer handler legislation. We worked on this issue for more than 3 years and it would not have been passed without your help.

Because we do not think there will be radical shifts in policy direction as a result of the 2007 farm bill, we support the view that an extension of the current farm bill will work well for most of the Nation's dairy farm families. We cannot see a reason to change at this time as long as we do not know what the World Trade Organizations are going to—rules will be.

We feel the next farm bill should maintain some form of an economic safety net for dairy farmers. The most important safety net provision we have is the dairy price support program. We favor continued operation of the dairy support program at a targeted \$9.90 U.S. average manufactured milk price. In President Bush's proposed ag budget, the Secretary of Agriculture would be allowed to adjust buying prices for products made from milk so as to reduce the cost to the CCC for products purchased. This could allow for a reduction in targeted support price from the \$9.90 as specified in present legislation.

The second safety net provision that we have and that we would like to see continued is the Milk Income Loss Compensation Pro-

gram, which DFA supports as long as there are no caps limiting access to the benefits. While my farm is not directly impacted by the payment limitations, it does affect many members of DFA. Like the price support program, I view the MILC program as a valuable safety net for producers' pay prices. The MILC program should be extended to match the terms of the 2002 farm bill, to ensure its continued existence. As I understand right now, it would end one month before the end of the farm bill and that would probably make it difficult to get it extended. The key benefit is that it puts cash in the hands of farmers at the very point it is needed most, the lowest point of the price cycle. So it is counter-cyclical, like many of the other commodity programs we have—soybeans, corn and so forth.

I would like to call attention to an editorial in the Hord's Dairy-men, although I do not have it in my testimony, but it mentioned that the Congressional Budget Office has put down the cost of the program at various times. For example, in 2003, they said that the 2004 cost of the MILC program would be about \$936 million. They revised that downward a little but in reality, by the end of 2004, the price came in at \$221 million, so it was far below what they estimated.

In 2005, in 2003 they said that the cost of the program would be approximately \$1 billion. They revised it downward to \$960 million, by the end of 2005, this past March, the price came in at \$9 million. So that is far, far under what the cost actually is.

In the editorial, it said if you can call this to the attention of Members on Capitol Hill, please do so. So keep that under consideration.

We support continuation of the Federal Milk Marketing Order Program. Marketing Orders are important to us as they undergird all of our marketing and pricing efforts all over the country. Orders assure dairy farmers a minimum price, assure that all competing milk buyers pay the same minimum price, assure that all dairy farmers share equitably in the returns of the marketplace and assure that the terms of trade are uniform throughout the Order's marketing area. A majority, but unfortunately not all, of the Nation's dairy farmers have funded and are operating a self-help program, Cooperatives Working Together. Dairy farmers voluntarily pay 10 cents per hundredweight on all milk produced in order to structure the size of the Nation's dairy-cow herd and more closely tailor milk supply to demand. Additionally, the program works to assist exports of dairy products in an attempt to market and promote domestically produced dairy products to the world.

However, the CWT program is not intended to replace Federal farm programs and can never do so because there will always be those who choose to take advantage of the program's benefits but never pay their share. Even after 2 years of successful implementation, there are still over 25 percent of the country's dairy farmers that choose not to pay in.

In conclusion, I would certainly like to thank the committee for the opportunity to testify. In sitting waiting for my turn to testify, I can rest assured that the hands of the Agriculture Committee are in good hands because I certainly appreciated your comments. I think some of them were just very, very excellent. So I thank you.

[The prepared statement of Mr. Wenstrom appears at the conclusion of the hearing.]

The CHAIRMAN. Well, thank you, Mr. Wenstrom.
Mr. Sobocinski, welcome.

**STATEMENT OF PAUL SOBOCINSKI, PORK PRODUCER,
WABASSO, MN**

Mr. SOBOCINSKI. Good afternoon, Mr. Chairman and members of the U.S. House Agriculture Committee. Thank you for the opportunity to testify on the 2007 farm bill. My name is Paul Sobocinski, I operate a diversified crop and livestock farm with my family here in southwestern Minnesota. I am currently raising hogs for Niman Ranch using a deep straw system for farrowing and finishing hogs. Our hogs are raised naturally without antibiotics. In addition to farming, I also work part time for the Land Stewardship Project. The Land Stewardship Project is a farm and rural organization that works to support sustainable agriculture. I am also an active member of the Minnesota Farmers Union and the Minnesota National Farmers Organization.

Today in my testimony on behalf of the Land Stewardship Project, I would like to emphasize three key areas that the next farm bill needs to include and address. They are (1) commodity reform; (2) further development and expansion of the Conservation Security Program; and (3) support for a new farm initiative.

Commodity reform. The current commodity title is broken. We need significant reform and a commodity program that costs less, works better for farmers and decreases the amount of environmental degradation happening on the landscapes of rural America. In addition, and perhaps more importantly, current commodity provisions in the farm bill end up being a big subsidy for Cargill, Smithfield and other large scale corporate livestock operations and end users of grain who thrive on and prefer a cheap grain policy.

The Conservation Security Program, known as CSP, needs to be further developed and expanded. CSP is a bridge to the Nation's taxpayers. Citizens support the idea of rewarding farmers for increasing their stewardship and enhancing our Nation's landscape for our children's future. We cannot afford to keep generating unsustainable soil loss and severe water quality problems caused by destructive ag production practices that are driven by the current policy.

CSP needs to be adequately funded, at least \$1–2 billion per year in the 2007 farm bill.

Continuous annual sign-up is crucial. Right now, if a farmer cannot meet CSP qualifying criteria in 1 year, they may have to wait another 8 to 15 years or more to have the opportunity to sign up again.

Sustainable and/or organic farming practices need to be better recognized in CSP. This includes resource conservation crop rotations and organic farming systems; limited or reduced pesticide use, including recognition of farming operations that use no pesticides; forage crops in a rotation, which is important in protecting water quality.

The third plank, the New Farm Initiative, is responding to the general problem, looking for ways to support stewardship-minded,

independent farmers with their food dollar. We want to see programs like the Farmers Market Promotion Program and the Farm to Cafeteria Program which links farms and schools with local food. That is community economic development. These two programs should be each funded at \$20 million per year in the 2007 farm bill.

The next farm bill needs to have a special emphasis on support for beginning and new farmers. The face of American agriculture is changing and its future depends upon the ability of new family farmers and ranchers to enter agriculture. This should also include minority and immigrant farmers. Policy options include:

Enhancing and providing significant mandatory farm bill funding for Beginning Farmer and Rancher Development Program. This should be funded at least \$20 million a year.

The Land Stewardship Project Farm Beginnings, a program that we have, is one example of how the Beginning Farmer and Rancher Development Program can succeed. The Land Stewardship Project's Farm Beginnings course, a 10-month course in which participants learn goal setting, financial planning, business plan creation, alternative marketing and low-cost sustainable farming techniques, gives us at LSP a unique position to understand policy options that will be of real assistance to beginning farmers.

During the first 8 years of Farm Beginnings, over 220 people have completed the course and 60 percent of those graduates are farming. That is a high success rate. In addition to education and training, the Land Stewardship Project has initiated a livestock loan program through Heifer International. This program has helped 18 families build equity with dairy and beef cattle and other livestock.

A second criteria is the need for access to credit and land. One of the greatest struggles beginning farmers and ranchers with limited resources face is credit and land. Under that, we support developing a tax incentive that encourages sellers and renters of land to connect with beginning farmers and ranchers. Nebraska, for example, is now doing this and just increased their program in terms of renting to beginning farmers, those who consider renting to beginning farmers, like a 10 percent credit for renting on cash and a 15 percent credit on share rent. Secretary of Agriculture Mike Johanns signed this particular piece of work into law when he was the Governor of Nebraska.

New Farm Initiative is about building a new generation of farmers, encouraging the development of new markets and local marketing opportunities around food.

In conclusion, I would like to thank the United States House Agriculture Committee for the opportunity to testify. These issues are critically important to family farmers, rural America, the environment and our food system. Sustainable ag organizations, including the Land Stewardship Project, look forward to working with members of Congress on the upcoming 2007 farm bill.

If you have additional questions, please feel free to contact me. Thank you.

[The prepared statement of Mr. Sobocinski appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Sobocinski.

For this round, we will recognize members of the committee who seek recognition to ask questions and I will start by recognizing myself.

Mr. Rothfork, my district in the Shenandoah Valley of Virginia lays claim to being the birthplace of commercial turkey production in the U.S. I think Mr. Peterson's district now produces more than we do there, but we also have a very extensive chicken production, so in poultry, we are very interested in what you had to say.

Last year, at the urging of Mr. Peterson and Mr. Gutknecht and Ms. Herseth and others, I took a very strong position in favor of a renewable fuels mandate in the Energy Bill, which passed, and since then I have joined with them in introducing legislation calling for 25 percent of our Nation's energy production from renewable sources. Last year when I made that announcement that I was going to support the mandate, my poultry producers were in my office the next day. And they are very concerned about the effect of the increased demand on grains being diverted for this type production. There are some excellent byproducts of ethanol production, dried distiller's grains are very useful for our dairy and cattle farmers, but we are having a more difficult time being able to adapt that for use in poultry and hog production as well. And I wonder if you might comment and then I will ask Mr. FitzSimmons and Mr. Sobocinski to comment on that as well.

What do you see in terms of the future of grain prices and its impact on your industry and what can we in the Congress do to help you in that regard?

Mr. ROTHFORK. I think we all agree that renewable fuels are the future for us. My concern is we need to have some safeguards that in case we have a drought year. And in my area, the corn crop does not look very good right now. I am very price sensitive, so if there could be some safeguards in there that we would have some price protection on the corn so that I would be able to compete. Either that or you could mandate that every family eats a turkey a week and I would be able to survive. [Laughter.]

I think we are going to have stable grain prices, I am not real concerned that the drought will be real widespread this year, but there is going to be additional cost with trucking the grain to where the animals are.

The CHAIRMAN. Are there things that we should do with regard to increased grain production or other things that we could do with Federal policy to assure you of that in the future?

Mr. ROTHFORK. There are some things that I think would help. I think CRP is a great program to protect environmentally sensitive land. It has been used by some as a retirement program for farmers and I do not think that is what it was intended for. Maybe some of the less environmentally sensitive land could be put towards crop production. I think we really need to study that program because I think there are opportunities there.

The CHAIRMAN. Thank you. Mr. FitzSimmons, I understand that there are some digestive issues with the dry distiller's grains for use with hogs, is that correct?

Mr. FITZSIMMONS. The hog can take about a 10 percent inclusion in the diet. Our problem with the product has been not a great consistency to it as it gets to us and we have one plant where we were

getting product from that now has gone to burning their solubles, so that DDGs is less valuable to us now.

We sit in a heavy hog area now, so there is great demand for that corn already and we look around and see ethanol plants being built around us and there are only so many miles of draw that is available. So we are concerned, but we are far from the point where we would want to tell somebody to mandate to not do it or try to control it some way, because that never seems to work out very good for anybody.

The CHAIRMAN. Thank you. Mr. Sobocinski.

Mr. SOBOCINSKI. Mr. Chairman, in your question you related to the price of grains, I can say that as both a crop producer and livestock producer, most of us who happen to do both very often like to see both prices being high because then we are making money on both ends.

Another aspect I think just to mention—

The CHAIRMAN. That works if you do not have to import it, but in Virginia, you have to bring it from elsewhere to feed to our poultry.

Mr. SOBOCINSKI. Right. The other piece just to mention, in terms of farm policy, we ought to look at a little bit more diversity in terms of what animals use. For example, forages are a very good use and forages are a great opportunity to increase conservation.

The CHAIRMAN. Very good. Mr. Bakken, let me give you an opportunity to comment on that as well from the perspective of a cattle farmer.

Mr. BAKKEN. Well, I guess as I have been posed that question before, a concern probably of mine would be the same as the turkey and the pork people, in the fact that if some of these new ethanol plants that are coming on line are getting to be more and more efficient, they have no byproduct to use. The luxury that a ruminant animal has is there is a lot of stuff that we can feed to get our energy source to put pounds on our animals. So it is like the gentleman on the end had said, being a diversified crop and livestock operation, for me also I like to have it high on both ends too, and I do think that there is probably other alternatives for at least my industry for an energy source to put those pounds on.

The CHAIRMAN. Thank you very much.

The gentleman from Minnesota.

Mr. PETERSON. Thank you, Mr. Chairman, I will be brief.

As I said, Farmers Union, Farm Bureau and Pheasants Forever supplied the refreshments. I introduced the two presidents, but we have Dave Dobson for Pheasants Forever standing in the back of the room in the yellow shirt. Dave, thank you for helping us today.

Just along the same line, I just want to mention, when I talked to the National Chicken Council and told them this, they thought I was nuts, but I have a study that says that these ethanol plants are not going to raise the price of feed, if you want to see it. So far, I have not been able to get anybody to believe that it is true.

But we can grow more corn. And one of the things we are looking into is whether we should have some kind of reserve program not only for the livestock, but also for the ethanol plants. If something happens to these prices, you could have some potential problems. So there may be some things that we need to look at to try to man-

age the supply if we do get a bad corn crop or whatever. So we are looking into some of that. I do not claim to have the answer but if any of you have some thoughts about that, that is something we would be interested in looking at.

Mr. ROTHFORK. I think a reserve program would be a very good idea.

Mr. PETERSON. Thank you.

The CHAIRMAN. I thank the gentleman. The gentleman from Minnesota, Mr. Gutknecht is recognized.

Mr. GUTKNECHT. Thank you, Mr. Chairman. I know that we are way behind schedule here so I will be very brief.

I want to thank our two dairy experts, particularly Ron Durst from my part of the world. I have been out on his farm, it is a very impressive operation.

For you or any of you who would like a copy of the letter that I and 29 of my colleagues sent to the Secretary relative to the make allowance, I have copies here and we would be happy to give them to you.

I want to go to Mr. Wenstrom, if I could. We have a lot of the dairy groups who were behind that change, that modification. Do you know if DFA has taken a formal position; if so, what it is?

Mr. WENSTROM. Yes, we have. I guess to start out with, we were probably dragging our feet because any time you change that make allowance, increase it, it is going to subtract from the bottom line of the dairy farmer—no doubt about it. But we have been working with National Milk and now our position is that yes, it would be agreeable to change that make allowance. We do hope that there is some kind of an energy price adjuster in that formula so that if the fuel price goes up—and that is of course what is really driving this—there would be a way of changing it without having to go back to USDA every time for that.

Mr. GUTKNECHT. I would appreciate it if we get a formal position, if you would send me a copy of that letter and I will make sure it gets forwarded to the Secretary.

Mr. WENSTROM. I certainly will.

Mr. GUTKNECHT. Just finally, we have heard from a number of livestock producers, a number of our pork producers. There is a little bit of angst about what is going to happen as 39 new ethanol refineries come on line. That is going to have an impact. And we are cognizant of that, we are concerned about it. But I am a strong believer that if we are really going to develop the renewable energy business in this country, the single thing we need more than anything else is access to market. I mean right now, the oil companies control 97 percent of the market and they control from the pump, the refineries, the pipelines, all the way to the retailers and so right now, they have a 97 percent market share and they are not going to voluntarily give it up. I think part of the reason the ethanol industry has developed so well here in the State of Minnesota is because of the 10 percent requirement, Mr. Chairman. I like to use the word "requirement," not mandate. And really I do think that is the way that we are going to finally develop this industry the way I think it is going to have to develop if we are going to really reduce our dependency on foreign oil.

But as we go forward, the only thing I would say to you, Mr. Rothfork, on behalf of a lot of producers who have voiced those same concerns, Congress meets all the time. I mean we take a few weeks off here and a few weeks off there, but if there were a serious problem that we failed to address as we move forward on energy policy and I do hope there will be an energy title in the next farm bill, and if we somehow do not get it quite right, please understand that we are in session a lot more than we are not and we can address those problems as we go forward.

But I really think that energy is going to be an incredibly important component in the next farm bill.

And with that, I would yield back, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

The gentleman from North Carolina, Mr. Etheridge, is recognized.

Mr. ETHERIDGE. Thank you, Mr. Chairman.

A very quick question for you, Mr. FitzSimmons. I remember you mentioned in your testimony something about the attempt to have a packer ban for those folks that have ownership in some packers as well as having ownership of livestock. I remember in the 2002 farm bill, we had those fights. I hope we do not have to go through that one again. But my question is this—since my State ranks second in swine production in the country, as a result of the efficiencies, in fact we have become very competitive in the world. If that should happen, if a packer ban was instituted in your business, how basically would it—and it meant that you had to unravel the type of operation you now have, how competitive would you be with foreign producers if that should happen?

Mr. FITZSIMMONS. I would like to think we could stay competitive, but I think we have gotten to the point now where we are really dependent on that export market and we are seeing some slight expansion to fill that need. If something would happen with a disease outbreak or something where it would stop that flow of exports, the industry would be in a world of trouble quickly, because a lot of it is based on—the whole circle is we produce maybe the baby pig and we hire somebody else to raise it up and so that would all come to an end pretty quick if there was no market for that pork.

Mr. ETHERIDGE. Thank you, Mr. Chairman, I yield back.

The CHAIRMAN. I thank the gentleman.

The gentleman from Iowa, Mr. King, is recognized.

Mr. KING. Thank you, Mr. Chairman.

Just sitting here and listening to this discussion, Mr. Seeger mentioned his support for COOL and in discussing disease that has just been raised as an issue, I would like to ask the panel, those that represent livestock production, what is your level—and I would start with Mr. Durst—what is your level, your sense of urgency that you think Congress should have or the meat producers should have on moving toward livestock identification program?

Mr. DURST. In dairy, I think eventually it is important to the consumer that we are able to identify where livestock comes from, so I think—and our European people I think have moved there long ago—so I think it is important to move in that direction be-

cause I think the consumers are wanting to know more and more how their food is produced and where it comes from.

Mr. KING. But your sense of urgency, do we need to move quickly within 6 months to a year or do you think we can take our time and let it find its way?

Mr. DURST. Well, probably an intermediate approach. I do not know that we need to do it in 6 months, but I think we need to do it in 2 years.

Mr. KING. Thank you. Mr. Rothfork.

Mr. ROTHFORK. The poultry industry already has animal identification in that all our birds are killed in lots and those lots can be traced back to the farm. In Minnesota, we have a program where it is very transparent. Our farms are identified by county, township and section, so we have it in the poultry industry.

Mr. KING. Thank you. Mr. Bakken.

Mr. BAKKEN. I would agree with Mr. Durst as far as an intermediate type urgency. I do believe that by using something like that, the people that are maybe a little more progressive have the opportunity for some capitalistic—not capitalistic, but the opportunity to capitalize on having an animal that has already some identification that can go into a market that is demanding that type of product, and be paid for it.

Mr. KING. Thank you. Mr. FitzSimmons.

Mr. FITZSIMMONS. Our family has been involved in an IDing project with the State and in the State of Minnesota, when we eradicated pseudorabies, we had a program where we controlled the identity of those hogs and it is very do-able. The pork industry looks at it, as long as we maintain a group lot instead of an individual lot—most groups of pigs are born together, stay together, finish and go to market. So if we could just keep track of that lot.

Mr. KING. How about urgency?

Mr. FITZSIMMONS. Urgency, I think we are on the road, I do not think it is something—I would rather take a little time and do something that is do-able than rush into it.

Mr. KING. Thank you. Mr. Wenstrom.

Mr. WENSTROM. I guess I would agree. I do not think we are under the gun to do something right away, but I would say in a couple of years probably we should have something in place.

Mr. KING. Thank you. Mr. Sobocinski, maybe you do not agree that we should have one, but I give you that opportunity to address that as well as urgency.

Mr. SOBOCINSKI. Well, actually, we are at the point where we are examining that issue further, so we are going to study it a little bit more before we officially come up with our exact position on it.

Mr. KING. Thank you.

Mr. SOBOCINSKI. Country of origin labeling though is something we would like to see happen now. We think people in this country would like to know where their food comes from in terms of whether from U.S. producers or foreign.

Mr. KING. Thank you. Thank you, Mr. Chairman, I yield back.

The CHAIRMAN. I thank the gentleman. The gentlewoman from South Dakota, Ms. Herseth, is recognized.

Ms. HERSETH. Thank you. Just a quick question.

In the first panel, we talked a lot about renewable energy, many of you have addressed it in your written and oral testimony today. I would be interested in hearing from each of you in your particular sectors within the livestock industry about methane capture and whether or not you see that as an area ripe for the next energy title or even some overlap perhaps with the flexibility we might want to accomplish in terms of conservation programs.

Mr. DURST. I would be willing to address that because anaerobic digesters have been something that the dairy industry has used to process manure from dairy farms. It has worked very well in odor control for dairies. So absolutely, it is something that is being looked at, even community digesters possibly. We are bringing in manure and effluent from the surrounding area.

One thing that we are seeing—and actually we do have a grant on our farm to build one, from USDA. One problem we are seeing is if you are going to produce power from an electrical generator, is to get equitable agreements from the power companies. I know of one individual that is trying to get an agreement now and they are only willing to pay him 1.5 cents a kilowatt for power, and it is just not a do-able—it does not make your digester work very well. So personally, I would like to see something done where we could get better contracts for the power that we would produce.

Ms. HERSETH. If anyone else wants to jump in, but just a follow up that I would ask, in your either utilization of the technology or familiarity with some of the additional research, for different climates, are you working with anyone and could you tell us more about anaerobic digesters and methane capture in colder climates?

Mr. DURST. I have spent a lot of time actually looking at it and it is do-able, it is being done here in the Midwest. You have to insulate the digester to keep the heat inside of them to make them work, but it is very do-able and the technology is evolving all the time, there are several different types of digesters in the market. And so it is an evolving technology and there are improvements being made all the time in it.

Ms. HERSETH. Thank you.

Mr. FITZSIMMONS. I think the methane has probably been more on the dairy side than the hog side, and what we have actually found in our area now is that the hog manure has gone from a liability or a cost against your operation, to actually being a money-maker for you. There is a market for that manure now and so that is not a problem, getting rid of that. And it is going to get more so with people trying to grow enough corn to keep all these things running, it is going to take a lot of fertilizer and with the high cost of fuel, that has actually made it better for us on that end.

The other thing is for that fact is with EQIP money, if they would be a little more able to help pay for some manure equipment, because the regulations on the flows and the amount per acre, we need better equipment to do that. And EQIP has not always been very open to pay for that stuff.

Ms. HERSETH. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentlewoman.

The gentleman from California, Mr. Costa, is recognized.

Mr. COSTA. Thank you very much, Mr. Chairman.

I would like to address my questions to the two dairymen here. I feel some kinship toward both of you. My family has been in the dairy business for three generations and my generation is the departure from that, we sold our dairy farm in 1978. But I did spend first 22 years of my upbringing on a dairy farm and as a matter of fact, you are looking at one of the 170 co-sponsors of the bipartisan Animal Manure Act, that it is not a hazardous waste and therefore should not be in a Superfund site. As a matter of fact, I think I was 12 years of age before I learned that the term of art, state of art for the word was manure. [Laughter.]

In our family, it was an adjective, not a noun.

But my question is a little more complicated. And I appreciate your comment on the digesters. We are having problems—California obviously is a big dairy State, as you know, and the digesters are working good, but they produce more energy than the dairy can consume and we are having trouble with the energy companies. In the dairy industry, what I think we need to do is figure out how much energy we could produce nationwide with full production and then I think we can make a better case on how we can put that energy on the grid or get the energy companies to be more cooperative. We might want to consider that.

But more pressing, the difficulty is regional issues affecting the dairy industry, and I listened to both of your testimony closely and I went back and read part of it. How do we deal with the conflicts that exist today? You talked about various aspects of the dairy program, but it is one that continues to come back to the House Agriculture Committee. We dealt with part of it earlier this year, you made note. And do that in context with the competition we have in a world global market for milk products, especially the EU.

Who wants to take the first shot at that, Mr. Durst or Mr. Wenstrom?

Mr. DURST. I will take a shot at it. You know, part of it has been created by Congress itself, with some of the programs that have been put in place.

Mr. COSTA. Well, but in response to various constituents, various regions. I mean it is not like we just dreamed it up.

Mr. DURST. But it has created diversity amongst dairy people. Dairy politics is a very passionate subject for people. The MILC program was somewhat regionalized, people in the west I think have been in general probably against that program, I think for the fact that many larger farms in the west, with the caps that are on that program, it is not a program that they can really use very well. And here in the Midwest, we have smaller farms and it is used very extensively. In my testimony, I did allude to that about the caps that I would like to see adjusted.

Mr. COSTA. Right. How do we bridge the regional differences, Mr. Wenstrom—I mean if you want to take another shot at it.

Mr. WENSTROM. That has been a problem and I think working through something like the National Milk Producers Federation where we can get together ahead of time and try to bring to Congress some kind of a uniform—

Mr. COSTA. I mean, in California, I tried to put everybody in a room together, we met once a month for 10 months and at the end of 10 months, we were no further along than we were in the first

meeting we had. They are all kind of one State, kind of the same size. I do not know if we put you all in one room together, if it would help.

Mr. DURST. I am sure if there was 10 people, we would have 10 different opinions probably.

Mr. COSTA. How much is the EU hindering, I mean is the production of world supply of milk and milk products a factor?

Mr. DURST. That comes into our ability to export and import and then our exports have increased in recent years, but the value of imports is still higher than what we are exporting. And so the dairy industry is very much a domestic industry. We would like to do more exporting, but the imports are still—we are, dollar-wise, a net importer. The EU would be an obvious destination for dairy products since their prices are so much higher. So it would be a very favorable market for us to be able to export to.

Mr. COSTA. If either of you ever need a part time relief milker on weekends, let me know. [Laughter.]

It has been awhile.

The CHAIRMAN. You have been called out, Jim.

The gentleman from Iowa, Mr. Boswell, is recognized.

Mr. BOSWELL. Thank you, Mr. Chairman, just a quick—in closing, I think when I saw the hands go up, I realized in this room and other places I have been that we are all ready to get out of bondage to OPEC and we know how to do it. We can grow it out of the ground and other ways too. So we are into that together and I feel good about that.

I can remember in my lifetime, just what has happened to corn production, for example, and many of you the same way. I do not think this science has gone as far as it can go and I suspect you do not either. So if we are going to have the shortage of feed that some of you referred to, and I understand that and I am sensitive to what Mr. Rothfork has said, and others, I think we can—it has been suggested some CRP perhaps, if we need to, the science, give it a challenge. Our friends in California, we were talking about the NTB not too many months or years ago. The question came up, well, do you think out in the Midwest, you can provide us the ethanol we would need. And my response was “challenge us and see if we can.” I think we can. Our problem is transportation. And I think we all know that and I think we all know that science will get the job done, we know transportation will be solved and that is if the oil companies would take a piece of it. They have got the transportation system, it is called the pipeline, it is here, it is there, it is out there, the investment is there.

So I think the solution to this—and I am going to close with this thought here and I feel very strongly about it—I have been messing around with alternatives since the crisis in the 1970's when I was living in Portugal as a soldier in NATO—what chaos. I realized since then that we have been in bondage to OPEC for a long time and I do not think they are going to change their attitude, so we have got to change ours, and we are doing it. We have come a long ways, but we have got a ways to go.

So I believe that producers have got the ability to feed the turkeys and the hogs and also provide the energy. And I think we have come a long way but there is a ways to go, so we came here

to listen to you and I am glad I came. But I think our challenge to you is keep talking to us, keep talking to us. Because it may be one of these best idea that will move us the next step forward. Together we can do it and our country will be strong and we will have something there for the next generation and the generation after that.

I want to thank you, Mr. Chairman, for having this meeting.

The CHAIRMAN. I thank the gentleman.

And let us all thank this panel, which also did an outstanding job in testifying and answering our questions.

[Applause.]

The CHAIRMAN. We are drawing to a close, but before we do so, I want to recognize our host, the gentleman from Minnesota, for any closing words he might have.

Mr. PETERSON. Thank you, Mr. Chairman. Again, I just want to thank all my colleagues for coming out to Minnesota and thank the witnesses. You all did a great job, I am proud of you, and thank all of you for being here taking part in this. This is important for us.

I think there is only five or six of us on the committee that have been through more than one farm bill, so these hearings are important for the members to get around to the different parts of the country and see just how diverse agriculture is, something that I have learned a lot about, especially the last year and a half, traveling to Arkansas and learning about cotton and rice and tobacco and all these other things that we do not grow here. And this is an important part of the education of our committee. So we very much appreciate this great turnout here in Marshall.

Thanks again to the University for their letting us use their facilities. Thank the Farm Bureau, Farmers Union and Pheasants Forever for the refreshments.

Mr. Chairman, thank you for coming to the beautiful seventh district. We expect you to come back every year. Next year, I am going to take you to Lake of the Woods and show you how to catch wall-eyes, OK?

The CHAIRMAN. Sounds like a deal.

I too would like to thank all the witnesses who testified here today and I appreciate their careful consideration in preparing for today's hearing. I would also like to thank Ron Shoforster and his staff for all the effort they put into making this hearing possible.

The information provided by the witnesses here today will be very helpful to us as we begin this review process. While these hearings provide the committee with an opportunity to hear directly from producers, I know there are many more out there who would like to provide direct input about the future of farm policy. The committee has set up a web form on our website that will allow producers to provide the committee with feedback about current policy and what producers see for the future of farm policy. We have cards with more information about the form that you can pick up on the way out today. We look forward to maintaining an open dialog with you and your fellow producers across the country as we consider the next farm bill.

The record will remain open for 30 days and anyone who would like to submit a written statement for our consideration is welcome

to do so. Please see Lindsey Correa—Lindsey, raise your hand there, she is our clerk, for more information on submitting a statement for the record, if you wish to do so.

Again, I would like to thank Congressman Peterson, Congressman Gutknecht and all the members of the committee for joining us here in Minnesota, but most especially we want to thank all of you for your participation here today and we look forward to a good ongoing working relationship as we move toward writing the next farm bill.

I have some important language to get us to a conclusion. Without objection, the record of today's hearing will remain open for 30 days to receive additional material and supplementary written responses from witnesses to any question posed by a member of the panel.

This hearing of the Committee on Agriculture is adjourned.

[Whereupon, at 12:45 p.m., the committee was adjourned.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF RICHARD MAGNUSSON

Mr. Chairman, fellow members, I welcome you to Minnesota. My name is Richard Magnusson, from Roseau, Minnesota, home of the Polaris Snowmobile. 13 miles from the Canadian border. I raise wheat, barley, corn, soybeans, sunflowers, canola, flax, dry beans, Kentucky bluegrass, perennial rye grass, Reed Canary grass and native grass seed.

The majority of the farmers I speak to are very supportive of the current farm bill. You don't hear grumblings about this program as we have heard about the programs in the past. The current farm bill offers a stable income source through the use of direct payments, offers us income protection through the counter-cyclical program, and provides us a market floor through the loan program. However, we have to realize that this program was put together in 2002 and the economics of farming have changed dramatically since that time. The increasing costs of energy have eroded the small margins of profit that farmers must live with. We don't enjoy the liberty of passing on these costs to the middlemen. The instability we see in the Middle East creates havoc in the oil markets which so much of our farm inputs are based upon. The price of fuel impacts us as we plant, harvest and transport our commodities to market. We have seen the price of fuel and fertilizer double since we last wrote the farm bill. I realize that we will be writing this new farm bill under difficult budgetary circumstances but a re-balancing of the formulas amongst the commodity program crops to reflect the higher costs of production should be taken into account.

I also believe we should add a bioenergy component to the farm bill. I recently re-read some parts of Thomas Friedman's book, "The World is Flat" and the one part of the book that I find interesting is the idea that our country needs to make alternative energy and conservation our next "moon shot". If our country put forth the same effort into making the United States energy independent as we did putting a man on the moon in the 1960's we could come a long way in solving our energy problem in ten years. What we need is leadership to bring all the forces to bear that got us to the moon in 1969. We need additional funding for science across the board to remain the world leaders in innovation and invention. Our leadership in technology over the past decades has come from the investments that government put into the sciences in the 1960's. That investment inspired computer technology and other innovations that led to the development of a new industry base in the United States. We now need leadership to inspire this generation into dreaming a way to be an energy independent nation in 10 years.

A case in point. Northwestern Minnesota produces the Kentucky bluegrass and Perennial ryegrass seed that you use to keep your lawns and golf courses green throughout the winter months. We also grow the seed that farmers sow to grow Switchgrass. However, the Switchgrass we produce today is not bred to fit the needs of the bioenergy concept. It does not produce enough tons per acre to economically be used as a fuel conversion source. We need to enhance the germplasm to bring forth new varieties that would produce enough tons per acre of biomass needed to make Switchgrass and other biomass a viable feedstock for energy conversion. I

would like to submit for the record a comprehensive Bio-based Renewable Energy and Industrial Systems plan put forth by the University of Minnesota, South Dakota, North Dakota and the Northwestern Grass Seed Growers that could be the start of the dream for energy independence.

Thank you, Mr. Chairman,

STATEMENT OF JERRY VAN ZEE

On behalf of the National Sorghum Producers, I would like to thank the House Committee on Agriculture for the opportunity to discuss the farm bill and its impact on the sorghum industry and my farm.

My name is Jerry Van Zee and I serve on the Delegate Body of the National Sorghum Producers (NSP). I farm with my father and my son, making it a three-generation operation. Sorghum is the best cash crop that is produced on our farm. South Dakota ranks fifth in sorghum acreage because of its fit as a water-sipping crop in the semi-arid region of my State. With less than 20 inches of moisture annually, it is a necessity for producers in my area to be good stewards of water. We also produce soybeans, alfalfa, sunflowers, wheat and corn. We also operate a feedyard where we feed the corn raised on our farm and we also have a stock cow-herd.

Ethanol production is the fastest growing value-added market for the sorghum industry. Producers are working to attract ethanol plants to their areas because it can increase the local cash price. Sorghum is a good fit for ethanol production because one bushel of sorghum produces the same amount of ethanol as one bushel of corn.

My written testimony will follow the titles of the farm bill. However, the sorghum industry is interested in the Energy title and ready for energy production opportunities that are available for agriculture industry. I ask that this Committee give serious consideration and discussion to this growing segment of the industry. While the commodity title remains the most significant title to most sorghum farmers, the energy title and energy legislation are drawing an increasing amount of attention.

NSP represents U.S. sorghum producers nationwide. Our organization is headquartered in Lubbock, Texas, and our major responsibilities are to increase the profitability of sorghum producers through market development, research, education, and legislative representation.

NSP is committed to work with the Committee and its staff as it works to reauthorize our nation's farm laws. The organization and industry is very supportive of the current farm bill. However, we believe that Congress can clarify rules so that USDA interpretation does not impact producers' ability to use sorghum in a profitable cropping system.

A Brief Description of Sorghum I would like to give you a brief history of sorghum and outline for you some of the unique opportunities that we have in sorghum. Sorghum originated in Africa and continues to be a staple in the diet of many Africans. Benjamin Franklin first introduced sorghum to the United States in 1725. In the 1850's, the U.S. government began introducing various forage varieties from China and Africa.

This versatile crop is used both in human food systems and, primarily in the United States, as an animal feed. It is currently a non-GMO crop though NSP supports work on moving new technologies into the crop. Industrially, sorghum, like corn, is valued for its starch content. A prime example of this is the ethanol industry, which can use both corn and sorghum interchangeably in ethanol production. Its co-product, distiller's grain, is a valuable and widely accepted feed for both cattle feeders and dairies.

Industry Overview

The U.S. grain Sorghum Belt is primarily made up of 9 States in the Great Plains, although grain sorghum is grown from California to New Jersey. Sorghum is produced in many of the states that you represent. This includes Oklahoma, Kansas, Nebraska, Mississippi, Missouri, Georgia, Texas, Louisiana, Arkansas, Colorado, South Dakota and California. Over the past ten years, grain sorghum has ranged from a high of 13.1 million acres in 1996 to a low of 6.2 million acres planted in 2006. Production from the last 10 years has ranged from 360 million bushels to 795 million bushels, with an approximate value of 1.1 billion dollars annually. In addition, sorghum utilized as silage, hay and grazing represents another 5 million acres of production. The USDA reported that in 2005, 311,000 acres of sorghum were harvested for silage, producing approximately 3.5 million tons of silage.

The U.S. is the world's chief producer and exporter of grain sorghum, and the crop ranks fifth in importance as a U.S. crop behind corn, cotton, soybeans and wheat. Roughly 45 percent of the crop is exported. Of the 55 percent of the crop that is

not exported, 36 percent goes into pork, poultry, and cattle feed; 15 percent goes into ethanol production; 3 percent goes into industrial use; and 1 percent goes into the food chain. In fact, sorghum's newest market is the exponentially growing ethanol industry. We saw a 57 percent increase in the last 2 years.

Worldwide, approximately half of total production of grain sorghum is consumed directly as human food. In addition, the U.S. dominates world seed production in sorghum with a billion dollar seed industry focused on 250,000 acres primarily in the Texas Panhandle.

Sorghum is a unique, drought tolerant crop that is a vital component in cropping rotations for many U.S. farmers.

Title 1—Commodity Programs We support a commodity title that is based upon direct, loan and counter-cyclical payments. If a WTO agreement requires a change to our farm programs, the direct payments and loan rates are most important to my farm safety net. Direct payments are significant since we would receive a payment if we had a crop failure. If WTO does require the scaling back of domestic support, we would ask that the Committee preserve the equitable relationships in farm program payments and payment rates for feed grains. In preparation for the reauthorizing of farm laws, there has been a lot of discussion about what a Green Box farm proposal would look like and how it would operate. This task has been more difficult than we anticipated since the program cannot be based on price or production. Because of that fact, we ask that any new programs that may be developed or discussed to replace the current Commodity title be thoroughly vetted with the agriculture industry after we fully understand any potential WTO agreement. If revenue assurance becomes part of serious policy debate, then it will be important for Members of the Agriculture Committee to understand that drought can impact the baseline period for certain regions like mine. Seventy percent of a zero yield is still zero revenue—no matter how high the price. This method of delivering farm benefits may not be “bankable” to many lenders.

Title II—Conservation Policy

NSP applauds the committee for giving serious consideration to the future of water supplies in the semi-arid regions of the Plains, a region highly dependent upon sorghum, by creating the Ground and Surface Water Conservation Program as part of the Environmental Quality Incentive Programs (EQIP). However, more can and must be done to conserve water in the country's semi-arid agricultural producing region. NSP leadership believes that water quantity issues will continue to grow in importance and urgency as non-agricultural uses compete with agricultural uses in the sorghum belt.

Water Use is Increasing. Sorghum is known as a “water-sipping” crop. According to research conducted at the USDA Agricultural Research Service facility in Bushland, Texas, sorghum uses approximately one-third less water than either corn or soybeans, and 15 percent less water than wheat. It is a crop that is adapted to semi-arid agricultural regions; that is, regions that may receive less than 20 inches of rain a year or in higher rainfall areas that have soils with poor water holding capabilities. Corn and soybeans, on the other hand, are primarily grown in areas that receive 30–40 inches of rain a year. Because of its excellent drought tolerance and varied uses, sorghum is a viable option for producers in the Plains states.

Demand for water is increasing in the semi-arid regions of the U.S., especially for non-agricultural uses. NSP is concerned that the demand for water for both agriculture and non-agriculture use could create a climate of tension that is not productive for either group. Since 1985, 5 million acres of high water-use crops have replaced sorghum acres throughout the country. A prime example of this is Western Kansas, which has had serious drought for the last 5 years. Yet, irrigated acres for high water-use crops continue to increase. As a result, since 1985, Western Kansas has lost 600,000 planted acres of irrigated sorghum. Sorghum producers in Kansas and in other sorghum states believe that this trend needs to be reversed. The following chart shows the decrease in sorghum acres and the increase in higher water-use crops (USDA, NASS 2003 data).

Increasing water demand for agricultural and non-agricultural use is also a global concern. According to the National Water Research Institute (NWRI), 25 percent of the world's population will be facing a severe water shortage by 2025. However, the NWRI says that 50 percent of the increase in demand for water by 2025 can be met by increasing the effectiveness of irrigation and by growing more water-use efficient crops like sorghum. This projection shows that appropriate crop selection and conservation efforts can save water.

Policy Changes. We have some particular concerns that we would like to share with the subcommittee in our efforts to strengthen Federal Government support for sorghum. Unfortunately, concentrating solely on improving irrigation technologies and increasing efficiencies does not necessarily translate into less water usage. NSP

supports conservation programs that encourage planting of appropriate crops based on decisions that are environmentally sustainable and market driven. Overall, NSP believes that Congress and USDA need to emphasize water quantity, as part of water management, in both current and future conservation programs.

How Much Water Can be Saved? A Regional Water Plan prepared for the Texas Panhandle Water Planning Group in Amarillo, Texas, has found that the water savings over 50 years for 524,243 acres spread over 21 counties in the Texas Panhandle would amount to 7,360,000 acre-feet of water if irrigated corn acreage were converted to irrigated sorghum. On average, that's 147,200 acre-feet saved per year. An acre-foot of water equals 325,850 gallons, roughly enough to supply two, four-person homes with water for a year. Theoretically, this 50-year water savings would amount to 147,200 acre-feet per year, enough to supply water to 294,400 four-person homes in a year. For reference, the city of Austin, Texas, has 276,842 housing units and a population of 642,994, according to the U.S. Census Bureau. On a broader geographic basis, the economic impact of converting irrigated corn and soybean acreage in the semi-arid regions to grain sorghum could be astounding. As you can see, encouraging the production of crops that are suited for a given area can save an enormous amount of water.

Current Water Situation. Currently, agriculture uses approximately 95 percent of the water drawn from the Ogallala Aquifer. Towns and cities within the region have aggressively educated citizens and in some cases implemented new laws that are forcing homeowners and businesses to conserve water. According to NRCS's National Water Management Center (NWMC), water use for irrigation has increased by 125 percent over the past fifty years. NWMC also found that some aquifers have been permanently damaged because the full recharge of depleted aquifers storage may not be possible where compaction and subsidence has occurred. The sorghum belt remains in a long-term drought, and the water table continues to drop as ground water supplies dwindle. NSP encourages NWMC to proactively consider long-range planning that focuses on ground water, because agricultural and non-agricultural users are critically dependent on water.

Because of these concerns, NSP encourages the subcommittee to promote conservation programs that save water. We have members that tell the organization that they find that they use more total water as they increase the efficiencies of their existing irrigation and add more new irrigation systems. NSP views this as contrary to the goals of a program like the Ground and Surface Water Conservation Program, and contrary to the best interests of producers. We believe that the best way to conserve water is to lower the amount of water used within an agricultural system, not to just improve irrigation delivery technologies.

Improving Current Programs. NSP has encouraged USDA to develop a Ground and Surface Water Conservation Program that includes support for cost share-funds to significantly increase water conservation. NSP believes that EQIP and other conservation programs should be playing an integral part of a system-wide approach that encourages and rewards lower water consumption. For example, the program could encourage producers to change from an irrigated high water use crop that on average uses 30 inches of irrigated water from a center-pivot watering 125 acres, to dry-land sorghum. This would save 3750 acre-inches of water a growing season. An incentive equal to the difference between irrigated land rental rates and dry-land rental rates could entice farmers to make the conversion and help save water.

NSP members are concerned that concentrating solely on the use of efficient irrigation technologies may actually lead to an increase in overall water use. NSP leadership believes that the main priority of conservation programs should be to provide incentives to farmers to recharge ground water by lowering water use. With that in mind, another significant water saving conversion would be the production of less water intensive crops on irrigated land. Using our center-pivot irrigation example previously mentioned, switching from a high use water crop to a water sipping crop saves over 912 acre inches of water a growing season. NSP members believe that an incentive to compensate farmers for changing to a less water intensive crop would result in significant water conservation. NSP urges NRCS to work with the local office and State committees to accurately determine the appropriate payment rate for different regions of the U.S.

Title IX—Energy. Sorghum can, and does, play an important role as a feedstock in the renewable fuels industry. The sorghum industry fully supports the President's call to replace 75 percent of our imported petroleum products with domestic energy sources, like ethanol, by 2025. The sorghum industry believes that the Federal Government should provide significant research resources, as stated by the President, to the development of cutting-edge methodology for producing renewable biofuels. These technologies must be both economically competitive and feasible in order to meet the stated goal of reducing our "addiction" to fossil fuel by 2025.

The sorghum industry encourages the Agriculture Committees of both the House and Senate to present bold energy concepts and ideas when it re-authorizes the Energy title of our nation's farm laws. We believe that the starched-based ethanol industry will play an important role in the renewable fuels industry, even after the cellulosic or biomass technology is perfected.

Background on Sorghum in the Ethanol Industry. Currently, 15 percent of the grain sorghum crop is used by the ethanol industry to make ethanol, and the number is growing each year. That production provides a source of ethanol and jobs outside of the traditional Corn Belt. Ethanol processing plants routinely mix corn and sorghum together in the production of ethanol. Expanding ethanol production outside of the traditional Corn Belt is a priority for the sorghum industry. Sorghum producers are working to expand their role in the renewable fuels industry.

Biofuels production in the United States has been fairly limited to the use of grain for production of ethanol. Research efforts within the United States have focused on improving efficiencies of the use of grains through optimization of enzyme technologies and feedstock improvements. The USDA and the Department of Energy have been investigating the use of biomass for production of biofuels. That research should translate into any crop that produces high biomass yields.

Sorghum has a unique role in bioenergy since it can and does fit into all three schemes for production of biofuels: grain, sugar-based, and biomass feed stocks. Hybrid grain sorghum is routinely used as a grain feedstock in the U.S., sweet sorghum is used widely as a sugar feedstock in India and China, and the potential to produce high tonnage biomass from sorghum silages is well documented in our forage industry in the U.S.

Starch to Ethanol Production. In the U.S., almost all of the current ethanol production is based on starch conversion, using primarily corn and sorghum grain, to produce ethanol. To the ethanol production process, starch is starch; it does not matter if the starch comes from corn or sorghum. Both starch sources yield identical amounts of ethanol from a bushel, and the distiller's grain has almost identical nutritional value when it is fed to livestock.

Sweet Sorghum Conversion to Ethanol. Most Americans know of sweet sorghum as the type that is used to make syrup or molasses. In addition, it is also used worldwide in the production of ethanol. India and China are producing ethanol from sweet sorghum. DOE is currently supporting a sweet sorghum pilot study in Florida to explore the potential of sweet sorghums as a feedstock for ethanol production.

Under current systems, the sweet sorghum is harvested, and then the stems are crushed and juice extracted at a mill. Some harvesters, though not economically viable at this time, are being developed to extract the juice in one operation and leave the residue in the field to be gathered at a later time. Once the juice is extracted, it is fermented and ethanol is produced. This ethanol is then distilled and dehydrated using the same equipment that is being used in ethanol production from starch sources.

Forage Sorghum's Role in Biomass. Forage sorghums can play a significant role in both cellulosic and lignocellulosic technologies that produce ethanol from biomass. Biomass production is based on utilizing the whole plant (or other organic waste) by breaking down most of the plant's major biological components to produce ethanol. In most cases, tons per acre of convertible biomass would drive the feedstock equation in the conversion to ethanol.

The Federal Government has been conducting research on the role of switchgrass in biomass production. Switchgrass and sorghum are both from the family Poaceae and probably diverged from each other sometime before the divergence between sorghum and corn. Switchgrass is a perennial plant that can spread by both seed and rhizomes. Though sorghum is thought to be primarily an annual plant, there are related species that are also rhizomatous and perennial. Both plants have open panicles and can be tall and very leafy. Forage sorghums excel in water use efficiency.

You have a big challenge on your hands rewriting our Nation's farm laws and I expect that farm policy in the next five years will look significantly different than it does today because of a potential WTO agreement, efforts to cut the deficient and increased interest in the energy title of the farm bill. My industry looks forward to working with you during these efforts. Again, thank you for your interest in sorghum.

STATEMENT OF RON DURST

I appreciate the committee's invitation for me to come here today and present my views on dairy in regard to the 2007 farm bill. My name is Ron Durst and I'm a

dairy producer from Mantorville, Minnesota, and a member of the Associated Milk Producers Inc. (AMPI) Board of Directors, representing more than 4,000 member-owners.

My brothers Allen, Ken and I represent the third generation of Dursts to milk cows and till the land in Dodge County, located in southeast Minnesota. Through a three-way partnership we operate a 1,500-cow dairy and 2,800 acres of crop land, producing corn, alfalfa and canning crops.

Our dairy has grown significantly in the past 10 years. Growing with us is AMPI, the cooperative in which my family has been a stakeholder since 1978. With five manufacturing plants in Minnesota and a total of 13 across the Midwest, dairy farm families such as mine have made a long-term investment in our cooperative and the infrastructure of this industry.

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

But as members of this Committee, you understand the challenges faced by Upper Midwest dairy producers who want to maintain and build this industry's infrastructure. There are fewer cows, fewer dairy producers and fewer manufacturing plants. That's a big deal in a region that's historically been the heart of the dairy industry.

Dairy is a critical industry here and we must reverse an overall negative trend. Though it's a complex challenge, sound dairy policies are a first step. Today I'm going to share two policies that will encourage producers to invest in their farms and dairy cooperatives.

Let's begin with a policy that encourages producers to invest in their farms- establishing a strong dairy price safety net. Establishing that safety net is, in fact, AMPI's top dairy policy priority for the 2007 farm bill. Let me share four ways to strengthen the existing program.

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

Second, we must make the support price system work as Congress intended. The USDA's Commodity Credit Corporation (CCC) must increase the milk price equivalent it is paying to remove dairy products from the open market. Because of increased manufacturing costs, the current manufacturing make allowance in the support program yields about \$1 dollar less than Congress intended when enacting the support program. The USDA is not supporting us at \$9.90.

Third, we must provide a countercyclical payment. The dairy price support program alone is inadequate. AMPI and the Midwest Dairy Coalition believe a payment such as the Milk Income Loss Contract (MILC) must be coupled with the dairy price support program to strengthen the safety net. Producer eligibility, payment limitations and production caps under this program, however, should be reexamined. The MILC guidelines should be similar to those developed for the grain programs. For example, under the grain program my brothers and I are considered to be three separate entities. Under the dairy program, we're one. This penalizes us for working together as a family unit.

Finally, we must manage imported dairy products to make price supports effective. Products such as butter, cheese and milk powder have been subject to tariffs for as long as we've had price supports. The problem is dairy proteins, which are entering the United States through trade loopholes, are displacing domestically produced milk. AMPI has worked closely with the Midwest Dairy Coalition and the National Milk Producers Federation to close these loopholes through legislative action. The CCC should not be buying the world's milk surplus under our dairy price support system.

As you consider the four points, know that I and other dairy producers like me are willing to walk the economic tightrope this profession demands. We simply cannot operate without a safety net.

As an Upper Midwest dairy producer I do not expect special treatment, just fair treatment. If we're going to compete on our farms and in the marketplace, dairy producers from all parts of the country must walk the same tightrope. Right now we're not.

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

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

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

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

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

As a dairy farmer and cooperative member, the points I've raised today are tightly intertwined. Both involve asking the USDA to update manufacturing make allowances that will make the dairy price support program and Federal order system more realistic and effective. I hope this hearing will be a significant step in engaging policy makers and industry stakeholders in a discussion focused on these important issues.

Our dairy legacy should include crafting policies that enable the Midwest dairy infrastructure to grow, to allow a fourth generation of Dursts to operate a dairy in Dodge County if they so choose. The challenge will be transforming our words into ideas and action.

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

STATEMENT OF ROBERT RYNNING

Hello. My name is Robert Rynning. I farm with my brother Tim in northwestern Minnesota near the towns of Hallock and Kennedy—20 miles from the Canadian border. We raise wheat, barley, soybeans, and canola.

I would like to thank the committee and the chairman for inviting me here today to give my input.

The first thing I would like to address is the question of what are the affects of the current farm program. I believe that the basic structure of the existing bill is sound and that the 2002 farm bill is a good bill, but it is not able to do all it was supposed to do. The bill was not balanced between the various crops as well as it could have been. Some crops were treated better than others in their payment rates, or support levels.

Farmers are still at a huge financial risk if they have production shortfalls. The farm bill and crop insurance programs combined do not have the ability to save many farmers from weather related catastrophes. In 2005 my region suffered excessive rains that caused extensive flooding and crop loss. Much of the land was too wet to plant and the land that was planted did not produce very much. Even with government payments, crop insurance, and some crop to sell, my brother and I lost \$238,000.00 off our working capital because of crop production losses. This is one reason our region is in dire need of a crop loss disaster program for the 2005 crop year. The need for the same type of disaster program seems to be raising its head across the country for the 2006 crop year. It looks to me as though some consideration should be given to inserting a permanent crop loss disaster program as part of the next farm bill.

The discussion over the direction of our next farm bill should be quite interesting. I believe an extension of the existing bill, or a slightly modified version of it, may be the most workable in the short term. Changes dictated by a possible conclusion to WTO negotiations would best be addressed once we know all the details of an agreement. Preempting an agreement with unilateral changes to our farm program may not be a good idea. Another possibility is that the entire Doha Round fails and we would then have the existing WTO rules to contend with. When the whole WTO issue has been sorted out then the Green Box verses other payment methods may be discussed with much more clarity.

Because one of the biggest factors affecting the northwest region of Minnesota has been the disastrous weather cycle, I feel the need to return to the issue of a crop

loss disaster program. The income received from the Federal farm program is important to most farmers, but you also must produce a crop. During the last 15 years Northwestern Minnesota has suffered through a cycle of weather extremes...too wet, too cold, too hot, too dry. Crop insurance can not carry many farmers through the bad stretches any more. Our farm had survived for almost eighty years without crop insurance. Even through the dirty thirties and other weather related problems, our family was able to make it by self-insuring their crops. But our great-grandfather, grandfather, and father, all seemed to have had their more prosperous times to build a financial buffer. Our great grandfather farmed through the agricultural boom days during WWI. Our grandfather saw very good prices after WWII, like receiving \$2.55 a bushel for barley in 1948, or \$5.70 a bushel for flax in 1949. Many of the veterans returning from WW II paid for their entire farm with the profits from that flax crop. Even our father had a very good stretch of prices for wheat from 1973 to 1975. When you adjust for the value of the dollar our prices received today are not even close to where they were then. Even the old magical \$5.00 per bushel mark for wheat starts to lose its shine with today's input costs.

My brother and I started carrying crop insurance in 1988 and we have carried it ever since. We have a much tighter margin than our forefathers experienced and when we have to bare multiple years of crop loss we do not have the same buffer of equity to fall back on. Not only has crop insurance become vitally important, but our area has experienced so many years of losses that our coverage has eroded to the point that crop insurance indemnities alone, without a disaster program, can not cash flow our farm. That is why we have such a need for a 2005 crop year disaster program and why I feel that a permanent crop loss program as part of the farm bill would be a good idea.

As you can see from my comments I am very concerned over the lack of a crop loss disaster bill up to this time. I am still interested in what form the next farm bill may take but many farmers in my county and neighboring counties may not be farming through the 2007 crop year, so they may have more immediate concerns.

I would once again like to thank the chairman and members of the committee for allowing me to testify here today.

STATEMENT OF RODNEY WENSTROM

I'm Rodney Wenstrom, a dairy farmer from Fergus Falls, Minnesota. My wife Sandra and I operate a 55-cow dairy and farm 550 acres producing 581,769 pounds of milk over the most recent 12 months. We have been in the dairy business for 36 years. I serve on the corporate board of directors for Dairy Farmers of America, Inc. (DFA), a national milk-marketing cooperative based in Kansas City, Mo. with dairy farmer member owners in 48 states. As a Director, I sit on DFA's Government, Member and Public Relations Committee. I also represent my local area on DFA's Central Area Council.

I represent my fellow local dairymen on various State and regional organizations by serving on the boards of the Minnesota Valley Breeders Association, the Underwood Cooperative Creamery, and the Fergus Falls Farmers Elevator. I also serve as a member of the Dairy Herd Improvement Association, the Fergus Falls School Agricultural Advisory Committee, the Minnesota Select Sires Cooperative, the West Otter Tail Soil and Water Board, and the Otter Tail County Agricultural Advisory Task Force.

I appreciate the opportunity to testify at this hearing today.

While organizations that I serve have not officially established positions for all of the 2007 farm bill issues, I would like to share my thoughts on some of the major themes that will define the dairy sections of the bill.

Before I speak to those issues I would like to thank Chairman Goodlatte and Ranking Member Peterson for their help to all DFA dairy farmer member owners in the passage of S. 2120—the producer handler legislation. We worked on this issue for more than three years and it would not have been passed without your support.

(1) DFA members are participating with all the other members of the National Milk Producers Federation's Dairy Producer Conclaves to develop a consensus position on farm bill issues. We will keep you and your staffs informed of our efforts and seek your counsel on issues as we discuss them.

(2) Because we do not think there will be radical shifts in policy direction as a result of the 2007 farm bill we support the view that an extension of the current farm bill which will work well for most of the nations dairy farm families.

(3) We feel the next farm bill should maintain some form of an economic safety net for dairy farmers. Safety nets prevent prices from falling so low that businesses become unviable. Because dairy products are such an excellent source of nutrition

for our nation and due to the high fixed cost of becoming a dairy farmer and the fact that milk production assets have limited use in any other agriculture enterprises, past Congresses have maintained safety net provisions for the dairy industry. We hope this Congress will continue these policies.

The most important safety net provision we have is the dairy price support program. We favor continued operation of the dairy price support program at a targeted \$9.90 U.S. average manufactured milk price. We would oppose granting the Secretary of Agriculture any discretion, which would reorient its intended purpose away from supporting income to farmers just to result in minimizing government costs—and we may need Congress to instruct the Secretary of Agriculture of this fact in some official manner. Under President Bush's proposed Ag budget the Secretary of Agriculture would be allowed to adjust buying prices for products made from milk (cheese, butter, and nonfat dry milk) so as to reduce the cost to the CCC for products purchased. This could allow for a reduction in targeted support price from that \$9.90 as specified in present legislation.

Additionally, I would request that the Commodity Credit Corporation (CCC) take action and adjust the support program purchase price levels for cheese, butter and nonfat dry milk to reflect the significant additional costs manufacturers face when selling products to the CCC. The current CCC purchase prices for dairy products do not reflect any costs beyond those incurred for commercial sales. As a result, market prices for individual products have, from time to time, fallen below support levels, allowing the price of milk used to produce them to fall below the statutory support level for milk of \$9.90 per hundredweight at average test. NMPF has provided information to CCC but thus far CCC has been unwilling to take action. The result is that manufacturers will sell to buyers other than CCC at prices below the support level in order to gain a higher value than the support purchase price and the support price targets are not maintained.

Right now CCC is buying some NFDM—doing what safety nets are supposed to do. The last time milk prices fell to safety net levels was in 2002 when the average class III price for the year was \$9.74 (below the safety net price of \$9.80 for milk of 3.5 percent butterfat test). The 10-year average class III price is \$12.62. Because the price support program is in place and working we hope to avoid a price crash like in 2002—but if it wasn't around and prices did fall to that level the Wenstrom farm would face a loss in income of \$15,824 on an the most recent years production. That would be hard for our business to withstand. We are very interested in stable policies that help to keep reasonable prices and a safety net that maintains some level of viability for a dairy farm family.

The second safety net provision is the Milk Income Loss Compensation (MILC) program, which DFA supports as long as there are no caps limiting access to the benefits. While my farm is not directly impacted by the payment limitations it does affect many members of DFA. Like the price support program I view the MILC program as a valuable safety net for producers pay prices. The MILC program should be extended to match the term of the 2002 farm bill to insure its continued existence. Its key benefit is that it puts cash in the hands of farmers at the very point it is needed most—the lowest point of the price cycle.

In general the guidelines for a safety net program should be that the program:

- not discriminate between farmers of differing sizes;
- not discriminate between farmers in different regions of the country;
- not be high enough to encourage additional milk production.

The government's safety net policy should only operate at a point where a collapse of producer prices could force too many producers out of business and our nations milk-producing infrastructure would be damaged.

(4) We support continuation of the Federal Milk Marketing Order program. Marketing Orders are important to us as they undergird all of our marketing and pricing efforts all over the country. Orders assure dairy farmers a minimum price, assure that all competing milk buyers pay the same minimum price, assure that all dairy farmers share equitably in the returns of the marketplace and assure that the terms of trade are uniform throughout the Order's marketing area. These objectives remain very important ones in the dairy marketplace. Moreover, despite the claims that they are outdated and not relevant, the primary reasons for the institution of milk orders still exist: There are many more buyers than sellers and the average sized milk buyer is much larger than all but the very largest dairy farms. Milk production is still very seasonal. Milk demand has a weekly and seasonal purchase pattern that requires substantial costs to balance producer supplies with buyer demand. Individual dairymen, and even large groups of dairy farmers, continue to need the stability of Orders to deal with these marketing challenges.

We are, however, becoming very frustrated in our attempts to get the Order system to recognize local issues—such as in our case the problems caused by de-pool-

ing. De-pooling results in farms in the same area getting widely different pay prices in the same month for no valid economic reason. It is just the difference in various buyers' ability to utilize loopholes in the Order regulations.

In addition to making producers upset about the different pay prices depooling and negative PPD's really mess up a producers ability to hedge his milk price. Several DFA members testified about this at the Hearing and again USDA recognized the problem. I personally have used contracts to try to stabilize my milk price and so have my neighbors. Several people I know have existing contracts out into 2007. The next time we get in this situation—if we don't get a decision, there will be people asking questions and again being upset and concerned.

This should be fixed and we have asked USDA to do so in a Hearing. They agreed, saying so in a Recommended Decision issued on February 22, 2006- but we still do not have a Final Decision.

We seem unable to get the USDA staff to realize the problems this causes and need them to be more responsive. If USDA fails to help dairy farmers in this dilemma we may need legislation to address this issue.

Also, while we too are frustrated with the slow pace of change thru Federal Order hearings, we are hopeful that reforms underway initiated by USDA will speed up the hearing process and make it easier to get a Decision.

5) A majority, but unfortunately not all of the nations dairy farmers, have funded and are operating a self-help program—Cooperatives Working Together (CWT). Dairy farmers voluntarily pay 10 cents per hundredweight on all milk produced in order to structure the size of the nations dairy-cow herd and more closely tailor milk supply to demand. Additionally, the program works to assist exports of dairy products in an attempt to market and promote domestically produced dairy products to the world.

However, the CWT program is not intended to replace Federal farm programs and can never do so because there will always be those who choose to take advantage of the programs benefits but never pay their share. Even after 2 years of successful implementation there are still over 25 percent of the country's dairy farms that choose not to pay in. In spite of our success we still need Congress's help in providing policy support to our industry.

(6) Dairy Farmers also see policies outside of the farm bill impacting their future such as:

Environmental Policies. Many of my neighbors apply for and receive funding through the EQIP programs to offset the cost for these environmental management practices. Without the cost sharing mechanism it would be difficult to fund some of the necessary and recommended practices.

There are two matters of local interest that I'd like to bring to your attention. Our area is a heavy livestock farming community. As such alfalfa hay is a key commodity and widely grown. However, the farm programs do not provide for any support payment calculations based on alfalfa production. So a primary use of cropland that could meet the program goals is excluded from any consideration.

Also my county, Otter Tail, is a large and diverse crop area with widely different soil types, which support many different farming enterprises. But, the various CRP payment programs are calculated based on only a single soil type and thus a very limited harvest outcome, not reflective of the agricultural diversity. Crops grown on heavy soil types result in greater returns and are priced out of the programs while those grown on lighter soils results in payments that are overly generous. With today's mapping technology it would seem easily possible to refine the program to match up exactly with soil type and customize programs to better meet program goals and individual farm needs.

Increasing the funding for the Environmental Quality Incentives Program (EQIP) in the 2002 farm bill was very significant, but if the legislation is to meet its goals and encourage more farmers to apply for and use the funds as intended, the program requirements must be more tailored to local conditions instead of a one-size-fits-all method.

I urge you to join the more than 170 House members cosponsoring H.R. 4341 as part of a bipartisan effort to clarify that animal manure is not a hazardous waste under the Superfund law or its counterpart, the Community Right-to-Know Act. Congress should clarify that it never intended to jeopardize American agriculture by imposing strict, joint, several, and retroactive CERCLA liability on farmers for their traditional farming practices, including the use of manure as a beneficial fertilizer.

My family has always taken our responsibility to protect the environment very seriously. Dairy farmers and other agricultural producers for years have been regulated and required to have permits under the Clean Water Act, Clean Air Act and numerous State laws and regulations—but never under the Superfund Law. It is es-

sential that Congress protect farmers and businesses that depend on agriculture from this potential threat to their livelihoods.

Workable Immigration Laws. I support the AGJobs Provisions contained in the Senate version of the Immigration Reform and I ask your support for passage of legislation that contains such language.

Estate Tax issues. Ways & Means Chairman Thomas (R-CA) has proposed a compromise on the estate tax issue. He proposes to set several levels of taxes on estates. Estates of \$5 million (singles)—\$10 million (couples) would be exempt from taxation indefinitely. Tax on estates of \$10 million to \$25 million would be taxed at the capital gains rate (15 percent currently & rising to 20 percent in 2011). Estates worth more than \$25 million would be taxed at twice the capital gains rate. This proposal appears to be very good for dairy farmers and I would encourage your support.

Another reason we support extending the current farm bill is so that we can have a more clear view of the Doha Round of the WTO trade talks. We can see no reason to change our programs until we know what the world trade rules will be and more importantly perhaps who will play by them.

We support multilateral trade talks that level the playing field of dairy export subsidies, tariff protections, and domestic support programs.

We can't support a final agreement unless it represents a net increase in our ability to compete against our more heavily subsidized and protected competitors in the EU, Canada and Japan, as well as more balanced trading opportunities with key developing countries.

We support the continuation of the dairy price support program with or without a successful Doha Round. We strongly disagree with those who claim that the price support program must be phased out or eliminated upon completion of the Doha Round.

We support additional legislation to make the import assessment for dairy promotion (15 cent check-off) WTO-compliant by extending it to dairy producers in Alaska, Hawaii, District of Columbia and Puerto Rico.

(8) We support the Dairy Export Incentive Program (DEIP) and the requirement that the Secretary of Agriculture be directed to see that the allowable amounts of cheese, butter and nonfat dry milk be afforded export assistance equal to what we are allowed under the current WTO agreement. Currently no government export assistance is being offered, even though, by law, the Secretary is directed to do so, and by agreement we are allowed to do so under the WTO agreement.

In closing, Chairman Goodlatte, I want to thank the House Committee on Agriculture for having this series of field hearings. We know we can't explain all of our concerns here in detail but want to make you aware of them so that when we do provide you with additional details you will better understand our concerns. I will be happy to answer any questions, or provide any additional information that you might want.

STATEMENT OF PAUL SOBOCINSKI

Good morning Mr. Chairman and Members of the U.S. House Agriculture Committee. Thank you for the opportunity to testify on the 2007 farm bill. My name is Paul Sobocinski. I operate a diversified crop and livestock farm with my family here in southwestern Minnesota. I am currently raising hogs for Niman Ranch using a deep straw system for farrowing and finishing hogs. Our market hogs are raised naturally without antibiotics. In addition to hogs, I am just starting to convert more of my farmland to a rotational grazing system for both hogs and beef heifers. In addition to farming, I also work part time for the Land Stewardship Project on State and Federal policy. The Land Stewardship Project is a farm and rural organization that works to promote sustainable agriculture.

Today, in my testimony on behalf of the Land Stewardship Project, I would like to emphasize three key areas that the next farm bill needs to include and address. They are (1) Commodity Reform, (2) Further Development and Expanding of the Conservation Security Program and (3) Support for a New Farm Initiative.

Commodity Reform. The current commodity title is broken. We need significant reform and a commodity program that costs less, works better for farmers and decreases the amount of environmental degradation happening on the landscapes of rural America. In addition and maybe most importantly, current commodity provisions in the farm bill end up being a big subsidy for Cargill, Smithfield, and other large scale corporate livestock operations and end users of grain who thrive and prefer a cheap grain policy. Instead of Christensen Farms Inc. paying the full cost of their feed bill, they have the American taxpayer paying a substantial chunk.

CSP. The Conservation Security Program (CSP) needs to be further developed and expanded. CSP is the bridge to the nation's taxpayers. Citizens support the idea of rewarding farmers for increasing their stewardship and enhancing our nation's landscape for our children's future. We cannot afford to keep generating the unsustainable soil loss and severe water quality problems caused by destructive agriculture production practices that are driven by current farm policy.

- CSP must be adequately funded. For CSP to make a difference for family farmers and the land, Congress must fund it at least \$1–2 billion per year in the 2007 farm bill. Because of the lack of funding many farmers who signed-up and qualified for CSP were unable to get contracts and participate in the popular program. In 2006 for example, of the 8,570 applications for CSP only 4,404 producers received contracts. When the 2002 farm bill was completed and before the ink was dry, the deal that was done to address the concerns of the total agriculture and environmental community was broken by Congress continually lifting the dollars out of CSP for every supplemental appropriations bill since 2002. By strengthening CSP in the next farm bill, we can build a bridge with the public to support conservation on working farmland.

- Continuous sign-up, or at least an annual sign-up, is crucial to encourage producers to achieve conservation outcomes. Right now, if a farmer cannot meet CSP qualifying criteria in one year, they will have to wait a decade or more to even have the opportunity to sign up again. This misses the opportunity to achieve conservation outcomes by getting producers up to the level where they then can excel in CSP. With continuous or annual sign-up, many could take action to meet the qualifying criteria and get in the program within a year. Coupled with nationwide enrollment, continuous sign-up will mean CSP can produce tremendous conservation outcomes all across the country.

- CSP must remain in title II and under the direction of the Natural Resource Conservation Service, the USDA's conservation professionals. Attempts to change CSP into a version of a "green payments" component of the commodity title is a political non-starter and would put CSP under the control of agencies and interests whose expertise is not conservation but commodity crop production.

- Sustainable and/or organic farming practices need to be better recognized in CSP. The Soil Condition Index, a tool in CSP for measuring soil trends, needs to be supplemented with the Soil Management Assessment Framework or Soil Quality Index, which are more accurate measurements of soil trends and quality. In its current form CSP does not sufficiently recognize some important sustainable farming practices such as:

- Resource-conserving crop rotations and organic farming systems.
- Limited or reduced pesticide use, including recognition of farming operations that use no pesticides.
- Forage crops in a rotation, which is important in protecting water quality.

New Farm Initiative The New Farm Initiative is a package of policies to support new types of farms including farmers growing food for local communities and regional markets and beginning farmers and ranchers starting on the land. It is a major, cross-cutting initiative that addresses in a comprehensive fashion the needs of beginning farmers and ranchers as well as farmers re-beginning their operations to meet the increased demand by consumers for safe healthful locally grown food.

For new farmers, barriers to entry include difficulty finding viable farming opportunities, ineffective entry strategies, over reliance on debt financing, inability to acquire initial capital investment, difficulty obtaining credit and insurance for non-traditional farming enterprises and approaches to farming, shortage of farm mentoring opportunities and lack of access to good training in management, marketing and communication skills necessary for success in new and value-added marketing opportunities.

The next farm bill needs to have a special emphasis on support for beginning and new farmers. The face of American agriculture is changing, and its future depends on the ability of new family farmers and ranchers to enter agriculture. Providing opportunities for beginning farmers and ranchers, including minority or new immigrant farmers, is also important for rural communities as well as the viability of our nation's rural businesses, schools and other community institutions. Policy options include:

1. Enhancing and providing significant mandatory farm bill funding for the Beginning Farmer and Rancher Development Program. The Beginning Farmer and Rancher Development Program (BFRDP), authorized in section 7405 of the 2002 farm bill, is the first USDA program other than farm credit/debt financing programs targeted specifically to beginning farmers and ranchers. To be administered by USDA's Cooperative State Education and Extension Service (CSREES), this competitive grants program will fund education, extension, outreach and technical as-

sistance initiatives directed at new farming opportunities. The BFRDP is targeted especially for collaborative local, state, and regionally based networks and partnerships to support financial and entrepreneurial training, mentoring and apprenticeship programs, “land link” programs, innovative farm transfer and transition practices, and education and outreach activities to assist beginning farmers and ranchers. Such networks and partnerships may include cooperative extension, community-based, non-governmental organizations, relevant USDA and State agencies, universities, community colleges and other appropriate partners. Not less than 25 percent of funds appropriated for this program are targeted to limited resource and socially disadvantaged beginning farmers and ranchers and to farm workers seeking to become farmers or ranchers. There is a 25 percent cash or in-kind matching requirement. Grant terms may not exceed three years. The program also establishes education teams, made up of representatives of colleges and universities, cooperative extension, non-governmental organizations, and agencies, whose task is to develop curriculum and educational modules geared to different regions and farming systems for use in a variety of educational settings and available online from USDA. The curriculum and educational modules could include segments on new markets, new crops, and value-adding enterprises.

As part of the 2007 farm bill’s New Farm Initiative, the Beginning Farmer and Rancher Development Program should be reauthorized and granted at least \$20 million a year in annual mandatory farm bill funding. Funding for the curriculum development teams should be capped at no greater than 20 percent of the total funding. Language should be added to ensure regional balance in the allocation of funding. Priority should be given to partnerships and collaborations that include non-governmental and community-based organizations with expertise in new farmer training and outreach. Refugee and immigrant farmers should be specifically included in the list of groups eligible for the 25 percent funding set-aside. A new section on grant evaluation criteria should be added and should include a focus on relevancy, technical merit, expertise and track record of the principal partners, participatory evaluation, outcome-based reporting, and plans for communicating findings and results beyond the immediate target audience.

Land Stewardship Project Farm BeginningsT Land Stewardship Project’s Farm Beginnings T is one example of how the BFRDP could succeed. The Land Stewardship Project’s Farm BeginningsT course, a 10-month course in which participants learn goal setting, financial planning, business plan creation, alternative marketing, and low-cost sustainable farming techniques, gives LSP a unique position to understand and contribute to policy options that will be of real assistance to beginning farmers and ranchers. The course enlists established farmers and other professionals such as lenders and agricultural business instructors to present at the seminars, providing a strong foundation of community resources, networks and contacts for those interested in farming. Farm BeginningsT also moves onto the land itself where participants take part in on-farm field days.

During the first eight years of the Farm BeginningsT program, over 220 people have completed the course and 60 percent of those graduates are farming. In addition to the education and training, the Land Stewardship Project has initiated a Livestock Loan program through a grant from Heifer International. This program has helped 18 families build equity with dairy and beef cattle and other livestock. Farm BeginningsT is in demand in other states, with pilot programs now taking place in Illinois, Missouri, and Nebraska.

2. Access to credit and land. One of the greatest struggles beginning farmers and ranchers with limited resources face is difficulty obtaining credit and land for new or innovative farming approaches. Changing current USDA programs and looking at new ideas in the upcoming 2007 farm bill to strengthen beginning farmer and ranchers ability to access credit and land include, but are not limited to the following:

a. Develop tax incentives that encourage sellers and renters of land to connect with beginning farmers and ranchers. Some states in the Midwest are implementing similar tax incentive concepts. At the Federal level one solution that could contribute to State efforts would be to remove the prohibition on loan guarantees being used in conjunction with some State beginning farmer “aggie” bonds. This would make interest income tax exempt if earned on loans or contract land sales to beginning farmers and ranchers, providing an incentive to lend and sell land to beginning farmers. Attention also needs to be paid to options that can help beginning farmers and ranchers deal with encroaching development pressures.

b. Establish an Individual Development Account Program (IDA) modeled after California FarmLink. The 2007 farm bill should institute a broader rural entrepreneurship IDA program that includes funding targeted to the special needs of beginning farmers and ranchers by creating a matched savings account designed to assist

those of modest means in establishing a pattern of saving. The savings could be used by beginning farmers and ranchers to invest in their operations and operating capital.

c. Expand the Land Contract Guarantees established in the Beginning Farmer Land Contract pilot program, which allowed USDA to provide loan guarantees to sellers who self-financed sale of land to beginning farmers and ranchers. Currently the program is operating in PA, WI, IA, IN, ND, MN, NE and CA. This program should be made permanent and applied nationwide; d.Reform the Down Payment Loan Program, which has been successful in the past. One reform would be to fix the interest rate provision to allow beginning farmers and ranchers to receive loans set under the FSA floating rate at a fixed percentage of 4 percent less.

3. Prioritizing Conservation Incentives. The conservation title of the 2002 farm bill authorized the Secretary of Agriculture to provide incentives to beginning farmers and ranchers and limited resource producers to participate in Federal agriculture conservation programs. The last farm bill established a 15 percent cost-share differential for beginning farmers, and this type of support should be continued. Special attention should also be given to retiring and to beginning farmer land transfers through land exiting the Conservation Reserve Program.

4. Enact policy options to optimize the growth and development of local and regional food systems. One priority is to strengthen and promote the Farmers Market Promotion Program (FMPP). This includes increasing the funding for FMPP in the 2007 farm bill to at least \$20 million per year. The FMPP is meant to contribute to direct marketing initiatives to help farmers and ranchers secure a larger share of the consumer food dollar and provide an economic boost to communities. The program can be accessed by farmers, co-ops, farmers' market authorities, local governments and non-profits to explore and establish direct marketing opportunities. Another priority is to fully fund and implement the Farm to Cafeteria Program with \$20 million per year. The Farm to Cafeteria Program links farms and schools to bring locally grown food into school meal programs. Across the country these projects include salad bars filled with goods from farmers' markets, seasonal items incorporated into lunch menus, school gardens teaching children how to raise healthy food, and other positive nutrition education. Passage of a strong Farm to Cafeteria program will help school systems overcome barriers to serving fresh, locally-produced foods in school lunch programs and provide a good market for farmers growing food for local communities.

In conclusion, I would like to thank the United States House Agriculture Committee for the opportunity to testify. These issues are critically important to family farmers, rural America, the environment and our food system. Sustainable agriculture organizations including the Land Stewardship Project look forward to working with members of Congress on the upcoming 2007 farm bill. If you have additional questions, please feel free to contact me.

STATEMENT OF RON OBERMOLLER

Mr. Chairman, Ranking Member Peterson, members of the committee, thank you for holding this important hearing.

My name is Ron Obermoller and along with my wife, Karen, we own and operate a corn and soybean farm and hog finishing operation near Brewster, Minnesota.

Corn is the largest cash commodity in our state, with cash receipts of around \$2.1 billion per year. And Minnesota ranks 4th in the Nation in total corn production.

Meanwhile, production agriculture, in general, represents about one quarter of Minnesota's economy. Our State ranks sixth in overall cash receipts from agriculture, while ranking in the top 10 in production of nearly every commodity that can be produced in our climate.

Minnesota has paved the way in renewable fuels, too, with the nation's first 10 percent ethanol requirement, which is now on its way to becoming the first 20 percent requirement. We have 16 ethanol plants producing more than a half billion gallons of ethanol a year—and growing.

Minnesota farmers have other reasons to be proud. We are represented in Congress and on this Committee by the distinguished Ranking Member, Congressman Collin Peterson. We are also proud to be represented by Subcommittee Chairman, Congressman Gil Gutknecht, and by Minnesota's two U.S. Senators, both of whom serve on the Senate Agriculture Committee.

The message I bring to you today on behalf of the thousands of Minnesota farmers I represent could not be clearer: If it aint broke, don't fix it. The 2002 farm bill is working. Don't amend it. Just extend it.

Mr. Chairman, in my lifetime, I do not remember another farm bill that was this popular among farmers 5 days after it was passed into law—much less 5 years.

I want to thank Congressman Peterson for introducing legislation to extend this farm bill for up to 2 years. I also want to thank Chairman Goodlatte and all the members of this Committee for your hard work and efforts over the past 5 years to ensure Congress kept the promises made to farmers under the 2002 farm bill.

If I had to distill to just a few reasons why Minnesota farm families strongly support renewal of this farm bill, it would be these. First, it provides a strong safety net to give American farm families a fighting chance against foreign subsidies and tariffs that would otherwise swamp us. Second, it helps create economic activity and jobs in rural America without which our small communities would dry up. And, third, and this is very much related to the second, this farm bill has helped make the Minnesota miracle of renewable fuels possible. Former Federal Reserve Chairman Alan Greenspan used to talk a lot about the big obstacle to economic growth being the lack of equity capital. Well, if we did not have the equity capital that this farm bill provides, local and farmer owned investment in renewable fuels projects would not be possible. Period.

What kind of investment am I talking about? Well, I will use my own personal experience. I am an investor in a \$62 million farmer owned ethanol plant in Benson. Imagine what a large plant like this means to a town of that size. Take away this farm bill and you take away the ability of farmers to invest. Take away the farmers' ability to invest and you take away good paying jobs and economic hope for these rural communities. Outside investors might have chosen a larger city. But we chose Benson.

But, I must say that the last 5 or 6 years of false rhetoric against the farm bill is proof positive that no good deed goes unpunished.

The big city newspapers, ideologues on the extreme right and left, radical environmental groups, and self proclaimed advocates of the developing world have all teamed up to bring down U.S. farm policy.

There isn't time to go through the litany of misleading facts and figures critics recite each time they talk about farm policy. So I'll just quote a Tufts University paper that was written to expose at least some of the errors: "Farm statistics are regularly quoted in the press and in policy circles, often in misleading ways. This, in turn, can easily lead to mistaken policies." The paper goes on to cite just a few examples of the whoppers used by farm policy critics, and then states, "All of the above statements are true—and truly misleading." I could not have stated it better.

These groups do not have the facts on their side so they resort to distortions and half truths in order to mislead and divide and conquer. If you listen to them long enough and scratch a little beneath the surface of their arguments, you will find farm policy critics usually contradict themselves, and almost always contradict each other. In fact, if you look back on the parade of horrors that critics predicted if Congress enacted the 2002 farm bill, you would likely ask how these folks could have been so wrong so often.

So instead of responding to all this nonsense, I want to focus on a few serious considerations that may influence reauthorization of the farm bill.

The Budget. In 1996, Congress made cuts to the farm bill to help balance the budget. But the cuts proved too deep and about \$31 billion in unbudgeted ad hoc relief was needed over just 4 years. In 2002, Congress worked to hold onto the positives of the 1996 law while fixing the problems. The result is a bill that has proved less expensive, saving about \$13 billion compared to what was expected. This does not include another nearly \$3 billion saved during budget reconciliation last year when agriculture pitched in and shouldered more than its fair share of cuts. Moreover, farm safety net costs are expected to drop by about \$5 billion this fiscal year as compared to 2005, according to USDA's latest estimates. These same estimates suggest that the 2002 farm bill could ultimately come in anywhere from \$15 billion to \$20 billion below original cost estimates. All of this is despite predictions by critics earlier this year that the costs would go up—adding to the ash heap yet another claim against this farm bill proved to be dead wrong. The bottom line is the current farm safety net costs the Federal Government about one half of one percent of the total Federal budget. Contrast this with a Senate Finance Committee finding of \$300 billion per year in unpaid taxes owed. That's nearly \$2 trillion over 6 years. We could wipe out this year's expected deficit and make a significant down payment on the debt with that kind of money. If the farm safety net were totally zeroed out, it would take 117 years to save the same amount of money. Going after folks not paying their taxes makes more sense to me than going after rural America. Ultimately, cuts to the farm bill might make critics smile but would do precious little if anything to balance the Federal budget.

The WTO. Trying to navigate the WTO rules in 2002 with a Peace Clause proved difficult enough. But navigating without a Peace Clause would be a wild goose chase. Without a Peace Clause, there is no safe harbor from litigation, no matter what color box the farm safety net comes in. As long as the U.S. provides an effective safety net in this kind of environment, it will be open to litigation. Like any business, American farm families and their lenders need certainty. This farm bill provides that certainty and we strongly believe it should not be changed—especially if only to try and meet what looks like an elusive goal. Today farmers across the country remain very fearful that our trade negotiators might give away the farm in the Doha Round of the WTO in exchange for market access that nobody is quite sure how to pencil-in to their operation's bottom line. This uncertainty is in part based on our experience with the Uruguay Round, NAFTA, and PNTR for China, for examples, whose benefits to U.S. agriculture were way over-promised. So far our trade negotiators have done the right thing and stood firm. But, it would hit all of us in farm country very hard if—right in the middle of the current WTO impasse—the United States government ended up doing to us what our trade negotiators have not: and that is to unilaterally disarm us.

The Developing World. A recent Carnegie study sheds doubt as to how much trade liberalization actually helps developing countries and seems to confirm what others have suggested in the past. As it relates to claims that U.S. farm policy somehow hurts developing countries, Minnesota's Macalister College Professor William G. Moseley has suggested that any blip in the world price caused by the elimination of U.S. farm policy would be quickly erased by increased production in other countries—and he is right. Big players in the world market that use less transparent but no less critical means to support their producers would step in and erase any small gain in the world price. Former U.S. Trade Representative Rob Portman indicated to our trading partners earlier in WTO negotiations that other, more basic factors, such as infrastructure, are the real impediments to a healthy agriculture sector in the developing world, particularly in least developed countries. Perceptions, no matter how widely held, are poor substitutes for facts when making public policy. A cure to an ill is more likely if there is a proper diagnosis, while an improper diagnosis can have adverse and unintended consequences. In short, we can inflict a lot of unnecessary harm on rural America and leave the developing world no better off.

U.S. Competitiveness. When the U.S. manufacturing sector lost about 3 million jobs to offshoring a few years ago, Congress stepped in and passed the American Jobs Protection Act, which cost about the same as the 2002 farm bill. The bill was designed to help U.S. manufacturers compete on a lopsided global playing field. Few if any called it corporate welfare or wanted to means test benefits. After all, manufacturers, both large and small, needed the new law to compete in the face of current global market conditions. The bill was about U.S. competitiveness, economic growth, and American jobs. Well, Mr. Chairman, the farm bill is about U.S. competitiveness, economic growth, and American jobs, too. Today, world agricultural markets are the most distorted of any economic sector, including manufacturing. So the farm bill is not about corporate welfare, as the critics would have it, but about keeping 25 million good paying American jobs here at home. It's about maintaining \$3.5 trillion in economic output per year. And it's about holding onto and growing a sector that already accounts for 15 percent of our Gross Domestic Product. And here is an important but often overlooked fact, not according to us but according to *The Wall Street Journal*: while the U.S. manufacturing sector was sagging badly just a few years ago, it was the American farmer and rancher who were there to pick up the economic slack in order to keep America moving.

Mr. Chairman, helping feed a hungry world, fuel a nation, and creating millions of American jobs doesn't sound like corporate welfare to me. It sounds like common sense.

Thank you, Mr. Chairman, Congressman Peterson, and members of this committee for always standing up for the American farmer and rancher when we've needed you most.

I look forward to answering any questions you may have and very much appreciate the opportunity to testify before this Committee today.

STATEMENT OF LESLIE G. SARASIN

The American Frozen Food Institute (AFFI) appreciates the opportunity to submit a statement for the record of this Agriculture Committee field hearing. AFFI is the national trade association that promotes and represents the interests of all segments of the frozen food industry. The approximately 500 members of the Institute are engaged in the processing of frozen foods, as well as other functions in the fro-

zen food supply chain. These functions include ingredient supply, cold storage, transportation, packaging, marketing and scientific research. The Institute fosters industry development and growth, advocates on behalf of the industry before legislative and regulatory entities, and provides additional value-added services for its members and for the benefit of consumers.

AFFI particularly appreciates the leadership of Agriculture Committee Chairman Bob Goodlatte and Ranking Member Collin Peterson, who also serves as co-chairman of the House of Representatives Frozen Food Caucus, in organizing this field hearing in the district that is home to The Schwan Food Co., a highly active member of the Institute. Rep. Peterson and fellow Frozen Food Caucus Co-Chairman Rep. Devin Nunes are effective in facilitating a broader understanding of the frozen food industry, as are their Senate counterparts, Sens. Gordon Smith and Debbie Stabenow.

Through the House of Representatives Frozen Food Caucus and the Senate Frozen Food Caucus, AFFI has had two specific opportunities this year to brief members of Congress, Senators and staff on the relationship of frozen foods to health and wellness. At these events, the Institute has described insights and innovations that make frozen foods worth a fresh look in both consumers' decision making and government's policy making. I value this opportunity to summarize for the record some of these frozen food industry insights and innovations that may be applicable to policy decisions related to the farm bill.

Frozen Food Insights: Locking in Nutrition

One of the most important facts about frozen foods is that commercial freezing effectively locks in nutritional value. Earlier this year, AFFI unveiled its Fresh Look Initiative opinion research and communications campaign. Consumer research conducted as part of this campaign suggests that consumers are increasingly aware of the ability of freezing to lock in nutrients in frozen fruits and vegetables, for example. The research suggests that consumers appreciate the flexibility that frozen fruits and vegetables provide, particularly the ability to use them over the course of several weeks without worrying about continued degradation of nutrient value and quality.

AFFI appreciates attention brought to this fact by academia, the media and government. The following are examples of substantive actions that have broadened awareness of the nutritional value of frozen fruits and vegetables:

- On March 25, 1998, the U.S. Food and Drug Administration (FDA) approved an AFFI petition to allow frozen produce to be labeled as "healthy," according to the same protocol that applies to raw produce. In FDA's final rule published in the Federal Register, the agency wrote, "The nutrient profiles of selected raw fruits and vegetables and frozen, single ingredient versions of the same fruits and vegetables revealed relatively equivalent nutrient profiles. In fact, some data showed that the nutrient content level for certain nutrients was higher in the frozen version of the food than in the raw version of the food." FDA noted, "Precluding [frozen produce] from bearing the term 'healthy' could undermine an important element of current dietary guidance as the basis for the 'healthy' claim is to assist consumers in constructing a diet that conforms to dietary guidelines."

- Research led by Barbara P. Klein, Ph.D., of the Division of Foods and Nutrition, University of Illinois, supported AFFI's petition and FDA's rule ["Vitamin C and B-Carotene in Fresh and Frozen Green Beans and Broccoli in a Simulated System," *Journal of Food Quality* 15 (1992), 87-96.] David Feder, registered dietitian, reported in *Better Homes and Gardens* on a similar and subsequent research project conducted by Dr. Klein:

"Green beans offer a good example of the differences between fresh, canned and frozen produce, says Barbara Klein, Ph.D., the lead researcher in the Illinois study. 'When fresh green beans are harvested, the vitamin C content begins falling immediately. A significant portion of this important vitamin is gone within 24 hours.'

"Actually, 58 percent of the vitamin C found in freshly picked green beans is lost within 3 days", Klein says. In comparison, the amount of vitamin C in canned and frozen green beans diminishes by only 15 to 20 percent from the beans' just-picked state, according to Klein. That's because processing and packaging takes place within hours of harvest, thereby preserving more nutrients." ("Is Fresh Always Best?" Feder, David, *Better Homes and Gardens*, January 1999, pp. 28-30.)

- On June 30, 2004, President George W. Bush signed into law the Child Nutrition and WIC Reauthorization Act of 2004, which includes the following language advocated by AFFI: "While there is considerable support for the availability of more fresh produce in schools, the Committee recognizes that frozen and canned fruits and vegetables also have value. Unless otherwise modified, the term fruits and vegetables encompass those commodities whether fresh, frozen or canned. On March 25, 1998, the Food and Drug Administration (FDA) acknowledged in the Federal Reg-

ister its conclusion that frozen fruits and vegetables are nutritionally comparable to raw fruits and vegetables and can be used interchangeably in the diet. Overall, processed fruits and vegetables do not lose nutritional value, are cost-effective, convenient for schools, and are preferred in some cases by children. Additionally, it is widely accepted that the freezing and canning processes inhibit the growth of some pathogens and therefore reduce the likelihood of serving contaminated products.”

- AFFI promotes the advantages that frozen foods can afford school foodservice operators and students. AFFI notes these advantages apply to all consumers as well. At AFFI's request, nutritionist Joy Bauer, MS, RD, CDN, has prepared an array of week-long menus using exclusively frozen foods—and the menus conform to the government's Dietary Guidelines. While an all-frozen menu is an extreme example, it demonstrates the variety of frozen food products that are available and that can be key components of a healthy and nutritious diet. “The takeaway from the all-frozen food meal plan relative to Child Nutrition Programs is this: If a registered dietitian can put together a wise menu comprised entirely of frozen food products, a school foodservice director can utilize frozen foods to his or her advantage—and to the students' advantage—as part of a comprehensive menu inclusive of other food items,” said Bauer.

FROZEN FOOD INSIGHTS: THE “FREEZING BATTLE PLAN” FOR FOOD SAFETY

In addition to these insights related to nutrient retention, AFFI notes that other popular advantages of frozen foods are the cost-savings and efficiency they afford consumers and institutions alike. There are other lesser-known insights that are developing even as the Agriculture Committee holds this hearing. For example, there is considerable work being done to capitalize on opportunities to utilize freezing more broadly as a food safety technology.

In January 2004, a scientific review article by Douglas Archer, Ph.D., was published in the *International Journal of Food Microbiology*. The paper, “Freezing: an underutilized food safety technology?” reviewed the positive food safety record of frozen foods. It also identified variables that could be researched in the future, including the temperatures and rates at which foods are frozen, storage times and temperatures, and the chemical makeup of the foods. Archer also noted the characteristics of specific microorganisms, including *Cryptosporidium*, *Listeria monocytogenes*, *Salmonella*, *Campylobacter* and *E. coli* O157:H7, and their unique interactions with various foods.

Archer wrote: “It is clear that under certain conditions, freezing can be lethal for certain food-borne pathogens. It also seems clear that there are researchable areas that might lead to increased use of freezing as a barrier to food-borne pathogens. It seems that freezing may be an underutilized food safety technology that can be enhanced to become a major hurdle for pathogen survival.”

Archer is a past deputy director of the Food and Drug Administration's Center for Food Safety and Applied Nutrition. Currently, he is a professor in the Food Science and Human Nutrition Department of the University of Florida, located in Gainesville, Florida.

Following considerable congressional and media attention to this issue, the 2006 Agriculture Appropriations bill included language advocated by AFFI that “encourages the (U.S. Department of Agriculture's) Cooperative State Research, Education, and Extension Service to consider priority projects that enhance the microbiological safety of food through freezing.” President George W. Bush signed the legislation on November 10, 2005.

AFFI now is working with the U.S. Department of Agriculture's Cooperative State Research, Education, and Extension Service, as well as with AFFI's Affiliate Member colleges and universities and members of Congress to ensure research projects are completed as a result of this legislative victory. In addition, the Frozen Food Foundation, a separate organization affiliated with AFFI, has issued its first request for proposals on this topic, and expects to award a grant later this year to a related project.

FROZEN FOOD INNOVATIONS IN NUTRITION AND HEALTH

In addition to these insights, health and nutrition innovations also make frozen foods worth a fresh look. AFFI's consumer research suggests that consumers overwhelmingly agree that today's frozen foods are vastly improved compared with those of recent decades. While consumers' perceptions largely are driven by taste and quality, a survey of AFFI member companies found that companies also are making tremendous strides in offering new products with important innovations, including the following:

- Trans fat reduction/elimination

- Saturated fat reduction
- Whole grains/fiber inclusion
- Sugar reduction
- Portion control
- Sodium reduction

According to the results of AFFI's survey "Meeting the Needs of School Foodservice with Frozen Foods," frozen foods are part of the health and nutrition solution. Half of respondents reported they conduct a formal research and development program to identify "healthier" products without sacrificing taste. More than half of respondents reported having introduced "healthier" products to this market. All but one respondent selling prepared foods to school foodservice reported they conduct a formal research and development program to identify "healthier" products without sacrificing taste. All respondents who sell prepared foods to school foodservice reported having introduced "healthier" products to this market. Among the "healthier" products introduced to school foodservice by respondents were the following: roasted potatoes; baked potatoes; prime burgers; breakfast sausage patties; veggie burgers; burritos; vegetable blends; skillet meals; reduced-fat fruit cups; juice concentrates to replace sugar; and low-fat pizza. AFFI appreciates the opportunity to remain engaged with the Agriculture Committee as it develops the farm bill. The Institute believes strongly that the positive attributes of the frozen food category provide tremendous options to consumers and policy makers alike in addressing today's health and nutrition challenges.

STATEMENT OF PETER BAKKEN

Chairman Goodlatte, Ranking Member Peterson, Congressman Gutknecht and members of the committee, thank you for the opportunity to speak to you today about current farm policy and the upcoming farm bill.

My name is Peter Bakken. I am third generation crop and cattle producer from Rock County, Minnesota. I currently serve as president of Rock County Farm Bureau, sit on the Beaver Creek Township board and on the board of directors for the Rock County Cattlemen's Association. Like other agriculture producers, I am well aware of the role the national farm policy and the farm bill plays in our livelihood. I am honored to have the opportunity to share my views with you today.

Many farmers throughout the U.S. will tell you that their ultimate agriculture policy vision would be a "level playing field" or a "chance to compete in open markets." As we look ahead in the 21st century, agriculture policy should reflect a world where our farmers and ranchers are allowed to compete in open markets without tariff barriers, without export subsidies, without currency manipulations and yes, without production-distorting domestic subsidies. American farmers and ranchers are willing to give up commodity loan payments, counter cyclical payments and the like IF we are able to remove other trade barriers.

Moving toward this goal is becoming more difficult every year as American farmers and some U.S. Congressmen feel that negotiated agreements are not being met and promises are not being kept. Each political failure is putting our delicate world trading system in jeopardy. We all know what is at stake and the potential economic catastrophe if we don't continue to move forward with meaningful discussions. But we must implement policies that will grow our markets. As markets grow, farm program costs decrease and farmers' incomes grow from the marketplace not the government.

However, bridging the gap between where we are now and where we want to be in the future will require time. The short-term reality is that we will continue to need income support, consistent with our international trade obligations. Part of the income support should be "counter-cyclical," and therefore would decline as opportunities for market growth are realized.

2002 FARM BILL

The 2002 farm bill is very popular with producers throughout the country. Continued support of the structure and funding for the 2002 farm bill is a high priority for farmers and ranchers. The 2002 farm bill provided a long-term commitment to U.S. producers and it would be wrong to shift policy before the expiration of the farm bill in 2007. The bill provides a safety net for producers, leverage for international trade negotiators and needed conservation program support.

Some have argued over the past three years that the 2002 farm bill was a "desertion" from Freedom to Farm (the 1996 farm bill). In fact, it builds on the successes of that bill. The 2002 bill retains the major philosophies of the 1996 farm bill: plant-

ing flexibility, continuation of loan rates and programs that allow farmers to take their planting signals from the marketplace rather than from the government. Outdated set-asides and government-owned surpluses were not reinstated.

The 2002 farm bill provides a strong measure of progress on the environmental front. Improved environmental practices will benefit everyone through improved soil, water and air quality, and wildlife habitat.

The 2002 farm bill has not increased taxpayer cost. However, even if costs had risen, farm policy has traditionally addressed the goal of producing a safe, abundant, domestic food supply. We've paid for our dependence on foreign oil. Imagine if we had to depend on foreign countries for our food. Also, if consumers think they're getting a good deal by spending on average 9.5 percent of their disposable income on a nutritious, safe, quality food supply, then they should conclude it's a good policy to provide for a measure of stability in our food production system.

During the three years before passage of the 2002 farm bill, Congress had to provide ad hoc assistance due to low incomes in the agricultural sector. Such ad hoc relief provided needed assistance, but was a poor substitute for a long-term policy on which farmers, lenders and taxpayers could count. The counter-cyclical program implemented in the 2002 farm bill has helped reduce the need for disaster assistance funding dramatically.

Let me restate that the farm bill is clearly working. Unpredictable weather conditions and markets, uncertainties involved with international trade, the value of the dollar and variable input costs have produced turbulent and difficult times for agriculture. The farm bill helps American farmers and ranchers weather financial storms and it provides unprecedented funds for our nation's conservation needs. The nutritional needs of the poor, underprivileged, senior citizens and children are also funded through this law.

NEXT GENERATION OF FARMERS

As a third generation family farmer, I have seen first hand the importance of transitioning a farm to the next generation. I also experienced the difficulties related to that transition. The current farm bill and any future farm bills are going to be a determining factor in how easily future generations will be able to effectively and affordably enter into production agriculture.

Government support and its effect on land costs are often cited as a factor limiting new entry into agriculture. For crop production and those with grazing livestock, land is a critical input. Government payments accrue to the land both in terms of the price of the land, but also in terms of higher rental rates. However, rental rates are higher than might otherwise be suggested strictly by agricultural markets. Renting land and investing the "sweat equity" needed to produce the crop is one way many new producers have gotten into the business. Average net rent paid to non-operator landlords during 1995 to 1999 was 40 percent higher than that paid in 1985-1989, yet net cash receipts were up only 15 percent during the same time periods.

The asset value of land in agriculture is estimated at \$1.2 trillion. Further income streams from rent—cash or crop share—represents a major source of retirement revenue for a number of individuals. Kastens and Dhuyvetter from Kansas State University estimate that government payments on a national basis boost land values by 18.3 percent. In some states, the contribution approaches or exceeds 40 percent. If adjustments are made to government support programs that affect land prices, those adjustments must be evaluated very carefully and completed over a considerable period of time.

If traditional farm policy is reformed, doing so will be very difficult. Most sectors have vested land and capital values based on historical payments. A majority of farmers' own personal retirement investments are tied up in the value of their land. The potential for a financial meltdown looms in the minds of some, especially in the banking community. Therefore, if movement is made away from these traditional payments, that movement will need to occur over a period of time. The speed of that movement will be determined by the progress made at the WTO negotiating table.

RURAL ECONOMY

Rural residents are dependent on rural economies. Averaged across all farms, 90 percent of farm family income comes from off-farm sources. Even large farming operations rely on off-farm income. USDA reports that farms with sales over \$250,000 derive over 30 percent of farm family income from off the farm. Vibrant rural economies are very important to farm families.

Rural America and production agriculture face two very different sets of problems. Some rural areas suffer from declining population base. However, in other areas,

production agriculture is facing tremendous pressure from urban sprawl. Nearly every State faces this kind of dual problem and it is no different here in Minnesota.

Clearly, such problems don't lend themselves to a one-size-fits-all solution. However, some general approaches can be applied. We need to create a business climate that fosters entrepreneurship, encourages people to start a business and gives them the tools to compete in a global environment. Tax policy, environmental regulations, labor and health care policy and infrastructure are among those that come most quickly to mind. A well-educated and trained work force must be high on the list. These conditions should be the standard at all levels of government, regardless of rural or urban setting.

At the same time it should be recognized that the more rural parts of the country have special needs. This is particularly true in terms of infrastructure investment. There may be a need for greater investment by the Federal Government in out-comes-based rural infrastructure investment. There are clearly different transportation costs faced by agricultural goods produced in western Minnesota from those grown in eastern Pennsylvania. A resident of rural Minnesota, however, should have access to the same kind of Internet and telecommunications support, access to education and healthcare, and access to commerce and financing, as does a resident on the outskirts of Philadelphia, Pa.

PAYMENTS

The agriculture sector is a strong engine of trade, which provided for more than \$62 billion of agricultural exports in 2004. This was the equivalent of exporting output from one out of three acres harvested. More than 17 percent of the total American workforce produce, process and sell the nation's food and fiber. Farm program payments are a public investment in the nation's food, environmental and economic security. They help provide some measure of stability to the volatile business of food production, keeping Americans supplied with the safest and most affordable food in the world.

U.S. consumers reap many benefits from these payments, including a top quality, stable and economical food supply that takes less of the consumer's dollar than in any place else in the world. Funding better environmental practices benefits all of society through improved soil, water and air quality. Dollars received by farmers are reinvested in communities and businesses that would often wither without a stable local agricultural industry.

The planting flexibility provisions provided farmers in the 1996 farm bill are working. We should not consider reverting to provisions that would require farmers to plant specified program crops to receive support payments. I support continuing decoupled payments based upon cropping history rather than on current plantings.

There is broad support among all parties that the ad hoc income support provided prior to the 2002 farm bill needed to be incorporated into a "counter-cyclical" type payment that would supplement the support provided by marketing loans. However, unlike marketing loans, counter-cyclical payments are decoupled, similar to direct payments, because the payment is based on previous cropping histories.

The farm bill provides an adequate safety net to farmers and ranchers when commodity prices are low. When prices rise, the law functions without additional funding from the government via counter-cyclical payments or loan deficiency payments. The Congressional Budget Office (CBO) says the actual spending level for the bill is \$15 billion less, or 40 percent lower, in the first three fiscal years than what was projected when the bill became law.

Our Federal farm program is based on production. Time and time again, this has proved to be the best manner for distributing assistance to the families most responsible for producing this nation's food and fiber. Farmers who produce more traditionally receive larger payments, but they also take larger risks and have significantly higher investments in their farms. When crop prices are depressed, no farm is immune to difficulty, especially those with greater risk. It is true that larger farm enterprises receive a larger percentage of total farm program payments than smaller ones. However, farm policy has always been production-based rather than socially based. Only if we want to allow someone in Washington to decide "winners and losers" should we move to a socially based policy.

Despite the seemingly big payments that are always highlighted in press reports and by various "think tanks," the vast majority of farm payments go to family farm operations. In addition to paying for machinery, seed and fertilizer, some of this money goes to pay household bills, interest on farm loans and ordinary living expenses.

Looking at the "average" never tells the full story in any industry. This is certainly the case in agriculture. USDA data indicates a much different story about the

distribution of farm payments from that told by some groups. In 2003, 654,175 “commercial” farms listed farming as their primary occupation. Fifty-eight percent of those operations received government payments in 2003.

Eighty-two percent of operations with sales between \$100,000 and \$250,000 in 2003 received some form of government support. Farm program payments are critical to this key segment of production agriculture. Artificial devices to limit farm program payments simply do not make economic or common sense.

SUPPLY MANAGEMENT AND MEANS TESTING

Over the last 50 years, the United States has tried agriculture policies that idled acreage as a means of improving farm income. They did not work. We idled acres, but we farmed the remaining acres more intensely to make up for the lost market opportunities from idling land. When we idled land, our competitors kept increasing acreage. We must not forget the lesson we learned 20 years ago. In the 1980's, the United States cut back production by 37 million acres and our competitors increased their production by 41 million acres. When we changed our policies in the 1996 farm bill to stop set-asides and paid diversions, the whole picture changed. From 1996 to 1999, the U.S. cut back production two million acres and our competitors reduced their production 28 million acres. We must not return to supply management programs.

We also tried storing our way to prosperity. That did not work either. We tried having the Commodity Credit Corporation store grain in bins across the country. We tried having farmers store the grain on their farms. The results were the same. We stored grain and cut acreage while the rest of the world increased production and took our markets. We must not implement a farmer-owned reserve or any federally controlled grain reserve with the exception of the existing, capped emergency commodity reserve.

PRODUCT DEVELOPMENT, MARKETING AND RESEARCH

One significant way of improving farm income is to increase the investment by farmers in projects that will capture more value-added dollars. Such farmer-owned ventures provide for rural development, increase competition in the marketplace and increase farm income from the market.

A cornerstone of this vision is a major role for renewable fuels in our nation's energy policy. Agriculture can provide fuels that improve air quality and make the Nation less dependent on foreign oil. Funding for projects and activities that take ethanol, biodiesel and renewable electricity to the next level are important. This would be a win for the environment, a win for rural communities in terms of new jobs and a win for farmers as it increases demand for their crops. Energy contribution improves the environment, decreases reliance on foreign oil, creates jobs, dramatically increases agricultural markets, and decreases farm program costs as markets grow.

CONSERVATION

As a crop and livestock producer I, like other farmers, make it a high priority to focus on conservation and implementing environmentally friendly practices. However, as a cattle producer, one of the biggest challenges I face is overly burdensome environmental regulations. Addressing these issues is not a matter of operation size, but rather, a matter of what is best for those in the industry.

Since their inception, conservation programs have continued to grow and evolve. The 2002 farm bill included more authorized funding for conservation than any other farm bill in history. Additionally, it is expected that programs like the Conservation Security Program (CSP), or programs applying conservation practices on “working lands,” to become the key player of conservation titles, and possibly an important means of supporting farm income, in years to come. The CSP must be available to all producers, implemented as a nationwide program that is workable, and adequate funds must be appropriated to make it an effective program. Producers must receive assistance to help defray the cost of ongoing environmental improvements and regulations.

The Conservation Reserve Program (CRP) is another program I support. I believe it will lead to sustained and enhanced environmental benefits. With nearly 35 million acres currently in the program, the goal of reevaluating and possibly reenrolling nearly 28 million of those acres in contracts expiring between 2007 and 2010 presents significant challenges and unique opportunities. USDA should focus on creative approaches which stimulate program acreage providing greater environmental benefits, placing existing and potential new contract holders on an even and competitive basis and spending taxpayer dollars wisely.

In the short term, I believe the best approach for addressing expiring contracts is for the USDA to offer one-to-five-year extensions for existing contract holders. This strategy would allow the USDA to even out workload, while maintaining an ongoing competitive bidding process. This type of extension strategy could be staggered to allow four to five million acres into the program on an annual basis. By adopting such a strategy, USDA would be providing itself the opportunity to properly stagger and potentially reenroll expiring contracts over a longer timeframe. The goal would be to prevent the situation of exceptionally large blocks of CRP lands from expiring in the same year in the future. USDA would also allow itself additional time and opportunities to examine current CRP lands and potentially explore more targeted approaches in addressing how lands enrolled in the CRP can better address specific natural resource concerns.

It is important to reinforce the goal of getting the most benefit out of each CRP acre, and maintain fairness between existing contract holders and landowners who may wish to enroll lands in the future. Lands enrolled in the CRP should be those with the greatest need to address particular issues related to water quality, soil erosion, air quality and wildlife where results cannot be comparably achieved through conservation practices if the lands remained in production. Grazing lands should also be considered. As we are seeing this year right here in Minnesota, dry weather can have an adverse effect on the amount of grazing land available for livestock. It is key that provisions which will allow managed grazing on CRP land be included when looking at future agriculture policy, especially during a time of drought when feed resources are limited.

The existing Environmental Quality Incentives Program (EQIP) natural resource priorities reflect and carry out the intent of the 2002 farm bill. Those priorities promote agricultural production and environmental quality as compatible goals. They optimize environmental benefits by—assisting producers in complying with local, State and national regulatory requirements concerning soil, water and air quality; wildlife habitat; and surface and ground water conservation. EQIP has provided welcomed assistance to producers in terms of addressing a variety of environmental and natural resource challenges.

WTO TRADE NEGOTIATIONS

World Trade negotiations are on the forefront of the minds of those involved in agriculture. They are also a key element in the determination of the extension of the current farm bill. It is essential that we negotiate a WTO agreement that accomplishes our objectives with respect to domestic supports and then modify our farm bill accordingly. This approach provides U.S. negotiators stronger leverage and avoids undertaking reforms that may not help us achieve our objectives. We are simply not far enough along in the WTO negotiations to make changes to the farm bill.

We need to eliminate market barriers and other limitations to market-based trade. In this transition period, American farmers and ranchers will ask for assistance to offset the negative effects here at home from other governments' trade distorting practices such as production-linked subsidies, high tariff barriers, export subsidies and differential export taxes.

I look toward the day when that head-to-head competition might occur. It is important that we focus on that day and what kinds of policies we will need to ensure a vital agricultural economy. Agriculture needs the economic policies in place that help make the United States a place where producers want to establish and expand their farms. This occurs through the right kinds of tax policies, flexible labor laws that reward productivity, excellent health care systems, infrastructure that allows ideas and products to flow, and a commonsense regulatory environment. In short, we need to ensure that the competitive advantage provided to us by our soils, climate and productive capacity is not thwarted by inappropriate government restraints.

Farmers worldwide are interested in making a fair wage for their labor and an adequate return on their investment. Farmers care about their family's future. They have a passion for the land and their livestock. Farmers everywhere have a love for agriculture and seek a fair solution to the many economic challenges we all face. We want to continue to produce a safe, affordable, abundant food supply while continuing to be good stewards of the land. This can only be accomplished through a cooperative effort by all parties involved in agriculture.

Mr. Chairman, Ranking Member Peterson, Congressman Gutknecht and members of the Committee, thank you for taking time to hear my perspective and the perspective of my fellow agriculture producers here today. Thank you also for your com-

mitment to agriculture in the United States. I will take any questions you may have at this time.

STATEMENT OF BOB WORTH

Good morning, Mr. Chairman, and members of the committee, especially to our Minnesota Congressmen Collin Peterson and Gil Gutknecht.

I am Bob Worth, a soybean, corn and wheat farmer from Lake Benton, Minnesota. I am very proud to be serving my second year as President of the Minnesota Soybean Growers Association. I very much appreciate the opportunity to appear before you today.

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

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

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

We also are watching the current negotiations on a new WTO agreement. Last October, the Administration offered to make a 60 percent reduction in outlays permitted under the most production and trade-distorting programs, including the Marketing Loan and dairy and sugar price supports, and a 53 percent overall reduction in all trade-distorting programs. MSGA strongly supports ASA and the other farm organizations who are insisting that importing countries make equally aggressive reductions in their tariffs, including soybean and livestock products. If an agreement is reached and approved by Congress next year, we will need to make major changes in current farm programs.

Given these uncertainties, MSGA's policy on the 2007 farm bill is that: (1) there be no further cuts in the CCC budget baseline for agriculture spending; (2) that farm programs not distort planting decisions between crops; and, (3) that future programs be WTO-compliant, to avoid challenges like the cotton case.

If an acceptable World Trade Organization (WTO) agreement is not achieved prior to the expiration of the current 2002 farm bill, MSGA anticipates supporting extending the current farm bill's general provisions until a WTO agreement is eventually reached.

To explore alternatives, a multi-commodity and farm organizations farm bill Task Force has been working to look at the so-called Green Box programs that would be considered non-trade distorting under the WTO. The results of their analysis indicate a variety of options that would guarantee 70 percent of historical income and still be WTO-compliant. These options include basing the guarantee on whole farm vs. specific commodity income, looking at using either net or gross income, and guaranteeing income for only program commodities, for program crops plus horticultural crops, or for all crops plus livestock. The cost of these options varies considerably, from \$3.3 billion per year to guarantee 70 percent of gross income on a whole farm basis for only program crops, to over \$10 billion per year to guarantee 70 percent of net income for specific commodities for all crops and livestock.

No farm or commodity group has endorsed the revenue guarantee concept, but want to see how a revenue guarantee could be combined with one or several other farm programs to create a more effective safety net for producers. These could include crop insurance, permanent disaster assistance, and the three main components of the current farm program—the Marketing Loan, Direct Payments, and the Counter-Cyclical Program.

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

With regard to conservation and research, we are concerned by recent actions that have depleted funding for these programs in order to pay for disaster assistance, or to cover budget reduction commitments. MSGA supports increased funding for conservation payments to producers on working lands such as through the Conservation Security Program. We also believe that a significant number of acres currently locked up in the Conservation Reserve Program could be farmed in an environmentally sustainable manner, given the enormous increase in no-till farming practices that have been implemented over the past 10 to 15 years. Finally, we strongly support maintaining funding for trade promotion activities under the Foreign Market Development and Market Access Programs, and for international food aid.

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

STATEMENT OF MARK SEEGER

Thank you Chairman Goodlatte and Representative Peterson for holding this field hearing and providing me the opportunity to testify regarding Federal farm policy. My name is Mark Seeger. I have farmed for more than 30 years. My wife Cindy and I run 800 acres of corn and soybeans near Mahanomen in Northwestern Minnesota, about 200 miles north of here. In past years I have grown wheat, and I also own sugar beet shares.

Mr. Chairman, I will focus on five issues: price supports, trade, disaster aid, conservation, energy, and the Farm Service Agency, with other points as time allows.

The current farm bill works pretty well. While it is far from perfect, I can work with it, and I support an extension. I favor keeping counter-cyclical programs for crops because it is a safety net for farmers when commodity prices drop to levels that threaten farm survival.

However, I have concerns about why target prices the Loan Deficiency Payments have been lowered over the last 2 years. I believe they need to be raised. I do not understand the reasoning behind lowering LDP targets at the same time that our input costs have skyrocketed. Fertilizer and fuel costs are out of control and are cutting farm income. A year ago I paid \$1.60, and this year I paid \$2.60.

Concentration is also making this tougher to handle. When I started farming, there were about 20 different places near me to buy fuel or fertilizer. Today there's one.

Higher fuel prices also raise the cost of transporting grain. Whether grain moves by truck or rail, higher fuel prices are cutting into the bottom line. That makes it more difficult to make ends meet, and it increases our reliance on Federal Farm Programs.

For me, the problem is clear: price. We need a decent price for what we produce. That is at the root of how our farm policy should work.

Crop prices are about the same as they were 30 years ago when I started farming. It does no good to point out that I am producing higher yields because I cannot make up the difference on volume. Increases in yields do not make up for higher input costs. Just look at how much trucks and combines have increased over the past 30 years, and you understand the problem.

I am not convinced that NAFTA or CAFTA or other recent trade deals have done much to help my price. I know that sound trade policies are important to farmers, but what happens to my market price when our trade surplus turns into a deficit? I am concerned that our current trade agenda does not level the playing field enough or provide opportunities for me to make a profit from the market. I would encourage the Committee and policy makers to ensure that our trading partners

meet the same labor and environmental standards, and that currency manipulation be addressed.

I am not a farmer who wants to stand at my mailbox every 2 weeks waiting for a check from the government. With that being said I realize the current market place does not always provide that price, and farmers need a safety-net approach—through price supports and sound trade policy—to ensure the viability of our farms.

Compared to many farmers in my area, I have been fortunate the past few years to not have been affected by a weather related-disaster. Some of my friends in northwestern Minnesota have not been so lucky. I urge the committee to advocate for disaster assistance for not just those farmers who will need it this year, but also for the 17 Minnesota Counties that were declared for disaster in 2005.

Flood damage faced by farmers in Minnesota counties like Kittson, Roseau, and Wilkin are very troubling, and it is disappointing when Congress is forced to choose between disasters. Droughts and floods can cause as much damage and devastation as hurricanes, tornadoes and earthquakes. That is one of the reasons I would like to see Congress push for some kind of permanent disaster program.

The hardest part of these disasters is what it does to our next generation of farmers. Disasters coupled with rising input costs and soaring land values make it difficult, if not impossible, for the next generation of farmers. I hope Congress looks to the future when setting farm policy to ensure that our Federal policy will encourage the next generation whether it be through low loan rates, grants, credits, or whatever it might be.

I support conservation. I believe conservation incentives should be continued and expanded in the future. Here in Minnesota we need the help of Federal Conservation programs. Our State Pollution Control Agency (MPCA) has identified nearly 2,500 hundred bodies of water that do not meet the standards set for the Federal Clean Water Act, and are therefore listed as “Impaired”.

The Minnesota Legislature recently passed a bill known as the “Clean Water Legacy Act” to clean up those waters and leverage Federal farm bill dollars. Programs such as the Conservation Reserve Program (CRP), Environmental Quality Incentives Program (EQIP) are important for this effort. The Conservation Security Program (CSP) also has great potential here in Minnesota.

While I personally do not have any land in CRP, I have some acres in the Reinvest in Minnesota (RIM) program. It is similar to CRP, and in my area of Northwestern Minnesota many of the counties are at their 25 percent maximum of land in CRP. I know farmers in Minnesota appreciate flexibility in programs like CRP, especially emergency haying and grazing during a drought. This kind of flexibility is very important as farmers consider re-enrolling at Farm Service Agency offices, and as drought concerns increase.

No matter what programs farmers sign up for, they need Farm Service Agency (FSA) offices in their counties. I want to thank the members of this committee for monitoring FSA’s plans to reorganize. For farmers, travel time to offices, computer issues (like speed and availability), and the need to talk to someone in person are all important issues to take into consideration. In fact I would argue that our local county offices need more staff and funding, not less.

I would also urge the committee to consider the idea that a future farm bill should include an energy title. Minnesota was the first State in the Nation to pass mandated levels for ethanol and biodiesel. The state’s first biodiesel plant was just a short distance east of here at the Farmers Union Marketing and Processing plant in Redwood Falls. Farm-based fuels can grow even more, with the potential for farmers to use more wind and solar energy. An energy title in the next farm bill can help.

While I am not a livestock producer, I am a strong supporter of Mandatory Country of Origin Labeling (COOL). Many livestock producers I know are frustrated that COOL has been postponed. It was supposed to be enacted by 2004. Enacting COOL also makes sense if the USDA continues with its efforts with the National Animal ID System (NAIS).

In conclusion, I again thank the committee members for their time, and I urge you to consider extending this current farm bill. It is my hope that the United States does not trade away our domestic policies and safety net while the WTO negotiations are still ongoing. For Federal farm policies, I urge you to consider programs that build on the current farm bill, with price supports and conservation, but with more support for farm-based energy, fair trade policies, a permanent disaster aid program, and strong support for Farm Service Agency services.

STATEMENT OF CYNTHIA A. BROWN

Mr. Chairman, and members of the committee. My name is Cynthia Brown. I am both a farmer and a dry bean dealer from Menomonie, Wisconsin. I appreciate the opportunity to submit this statement for the record on the upcoming farm bill on behalf of the United States Dry Bean Council (USDDB).

By way of personal background, I am proud to note that my family has continuously farmed on our land in Menomonie since 1858. We presently farm about 3,800 acres, of which about 3,000 acres are devoted to dry bean production. My family started growing dry beans in the late 1960's, and has operated our bean dealer business, the Chippewa Valley Bean Company, since the early 1970's. I currently serve as president of the U.S. Dry Bean Council, as the Delegate to the U.S. Dry Bean Council from the North Central Bean Dealers Association, and as a Member, appointed by Governor Doyle, of the Citizen's Advisory Board of the Wisconsin Department of Agriculture, Trade, and Consumer Protection.

Mr. Chairman, I am pleased to have this opportunity to present views on the upcoming farm bill, from the joint perspective as a grower and as a dry bean dealer, on behalf of the domestic dry bean industry as represented by USDDB. By way of background, USDDB is a trade association representing farmers, processors, canners, dealers, distributors, and others involved with all aspects of growing, processing, marketing, and distributing of dry beans produced in the United States. It is composed of State and regional grower and dealer associations from all the major production areas of the US, and individual companies involved in all aspect of the domestic dry bean industry. I should note that we are in the final stages of a consolidation and merger earlier this year of the American Dry Bean Board and the Beans for Health Alliance into USDDB. These actions were taken with the goal of having one voice-USDDB-speak and advocate for the betterment of the U.S. dry bean industry as a whole.

Nearly 20 different classes of dry beans are grown in the US, including pinto, navy, kidneys, black, great northern, small red, pink, lima, and other classes of dry beans. Dry beans are grown in about 20 States with major production areas being in North Dakota, Michigan, Nebraska, Minnesota, Colorado, Idaho, and California. In 2005, USDA NASS statistics indicate that harvested U.S. dry bean acreage was nearly 1.57 million acres, and that production was about 1.37 million short tons for all classes of dry beans grown in the United States. Annually, about 30 percent of dry bean production is exported with major importing countries for U.S. dry beans being Mexico, the UK, and Japan.

FARM BILL CONSIDERATIONS AND POSITIONS

In looking at the upcoming farm bill, the dry bean industry in general, and growers specifically, are primarily interested in maintaining equity and a level playing field among commodities as it relates to dry beans. We feel strongly that the farm bill should provide a foundation for maintaining the present stability for dry bean growers and the industry, and for achieving long term growth and health for both growers and the industry. Above all we believe it should do no harm to any commodity or producer group, and that it should provide fair and equitable treatment to all segments that comprise the commodities that make up U.S. agriculture. In this regard, it should be kept in mind that dry beans are not a program crop, and that dry bean growers are not presently receiving support payments from the government. In fact, dry bean growers have strongly opposed establishing a loan or other type support program in previous farm bills. As discussed in greater detail later, we strongly support maintaining the status quo for dry bean growers, which includes the retention of planting restrictions on non-program crops on program crop acres for producers who receive support payments on those acres. Because of the unique situation of growing dry beans, any change in the present status quo would require establishing offsetting direct economic compensation to historical dry bean producers to maintain fairness and equity.

Additionally, USDDB believes that it is the continuing proper role of government and government programs to provide general support in a number of areas that contribute to the overall health and long term growth of production agriculture and agribusiness that benefits producers and consumers well into the future. Consequently, we support the farm bill and believe it should provide adequate mandatory annual funding for existing programs that benefit fruit and vegetable producers. It should also establish and fund new programs that are devoted to dry bean research, nutrition information, consumer education, promotion, risk management, conservation practices, and other related activities that will sustain the vitality over

time of agriculture generally, and dry beans specifically. Our views and suggestions with regard to specific programs and policies follow:

Fruit and Vegetable Planting Restrictions for Non-program Crops on Program Crop Acres. We strongly support maintaining present restrictions on planting non-program crops, such as dry beans, on program crop contract acres for producers who receive program crop subsidy payments on such contract acres. While this restriction has been beneficial to all non-program and specialty crops, it is most important to dry bean growers because of the unique situation of dry beans. Dry beans are typically grown in rotations with, or in areas where, major program crops are grown. While dry beans represent nearly 20 percent of non-program or specialty crop acreage, dry bean acreage is only a fraction of the acreage of major program crops (about 2% of soybean acreage, for example). So, even a small percentage shift in program crop acreage to a non-program crop with an existing delicate supply/demand balance, such as dry beans, will lead to overproduction and price erosion. Further, unlike other non-program crops or specialty crops, very little, if any, economic barriers to entry exist in converting program crop acres to dry bean production. This is so because other non-program or specialty crops, most of which are perishable, typically require high levels of investment in equipment to plant, maintain, harvest, and store the crop, along with technical expertise, marketing channels, and specialized labor needs. Unfortunately, such economic barriers to entry do not exist with dry bean production, i.e. any existing farmer with equipment to plant and harvest grains, such as soybeans and corn, can use the same equipment to plant, tend and harvest dry beans. Eliminating the planting restriction would disadvantage the historical dry bean grower by subsidizing a likely new significant level of dry bean production on program acres-a result which would be neither fair, nor equitable.

Consequently, the United States Dry Bean Council has historically opposed any action that would allow farm program crop producers to receive program crop subsidies for planting non-program crops, like dry beans, on program crop contract acres. As just described, such a practice would have the effect of allowing unfair competition from subsidized producers against unsubsidized non-program crop producers and would likely result in a severe disruption of the present delicate supply/demand balance for dry beans. It would disrupt the present open and competitive market in dry beans, especially since few, if any, economic barriers exist to entering the production of dry beans. As such, dry bean growers across the U.S. oppose any legislative, administrative, or any other action that would eliminate the present restrictions on planting non-program crops, such as dry beans, on program crop contract acres for producers who receive program crop subsidy payments on such contract acres. This position was recently unanimously affirmed by USDBC's membership at its annual summer meeting.

Dry bean growers are concerned, however, that recent legislative initiatives and a World Trade Organization ruling have caused some to question continuation of the present planting restrictions in the 2007 farm bill. We strongly question whether the WTO ruling justifies concern over maintaining the planting restrictions, especially since the ruling's reference to the restrictions was only an added comment in the ruling and not determinative in the case. As I mentioned earlier, however, we want to insure a level economic playing field for all future producers of dry beans, whether they are new producers who receive program crop subsidies when growing dry beans on program crop contract acres, or they are growers with a history of producing non-program crop dry beans. Consequently, while dry bean growers continue to strongly support the present dry bean planting restrictions on program crop acres, should serious consideration be given to eliminating the restrictions, we believe establishing a program that would be WTO compliant and that would provide offsetting direct economic compensation to dry bean producers with a proven history of production must be given like consideration. Indeed, we believe that establishing such compensation for existing dry bean growers should be considered a condition to any effort to eliminate the planting restrictions. It would only be fair and equitable to historical unsubsidized dry bean growers in an effort to equalize competition with new producers who will effectively receive a program crop subsidy for growing dry beans on program crop acres. Additionally, such an action would increase the need for greater government involvement in other supportive activities. This, along with the recent enhanced recognition of dry bean nutritional value, i.e. FDA authorizing a dietary guidance message for dry beans and dry beans appearing twice on USDA's new Food Pyramid, has heightened the need for enhancing existing, and establishing effective new, Federal programs that are annually funded and are devoted to dry bean research, nutrition information, consumer education, promotion, conservation practices, risk management, and other dry bean related activities. Again, at its recent annual meeting, USDBC members unanimously voted to

support equitable direct economic compensation for historical dry bean growers and for enhancing general governmentally backed supportive activities as minimally acceptable offsetting equitable alternatives to possible loss of planting restrictions.

Maintaining and Enhancing Export Market Assistance Programs. We strongly support continuation of the Market Access Program (MAP) and the Foreign Market Development (FMD) Program as administered by USDA at full funding levels as provided in the 2002 farm bill. Dry bean growers and the industry are heavily dependent on exports, which account for as much or more than one-third of annual domestic production. The dry bean industry, through USDBC, has extensively utilized both MAP and FMD programs and has found them to be tremendously successful and extremely cost-effective in helping maintain and expand exports, protect American jobs, and strengthen farm income.

They are sophisticated and progressive cost-sharing programs, in which the U.S. government and industry work in close cooperation to achieve strategic gains in foreign markets. Export markets provide some of the best economic support to the farm community overall, and the U.S. needs to continue to include these valuable export promotion programs in the "safety net" for farmers.

USDBC supports, at least, continued minimum annual funding of \$200 million for MAP and \$34.5 million for FMD.

Continuation and Enhancement of Existing Overseas Food Aid Programs. USDBC has continuously supported the continuation of in-kind U.S. commodity donations and full funding levels for our highly successful overseas food aid programs- specifically PL 480 Title II, Food for Progress, and the Global Food for Education Initiative. Since the worldwide demand far outstrips present donations, USDBC also has opposed any proposals that would further reduce or transfer the present base level of funding for these valuable programs. Although the future of the present negotiation is in limbo, USDBC believes that food aid is humanitarian assistance and should not be used as a negotiating tool in the WTO or other trade negotiations. As such, it strongly supports the efforts of the U.S. Trade Representative to exclude food aid from such negotiations; to reject the "cash only" approach of the European Community to food aid; to maintain the world leading U.S. in-kind commodity donation food aid programs as they have been successfully developed and delivered for years; and to continue the dual objective of U.S. food aid programs-to provide in-kind commodities for humanitarian relief for emergencies, and for continuing development relief efforts.

Funding and Enhancing Specialty Crop Competitiveness Act of 2004. The dry bean industry believes it is very important to fully fund and enhance the existing block grant program for states set out in the Specialty Crop Competitiveness Act of 2004. A previous block grant program was successfully utilized by states to conduct valuable dry bean research, promotion, nutrition, and information activities needed to enhance competitiveness. Such an approach is very valuable in that State and local entities are uniquely able to assess areas of need and to apply programs tailored to help growers and others in the industry make advancements on issues of local and regional concern. Unfortunately, the program has only been funded at minimal levels (\$7 million), while the program was envisioned to have annual funding of about \$50 million. USDBC strongly supports full mandatory funding of this valuable program, and would encourage consideration to its expansion.

In summary, the dry bean industry and, especially its growers, believe the next farm bill should strive to provide equity among commodities, while maintaining stability for growers, both now and in the future. Being a non-program crop, we are especially concerned that actions not be taken that are perceived to be solutions to problems facing program crops, but that will have serious unintended consequences and repercussions on non-program crops such as dry beans. Should that occur, equity will demand that offsetting actions must be taken to minimize the harm to growers of other commodities, such as dry beans, that will be impacted. Thank you again for the opportunity to express these views on behalf of the U.S. dry bean industry and, especially its growers.

**Submission by Steve Williams, President of the American Sugarbeet Growers Association and the Red River Valley Sugarbeet Growers Association
Full Committee on Agriculture
Field hearing to review federal farm policy
Marshall, MN
July 22, 2006**

“U.S. Sugar Policy in the Next Farm Bill”

My name is Steve Williams, President of the American Sugarbeet Growers Association and the Red River Valley Sugarbeet Growers Association. On behalf of my fellow Minnesota and North Dakota sugarbeet growers, I am pleased to submit testimony for today's hearing.

I am a lifelong resident of Fisher, Minnesota, and a third generation sugarbeet farmer. I raise 700 acres of beets, 700 acres of wheat, and 700 acres of soybeans on some of the same land my grandfather selected for its fertile soil in the central Red River Valley. My father still does some work on the farm. He is 81 and still enjoys planting, cultivating and harvesting beets. Also, my brother-in-law and my nephew work for me full time. It is a true family farming operation that my wife Jan and I are proud to run.

Here in Minnesota, the number one sugarbeet producing state in the nation, sugarbeet harvest is a community affair. Many local residents take their annual vacations to help drive the trucks and operate the equipment for the intense around-the-clock harvest. My farm employs an additional seven people during sugarbeet harvest. But this is just the tip of the iceberg. Thousands of jobs are directly supported by the sugarbeet factories that line the border between Minnesota and North Dakota. Between the three cooperatives in this region there are seven sugarbeet factories, each supporting hundreds of solid jobs. These jobs keep our small towns alive.

I know from first-hand experience the importance of sugarbeets to the local economy because I was the mayor of Fisher, a town of 500 people. Sugar is our value-added industry. It is the engine that supports the tax base that is so important to our local schools and infrastructure. It provides the jobs that helps keep our young people in the area. The money it puts into the community would be impossible to replace. Dozens of small towns throughout the Red River Valley have the same story, and collectively we've been doing it here for over a hundred years.

This small town success story was not achieved, nor is it sustained, by accident. The Red River Valley of Minnesota and North Dakota is arguably the most efficient sugarbeet producing region in the world. These family farms, these small-town employees, are among the best at what they do, and for reasons explained in the following testimony, we believe Congress should maintain fair and stable sugar policy well into the future. Without it an efficient U.S. industry, and our way of life, will be destroyed.

Sugar Policy Is Working

U.S. sugar policy is working for U.S. consumer and taxpayers, and gives American sugar farmers a chance to survive. The industry and the policy have survived some major challenges over the past few years.

- A disconcerting 3-year decline in sugar consumption during 2001-2003 coincided with some unusually large crops that caused a huge buildup in producer-held stocks of sugar in 2004 and 2005.
- The threat of large imports of sugar from Mexico under the NAFTA and possible mandates for more sugar imports in other free trade agreements caused uncertainty in the market.
- An unprecedented string of natural disasters – drought in the West, excessive rains in the upper Midwest, and three hurricanes that ravaged Louisiana and Florida – sharply reduced domestic production.

But the market is on the mend and the policy has shown its adaptability to challenging circumstances.

Sugar consumption has rebounded strongly. After average annual declines of more than 150,000 tons during 2001-2003, consumption has been growing at a robust rate in excess of 200,000 tons per year since then (*Figure 1*).

USDA has responded to the coincidence of added demand and reduced supply in a manner that has defended both taxpayers and consumers. To their credit, USDA and the industry took immediate, effective steps to avoid a serious supply interruption.

- USDA allowed producers to release onto the market the half million tons of sugar producers had been required to store to balance the market.
- USDA more than doubled imports. We are now the world's second largest sugar importer.
- Cane refiners damaged by the hurricane worked frantically, with important help from USDA, to care for their workers and get their operations up and running again.

Throughout, consumer sugar supplies and prices have remained steady and U.S. sugar policy has continued to operate at no cost to taxpayers.

On the trade policy front, USDA has reassured Congress, and the industry, that it will not allow unneeded imports from Mexico or under other FTAs to jeopardize the no-cost operation of sugar policy for the remainder of the 2002 Farm Bill.

Background: Industry Size, Efficiency, Restructuring

The U.S. sugar producing industry accounts for 146,000 jobs in 19 states and generates \$10 billion in annual economic activity. Sugar is vital to the economies of many states and localities. Here in the Upper Midwest region of Minnesota, North Dakota, and Montana, the sugarbeet industry is an important economic force. According to North Dakota State University, it generates over \$3 billion in annual economic activity, creates 3,000 direct-employment jobs, and indirectly supports 30,000 jobs. For every dollar the sugarbeet industry spends in the region, \$1.85 in economic activity is created.

In states such as Louisiana and Wyoming, sugar accounts for about 40 percent of the state's total crop receipts. Sugar accounts for 11-24 percent of all crop receipts in seven other states. There are small towns in every state that would most likely wither and die if they lost their sugarbeet or sugarcane processing plants.

The United States is the world's fifth largest sugar producer and consumer and the second largest importer. U.S. production is about evenly divided between sugarbeets, grown in twelve mostly northern-tier states, and sugarcane, in four southern states (*Figure 1*).

Two decades of declining real prices for our product have forced U.S. producers to reduce costs. We have done so through investment in yield-improving technology, in the field and in the factory – beet sugar yields per acre are up 35 percent and cane sugar yields 38 percent since the early 1980's (*Figure 2*) – and through a wrenching industry restructuring over the past several years.

Beet and cane growers throughout this nation are among the most efficient sugar producers in the world. We are particularly proud that we achieve this efficiency while complying with the world's highest labor and environmental standards and despite the strong dollar over the past several years, particularly relative to the developing countries that dominate the world sugar market.

According to LMC International's global 2003 survey, beet growers in the Red River Valley of Minnesota and North Dakota are the most efficient beet growers in the world. U.S. beet sugar producers, as a whole, are the third lowest cost among 41 producing countries or regions; U.S. cane sugar producers are 26th lowest cost of 64 countries, virtually all them developing countries with low social standards and costs.

In the late 1990's, even nominal sugar prices were extremely low (*Figures 3-6*), and this accelerated the industry restructuring. Just since 1996, nearly a third of all U.S. beet and cane processing mills and cane sugar refineries have closed. Independent beet processors and cane sugar refining companies sought to exit the business. When no potential buyers emerged, beet and cane growers, alarmed they would have no place to deliver their sugarbeets and raw cane sugar, organized cooperatively to purchase beet processing plants and cane refineries.

Just between 1999 and 2005, the grower-owned share of U.S. total sugar refining capacity more than doubled, from 34 percent to 84 percent. Growers' share of cane sugar refining capacity shot up from 14 percent to 73 percent; beet growers' ownership of beet processing capacity became complete, climbing from 62 percent to 100 percent. While this enables the growers/processors to achieve greater efficiencies, the enormous amount of investment involved makes the growers more dependent than ever on maintaining a stable sugar market in the U.S.

Background on U.S. Sugar Policy

U.S. sugar policy is unique among U.S. commodity programs. Under all commodity programs, the government offers farmers operating loans which they can satisfy by repaying the loan with interest or by forfeiting to the government the crop they put up as collateral. While other programs also provide income support to farmers when market prices fall below the loan rate, sugar policy does not, and is designed to run at no cost to the government by avoiding loan forfeitures.

Sugar policy is an inventory management program. The Secretary of Agriculture has two tools to manage the market: a WTO-legal tariff-rate quota (TRQ) to control imports, and a marketing allotment program to control domestic supplies.

The TRQ is a tool of limited use. The government cannot reduce imports below the minimum to which it has committed in trade agreements: 1.256 million short tons in the WTO and up to 276,000 short tons of surplus production from Mexico in the NAFTA. Essentially by subtracting required imports from

anticipated consumption, and allowing for reasonable stock levels, USDA calculates the amount of sugar that could be marketed each year without the risk of depressing prices and inviting loan forfeitures.

When Congress designed sugar policy in the 2002 Farm Bill, it also specified that marketing allotments would be triggered off if imports rise above 1.532 million short tons, the total of U.S. import requirements under the WTO and the NAFTA. Congress essentially was sending a message that this required import amount, about 15 percent of U.S. sugar consumption, was enough. Imports could grow if U.S. sugar consumption growth outstrips U.S. production growth, or if there is a crop shortfall. But U.S. producers should not have to cede larger minimum shares of their market to foreign producers.

CAFTA and Sugar Policy. CAFTA or other bilateral or regional free trade agreement (FTA) concessions, on top of the WTO and NAFTA concessions, could trigger off marketing allotments and endanger no-cost operation of sugar policy. The additional 120,000 short tons of first-year access granted to CAFTA countries exceeded the limits on the import concessions that Congress envisioned.

The Administration did, however, prior to CAFTA's passage in July 2005, promise that the new FTAs would not jeopardize no-cost operation of U.S. sugar policy, at least in the short run.

In a June 29, 2005, letter to Chairman Chambliss, Secretary Johanns provided assurance that "the DR-CAFTA will not interfere with USDA's ability to operate the sugar program in a way that provides the full benefit to domestic growers through the remainder of the 2002 Farm Bill. If the Farm Bill import trigger is exceeded and the domestic market is adequately supplied with sugar, then the excess imported sugar up to an amount equivalent to DR-CAFTA imports will be purchased by CCC and made available for conversion to ethanol." Secretary Johanns also promised a USDA study on "the feasibility of converting sugar into ethanol," which was issued July 10, 2006.

Secretary Johanns noted that his assurance would apply to "imports from NAFTA, CAFTA, and other trade agreements" in addition to the import trigger amount of 1.532 million short tons. This assurance is valuable because of the added danger to the program's operation posed by above-quota imports from Mexico and by additional concessions since negotiated in FTAs with Colombia (55,115 short tons) and Peru (12,125 short tons) (*Figure 5*).

The U.S. sugar market has been able to absorb additional CAFTA sugar and Mexican above-quota imports this year because of the sharp drop in domestic production in 2005/06, and USDA has not needed to divert any imported sugar to nonfood uses. It is likely, however, that the factors that allowed the additional CAFTA sugar to be absorbed this year will not exist in future years.

Trade Policy Concerns

American sugar producers are rueful about the reality that, while we are efficient and would like to become more so by increasing throughput and minimizing unit costs, U.S. trade policy constrains us from doing so. With consumption declining as it was in recent years and a large segment of the U.S. market reserved for imports, American producers are residual suppliers of their own market. To make matters worse, there is enormous political pressure to increase imports and no prospect of reducing them.

FTAs. In addition to the CAFTA which cedes another 169,000 short tons of our market to those countries over the next 15 years, the Administration is at various stages of negotiating bilateral or regional FTAs with 21 other sugar-exporting countries. These countries produced an annual average of 50 million tons of sugar during 2003/04-2005/06. They exported 25 million tons per year – nearly triple U.S. sugar

consumption. All these countries already enjoy guaranteed shares of the U.S. sugar-import quota, essentially duty-free.

The American sugar industry does not believe the U.S. sugar market should be carved up for subsidized foreign sugar producers, particularly without addressing the subsidies in those countries. We therefore urge the Administration to either exclude sugar from future FTA negotiations or ensure that the import concessions that are granted in these agreements do not depress the U.S. sugar market. Keep in mind that reforms of FTA countries' market distorting programs do not occur in FTAs -- these agreements do nothing to level the playing field in the highly distorted world market for sugar.

WTO. Sugar is the most distorted commodity market in the world. The government in every country that produces sugar intervenes in its sugar market in some way. The biggest producers, and subsidizers, dump their surplus on the world market for whatever price it will bring. As a result of this pervasive dumping, so-called world market prices for sugar have averaged barely half the world average cost of production over the past two decades (*Figure 8*).

No producer could survive at prices so low. But government intervention ensures that domestic wholesale prices, at which most sugar is sold, are well above world dump market levels. Globally, domestic clearing prices for sugar average 22 cents per pound -- about double the world dump market price and virtually the same as the U.S. refined beet sugar support price of 22.90 cents per pound (*Figures 9, 10*).

The sugar subsidy problem is a global problem. It must be addressed globally in the WTO -- comprehensive, multilateral, sector-specific negotiations -- all countries, all programs. The industry has supported the WTO approach since the onset of the Uruguay Round in 1986.

Piecemeal market access concessions in bilateral and regional free trade agreements will *not* help solve the global sugar subsidy problem. Such concessions could, however, put the U.S. sugar industry out of business while foreign subsidies continue unchecked. Further, it will force U.S. sugar producers to grow other crops, depressing those prices and increasing the federal program costs.

Given the current state of WTO negotiations, however, the industry is doubtful that fundamental reform of the world sugar market can be accomplished in the Doha Round. Many of the most highly distorting foreign sugar policies are indirect and non-transparent and, thus, not easily reached by the formulaic approach being pursued in the negotiations. It seems highly unlikely that, if agreement on the basic modalities is reached, there will be sufficient energy, time, or leverage to pursue sectoral approaches.

Developing countries account for 75 percent of world sugar production and exports. But, given the extensive commitments to special and differential treatment and the opaque nature of most developing-country policies on sugar, such policies will be little affected by Doha. Furthermore, most sugar-producing developing countries will likely claim "special product" status for sugar to avoid opening their own markets to imports. Finally, some sugar producing developing nations have highly sophisticated agricultural sectors and we therefore support differentiation among developing countries.

NAFTA. The 15-year NAFTA phase-in will end in 2008 with the elimination of all barriers to trade in sugar and corn sweeteners; moreover, the WTO has ruled that Mexico must eliminate the 20 percent tax it imposes on beverages made with corn sweeteners. Unlimited imports and use of corn sweetener in Mexico could displace as much as two million tons of Mexican sugar and thousands of Mexican sugar farmers. A flood of Mexican sugar into the United States would destroy the U.S. market.

The Mexican sugar industry, nearly half of which is still owned and operated by the Mexican government, is also concerned about competition with efficient American sugar producers. It has not permitted the entry of the 7,258 tons of annual sugar access the U.S. is allowed under NAFTA. This amount, and additional shipments, could begin flowing into the Mexican market in 2008.

The sugar industries of both countries are exploring ways in which their governments might manage sweetener trade flows between the countries and maintain stable market conditions beyond 2008.

U.S. Sugar Policy: Success for Taxpayers

American sugar farmers are proud of the fact that sugar is the only major U.S. commodity program run at no cost to taxpayers. We derive all our returns from the marketplace. We receive no income supports from the government to cushion the blow when market prices drop. We have not had an increase in our support price in 21 years, though inflation since 1985 has been 81 percent.

In many years U.S. sugar policy has been a revenue raiser. During the 17-year period of fiscal years 1991 to 2007, government outlays for all other commodity programs are estimated to be \$253 billion. In contrast, sugar net *revenues* to the government are estimated to be \$22 million. Since the start of the 2002 Farm Bill, sugar policy net revenues have been \$239 million (*Figure 8*).

U.S. Sugar Policy: Success for Consumers

American consumers get a great deal on sugar. Consumer prices are low and affordable by world standards, and extremely stable. Foreign developed-country consumers, on average, pay 30 percent more for their sugar than American consumers do. And, remarkably, U.S. retail sugar prices are essentially unchanged since the early 1990's. In terms of minutes of work to purchase a pound, sugar in the U.S. is about the most affordable in the world (*Figures 9, 10*).

Even after the shock to the U.S. sugar supply chain from the weather disasters in 2005, U.S. retail prices still averaged 43 cents per pound – the same level as in 1990 and even in 1980.

American consumers' savings on sugar could be even greater, but history has shown that consumers do *not* benefit when producer prices for sugar fall: Grocers and food manufacturers routinely absorb their savings as higher profits rather than passing the lower sugar prices along to consumers. Food manufacturers have enjoyed retail price increases for sweetened products at least in line with inflation, while paying producers lower prices for the sugar the manufacturers buy (*Figure 11*).

Higher Wholesale Prices in 2005/06

Food manufacturers complain that wholesale refined sugar prices have risen and that at times during the post-hurricane period supplies were tight. It is important to put these developments into perspective.

- The wholesale price increase has been only the third significant rise in the past 21 years – on a par with modest rises in 1989-90 and 1996 related to weather-related crop disruptions. Corrected for inflation, prices food manufacturers paid for sugar in 2005 were 30 percent lower than in 1985 (*Figure 3*).
- Food manufacturers have, in effect, been victims of their own success. In bringing policy pressure to keep producer prices for sugar low the past two decades, they have forced many producers out of business (38 percent of all sugar production facilities have closed just since 1996) and reduced

capacity. Manufacturers have shifted storage burdens on producers and demanded just-in-time delivery. These factors have made manufacturers vulnerable to transportation and producer-facility disruptions.

- The food manufacturers have demanded extremely high-quality sugar and this has made them vulnerable to the type of quality problems they have experienced with foreign sugar.
- Their first market price rise in 10 years is enabling producers to cope with soaring costs for fuel, fertilizer, and weather damage and, perhaps, buy down some of their debt.

The lesson to the food manufacturers, and to Congress, is clear: If food manufacturers are to expect reliable high-quality supplies of refined sugar, they cannot afford to force more U.S. beet processors or cane refiners out of business.

Conclusion

U.S. sugar policy has worked for American taxpayers and consumers. It has given American sugar growers a chance to survive in a highly subsidized and distorted world market.

The greatest threat to continued no-cost operation of this successful policy is the horde of FTAs with sugar-exporting countries that could carve up our market to subsidized foreign producers, without addressing any of the foreign subsidies that so badly distort the world market. These foreign distortions must be addressed, but that can only occur in the multilateral context of the WTO.

We urge that fair and stable U.S. sugar policy be allowed to continue.

Figure 1

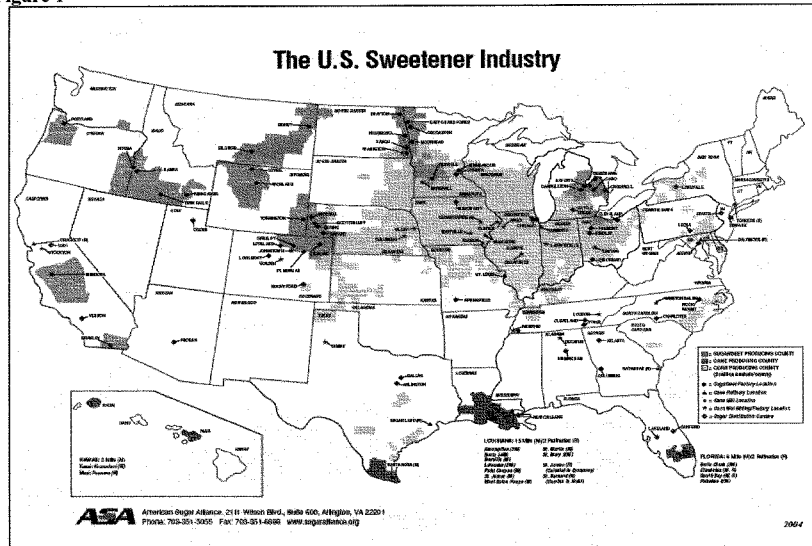


Figure 2

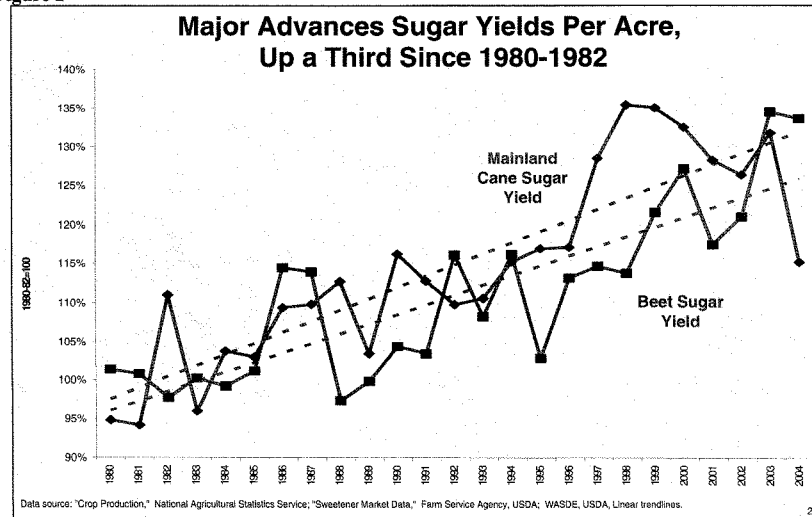


Figure 3

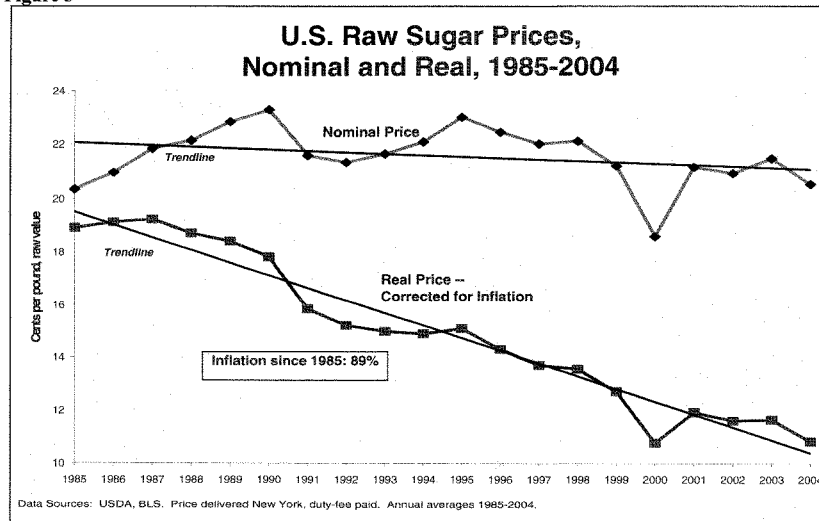


Figure 4

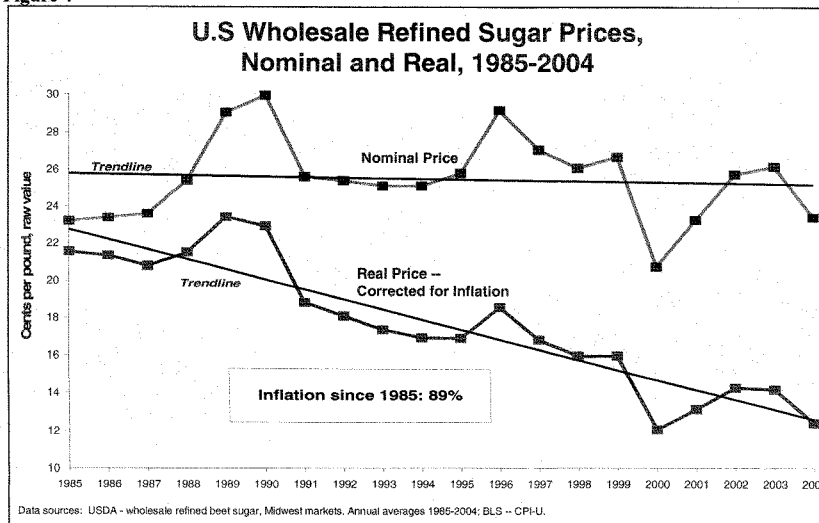


Figure 5

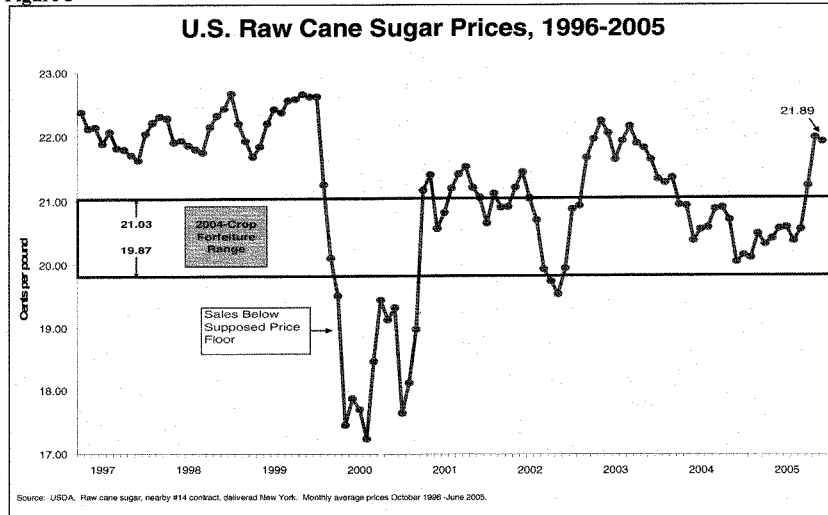


Figure 6

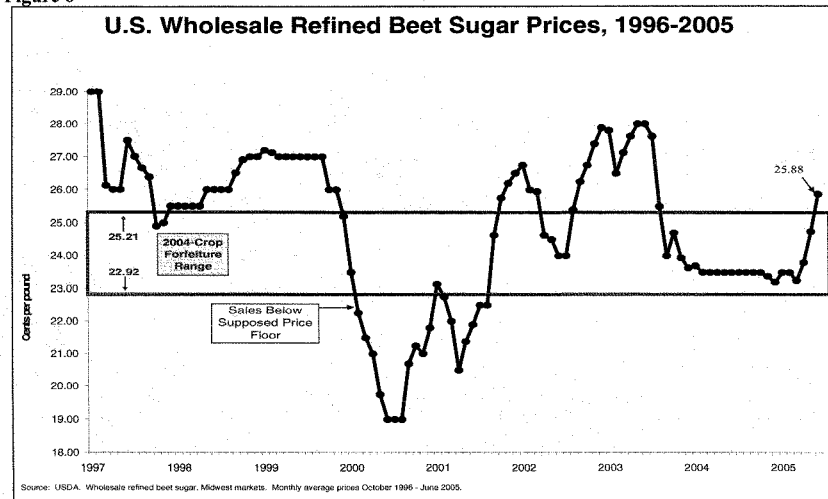


Figure 7

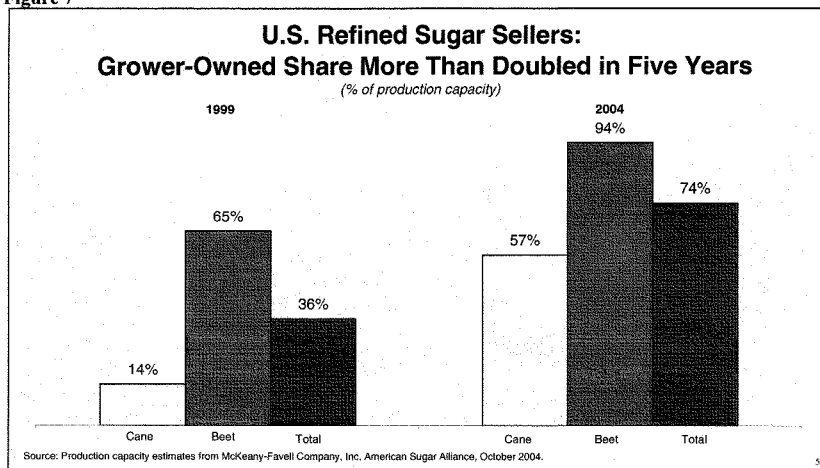


Figure 8

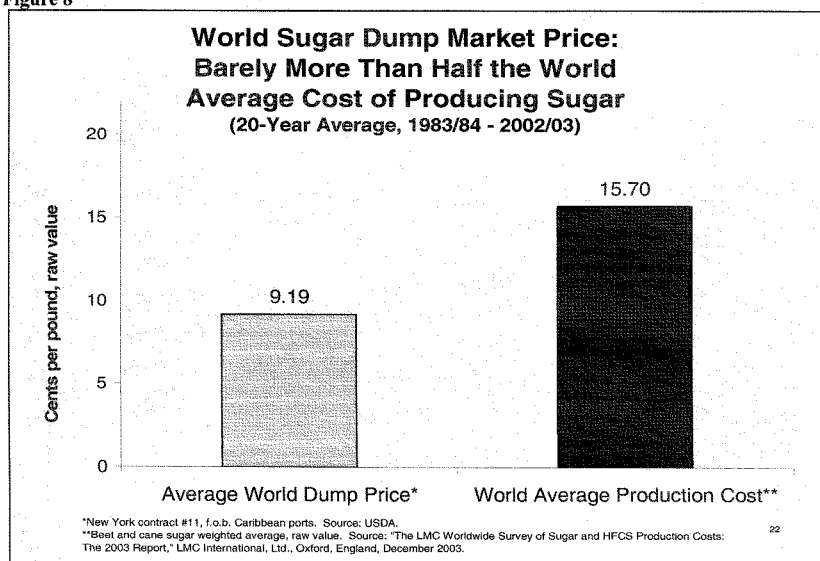


Figure 9

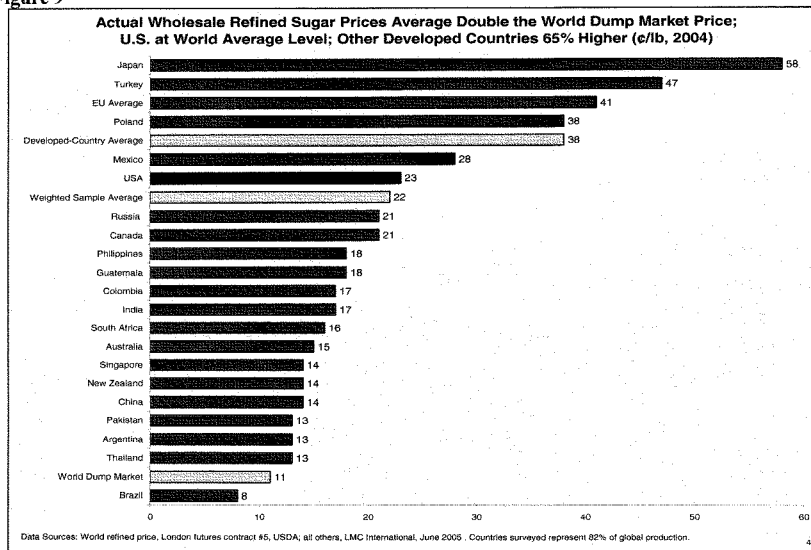


Figure 10

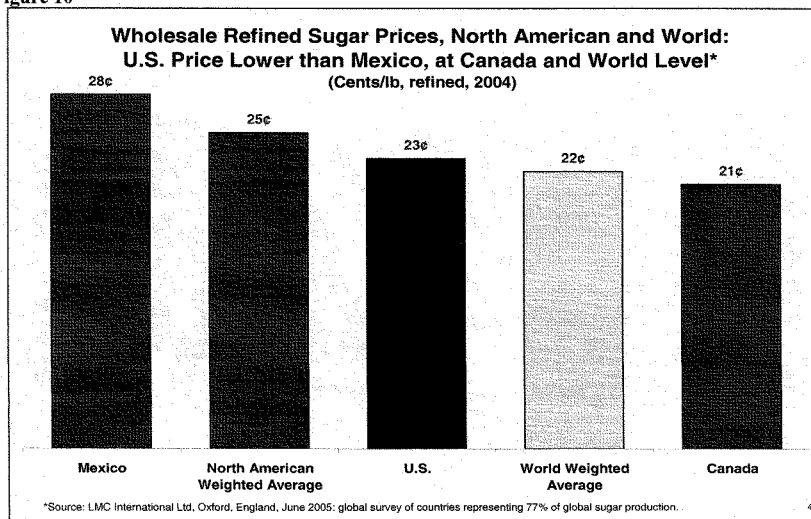


Figure 11

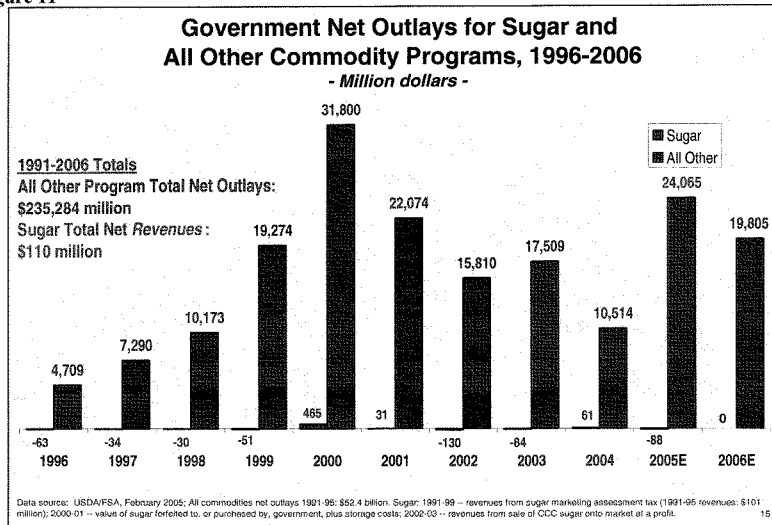


Figure 12

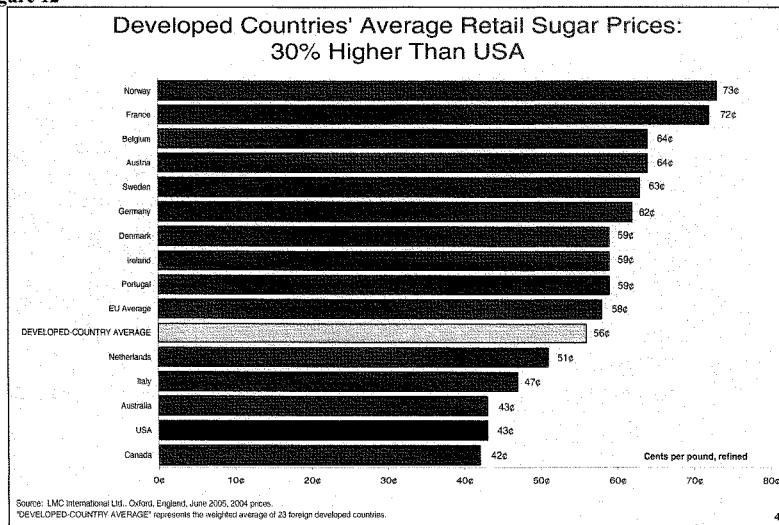


Figure 13

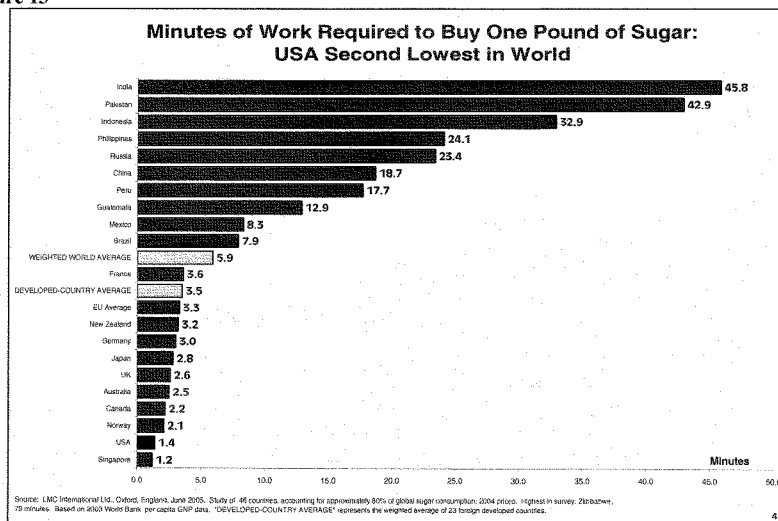


Figure 14

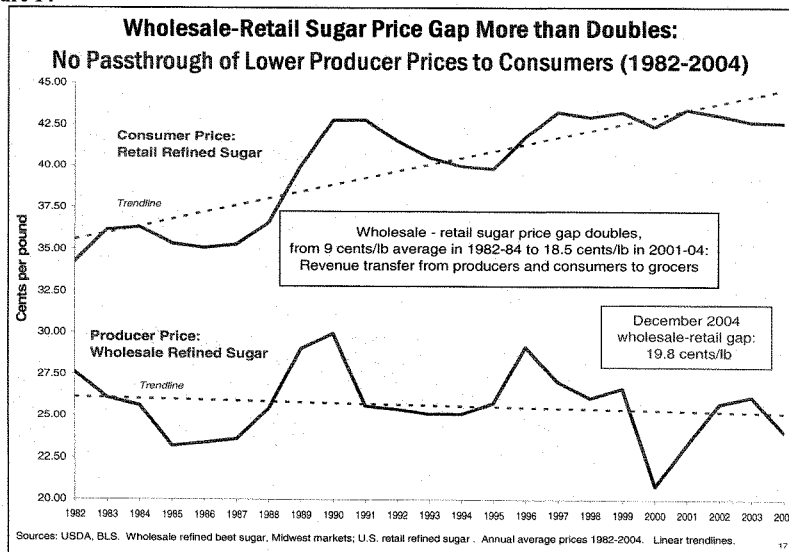


Figure 15

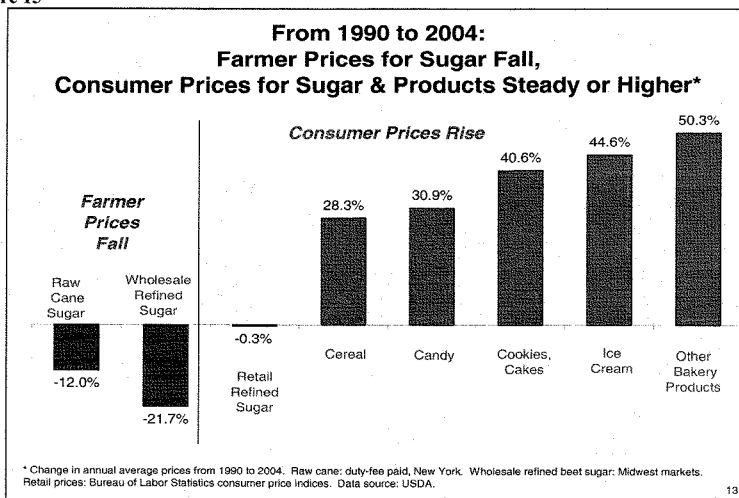
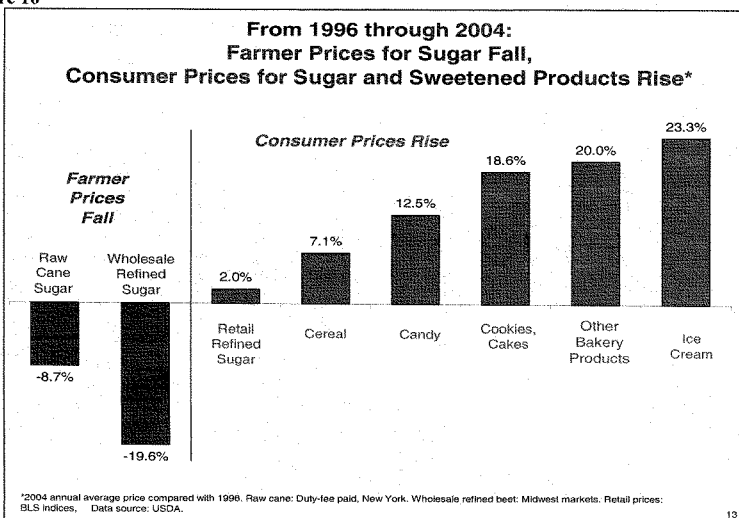


Figure 16



Good morning, Mr. Chairman, Congressman Peterson, and members of the committee. I would like to thank you for the opportunity to testify here today. My name is Pete Rothfork, and I am a turkey farmer.

Welcome to the 7th District, the largest turkey producing district in the United States. According to the Minnesota Turkey Research and Promotion Council check off figures, over 32,000,000 turkeys are raised in this District. According to a University of Minnesota study, the estimated economic impact of each bird is \$11.68, for an estimated economic impact of \$375,000,000 in this District alone.

I'm a 2nd generation turkey grower from Stearns County. I am an at risk grower. This means I buy my own poults, make my own feed and sell my birds at market price. My father started in the turkey business in the 1960's. I've been running our family business since his passing in 1992. If he were here and you asked him what he wanted from the Farm Bill he would simply say "We want to be left alone." The turkey industry has prided itself on being successful with no subsidies and very little help from the government. What do I want? A level playing field.

I am responsible for the oversight of about 675,000 turkeys on 4 farms. My brother-in-law grows about 100,000 on his farm and our partner, the Maleska family, grow about 350,000 on 3 farms in Stearns County. Together we own the Melrose Feed Mill. We produce 45,000 ton of feed a year. We employ 24 full-time employees in our feed mill and turkey growout facilities. We start at a minimum of \$8.00 per hour plus benefits. Most of our workers make \$10 per hour or more. Our managers make over \$30,000 per year plus benefits, which include paid vacation, health insurance, and in some cases, housing and vehicles.

I attended college but learned most of what I know about the turkey business from my dad and his partner. My degree in business is from the school of hard knocks and, believe me, it's an advanced degree.

Two areas of concern for me are renewable fuels and environmental regulations.

70% of the cost of a pound of turkey is feed. And 70% of our feed is corn. So roughly ½ the cost of turkey is corn. We feed corn for its energy and soybean meal for its protein.

We all agree that this country must cut its dependence on foreign oil. But the way the ethanol program is written, its effect on the turkey industry could be devastating. If there is a normal crop, there should be no problems. My concern is when the corn crop is too small to feed all the animals and fill the ethanol mandate. The manager of the ethanol plant knows the oil refiner needs to put a set amount of ethanol in their product. No matter what the price is. So he can bid up the price of corn until he gets enough. I have no way of knowing if I can sell my product and for what price. So I am very price sensitive. The last time we had small corn crops 1995 and 1996 it led to the highest feed costs our industry faced in the last twenty years. Not surprisingly, our industry faced record losses. We need safeguards so we will have enough affordable corn to feed our animals.

Renewable fuels are important to our country, but so is affordable protein.

It has been said we could use the bi-product from the ethanol plants (DDGs) in our rations. Earlier this year, while doing remodeling at our mill, we bought feed from a mill which used 10% DDGs in the ration. Our weights were less and our feed efficiencies on those flocks were worse than on the birds fed strictly a corn/soy diet. My dad always said "There are no secrets in nutrition. You can't fool the animal." Please give us safeguards in the event of a poor corn crop so we can continue to remain competitive.

We need protection from our federal agencies. Last fall, the FDA removed Baytril from the market without sound science based on turkey research. Since then, our livabilities are down about 4%. This is substantial. If you multiply that out for the whole 7th District, it amounts to over 1 million turkeys lost.

Many of you are aware that some are trying to extend two industrial environmental laws to agriculture – the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and the Emergency Planning and Community Right-to-Know Act (EPCRA). These laws were passed in the 1980's and were meant to regulate industrial activities not agricultural activities. I would like to thank Congressman Peterson and others for your help in clarifying this to others.

We need protection so we are not prosecuted under CERCLA and EPCRA. If we are following the EPA guidelines and have Manure management plans, we should be exempt from prosecution. We are stewards of the land. Until recently my 90-year-old mother drank from the same well we used to water our turkeys. My grandkids breathe the same air as our birds. I try to do all I can to not pollute the air and water. We have the 1st power plant to burn poultry litter coming on-line this winter in our District. Turkey litter is a valuable fertilizer. What is not burned at the power plant is spread on the fields at a safe rate.

We need to be sure our environmental regulations do not force animal production to leave this country for South America or Asia.

My family owns 15% of the Turkey Valley Farms processing plant in Marshall. We employ over 300 people and offer a starting wage of \$8.50 per hour plus benefits. We need a reliable supply of legal immigrant workers to keep our plant going. Our plant exports about 10% of our product out of this country. It's important we keep our export markets open.

Avian Influenza could devastate our markets, both domestic and export. We need to continue research funding for AI and Avian Pnuemovirus at current or higher levels. Also we need continued research in the area of food safety.

What do I want from the Farm Bill? A level playing field. Because with a level playing we can be competitive with anyone in the world.

Again, thank you for the opportunity to testify.

Statement Prepared by Tom Runholt
Residing at 2597 190th Ave
Marshall, MN 56258
For Inclusion as Testimony
U.S. House Agriculture Committee Field Hearing
Southwest Minnesota State University, Marshall
July 22, 2006

Honorable Chairman Goodlatte & Committee Members:

I am a Lyon County Minnesota farmer in the process of retiring from farming this year; and I want to address some of the issues I think this Committee should consider related to the enormous upcoming transition to a new generation of active farmers in this nation--- implied by the current majority of farm operators with an average age approaching 60.

Probably two out of three of us now leaving farming will not have immediate family members continuing their farm operation and will sell or rent their land to non-family members. Our interests will be different than those farmers transitioning their farm within their family. Nonetheless, all of us need federal farm and tax policies that will continue to encourage capable and ambitious young people to enter farming, and who will then have an opportunity to own a significant percentage of the land they farm.

Young farmer success is highly related to the impact of tax and farm policy on retiring farmers. One issue is that federal farm program payments get capitalized into the price of land and drive rental rates upward. Another is that retirees are generally reluctant to sell off farmland at retirement because most of the sale will be taxable immediately albeit at capital gains rates (above 22% in Minnesota) unless they have recently inherited the land with a stepped up basis. Income and appreciation from alternate investment vehicles purchased with after tax land sale proceeds is very often not considered high enough to justify selling the land

I would like to see new incentives for retirees to sell land to non-related farmers, or to transfer it without penalty within a family, with all deliberate speed after retirement.

A good vehicle would be to allow the portion of the proceeds from the sale of farmland sold to active farmers that would normally be subject to capital gains tax to be placed in a qualified tax deferred annuity without first paying the capital gains taxes. Earnings would accumulate tax free within the account. Disbursals would be taxable at capital gains rates until the original basis of the account was paid out; and taxed thereafter at ordinary income rates

Another reform would be to allow farmland transferred to actively farming family members by retired family members at the retiree's basis during the retiree's lifetime, to receive a stepped up basis at the death of the retiree, provided that his or her estate would not have been subject to estate tax with the inclusion of the additional property.

These two reforms, if enacted, would encourage land sales to unrelated farmers and intra-family transfers of land within a retiree's lifetime, rather than the current system which favors retirees holding land until death with significant negative social cost.

An additional issue has to do with the taxation of depreciated capital equipment. When farmers retire they typically have an inventory of still useable depreciated farm equipment with a value higher than their usual annual income. When they sell it they typically get taxed stiffly at high marginal rates. Noting that this stuff wasn't taxed when acquired, the tax man deserves his due at some point on the value of the residual. However as it was acquired gradually---and probably in lieu of making contributions to a retirement account---it should be taxed gradually on dispersal; perhaps spread over five years; or allow the proceeds into an IRA to be taxed as they are removed.

My statement wrestles mostly with issues related to the tax basis of property used in a trade or business by the self employed. Farmers and other self-employed are in a unique position as they mostly have to liquidate and transfer their business assets each new generation; paying at least some disbursal taxes in the process. In their working lifetimes they place priority on funding for their own business, before dealing with funding retirement accounts---which in effect fund other peoples' businesses. At retirement they may rely primarily on the value of their business assets rather than a 401K for retirement income. Many will need the pre-disbursal value of their business to provide for a secure retirement; much as people who receive a paycheck rely on a retirement account nest egg, accumulating tax-free. Their heirs, continuing the business can't reasonably pay disbursal taxes either because they compete against permanent corporate entities that don't refund each generation.

Congress needs to account for this reality as it legislates tax and farm policy. Minimally you need to retain the concept of stepped-up basis for a reasonable value of assets being transferred at death. Additionally you should consider the various other reforms addressed herein.

Thank you for the opportunity to place this statement on record.



Tom Runholt

Ph (507) 865-4580

e-mail: runholt@starpoint.net



4201 N. Interstate 27
Lubbock, Texas 79403
Phone: (806) 749-3478
Fax: (806) 749-9002

Sorghum for Ethanol Production

Introduction

The use of grain sorghum in ethanol is approximately 15% of the US grain sorghum crop. All the sorghum used in ethanol in US plants is being processed through dry-mill grinding, saccharification, fermentation, and distillation. This same process is also used on corn. Because of the identical processes, corn and sorghum can be used together in the same ethanol plant and yields of ethanol per bushel of grain are the same. Since the President's State of the Union speech calling for a move to biomass fuels, other uses of sorghum in ethanol production are being studied. This report looks at these other options and compares them to the grain-type production systems currently in use.

Sweet Sorghum

Sweet sorghum is currently being used in India, South America, and the Philippines to produce ethanol. Under current systems, the sweet sorghum is harvested, and then the stems are crushed and juice extracted at a mill, similar to sugar cane. Some harvesters are available to extract the juice in the field and leave the residue, called bagasse, in the field to be gathered at a later time. Once the juice is extracted, it is fermented and ethanol is produced. This ethanol is then distilled and dehydrated using the same equipment that is being used in ethanol production from grain sources. Currently in the United States, corn, sorghum, and wheat starch are being used as grain sources. The bagasse in most sugar cane mills is used to produce electricity to power the plant and then sell the excess to the power company on the grid. Some sweet sorghum proposals use this method for sorghum bagasse, while others use a methane digester to produce both electricity and fertilizer. There is very little data (if any) on the amount of electricity and fertilizer produced using sweet sorghum bagasse in a methane digester.

Current work on sweet sorghum to ethanol is being done in Florida with a USDA grant. The project is looking at different varieties of sweet sorghum and also evaluating the production techniques and costs of producing ethanol from sweet sorghum. Individuals in Hawaii have expressed interest in sweet

sorghum to ethanol plants as that state tries to meet its mandated ethanol percentage in gasoline.

Forage Sorghums

Forage sorghums have a role in lignocellulosic technologies that produce ethanol from biomass. Biomass production is based on utilizing the whole plant (or other organic waste) by breaking down lignin and cellulose to produce ethanol. The process of breaking down the lignin and cellulose is now the subject of much research in the ethanol community. Research has looked at hydrolysis, gasification, and other means. This report concentrates on a lignocellulosic process called MixAlco that is patented by Terrabon, LLC.

The MixAlco process (Figure 1) converts biomass to biofuel. First the biomass is treated with lime to enhance its digestibility. Then, the lime-treated biomass is fermented using a mixed-culture of naturally occurring microorganisms (not enzymes with sterility problems) that produces carboxylic acids (e.g., acetic, propionic, butyric acids). Calcium carbonate is added to the fermentation to neutralize the acids to form their corresponding carboxylate salts (e.g., calcium acetate, propionate, and butyrate). In the acid springing step, carboxylate salts react with a tertiary amine and carbon dioxide, which causes calcium carbonate to precipitate while amine carboxylate remains in solution. In a reactive distillation column, the amine carboxylate is thermally cracked into tertiary amine and carboxylic acid. The tertiary amine and calcium carbonate are recycled within the process, so no chemicals are consumed. Finally, the carboxylic acid is hydrogenated to alcohols (primarily ethanol, but also propanol and butanol). The carboxylic acid serves as a "hydrogen carrier," allowing the hydrogen to be transported and stored as a convenient liquid fuel, rather than a gas.

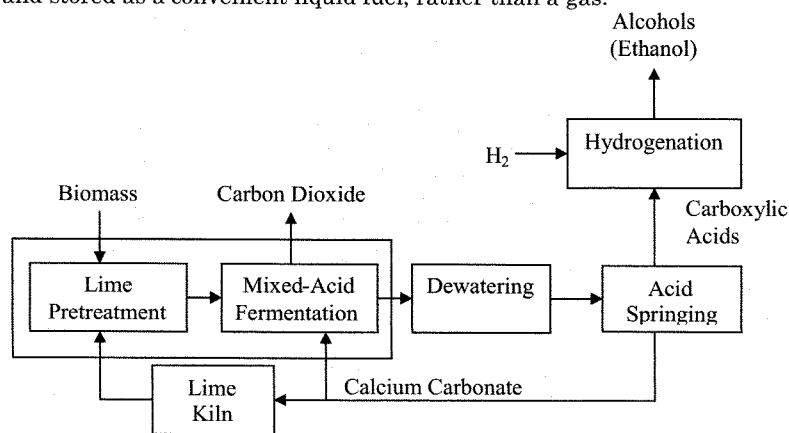


Figure 1. Schematic of MixAlco process for converting biomass into ethanol.

Farmer Production Costs and Profitability

Farmer costs and gross margins are presented in Table 1 for corn, grain sorghum, sweet sorghum, and forage sorghum – both irrigated and non-irrigated in various regions in the US. Based on researched data points, Florida would have the largest gross margin producing non-irrigated sweet sorghum. Please read the footnotes to Table 1 as they contain references to yields that are used in these estimates.

2006 Crop Budgets

Southwest Kansas	Southwest Kansas	Texas Rio Grande Valley	Texas Panhandle	Southwest Kansas	Southwest Kansas	Florida	Texas Panhandle
Irrigated Corn (bu/ac)	Irrigated Grain Sorghum (bu/ac)	Irrigated Sweet Sorghum (ton/ac)	Irrigated Forage Sorghum (ton/ac)	Non-Irrigated Corn (bu/ac)	Non-Irrigated Grain Sorghum (bu/ac)	Non-Irrigated Sweet Sorghum (ton/ac)	Non-Irrigated Forage Sorghum (ton/ac)
220	105	50	24	90	75	108	10
\$2.75	\$2.35	\$20.00	\$27.00	\$2.75	\$2.35	\$20.00	\$27.00
\$605.00	\$246.75	\$1,000.00	\$648.00	\$247.50	\$176.25	\$2,160.00	\$270.00
\$60.40	\$8.89	\$8.89	\$8.89	\$33.98	\$4.71	\$8.89	\$4.71
\$36.00	\$22.00	\$22.00	\$22.00	\$15.00	\$14.00	\$22.00	\$14.00
\$30.00	\$0.00	\$0.00	\$0.00	\$15.00	\$0.00	\$0.00	\$0.00
\$77.29	\$15.70	\$140.70	\$75.70	\$16.31	\$6.49	\$276.49	\$31.49
\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$0.00	\$6.50	\$0.00
\$10.00	\$10.00	\$10.00	\$10.00	\$8.00	\$8.00	\$10.00	\$8.00
\$107.00	\$66.75	\$355.00	\$186.00	\$61.50	\$56.25	\$732.00	\$95.00
\$220.00	\$114.40	\$41.67	\$126.00	\$0.00	\$0.00	\$0.00	\$0.00
\$60.43	\$23.66	\$198.91	\$106.08	\$50.30	\$38.94	\$465.38	\$56.13
\$21.89	\$9.77	\$23.39	\$17.40	\$6.25	\$3.58	\$42.24	\$6.13
\$629.51	\$277.67	\$807.06	\$558.57	\$212.83	\$131.96	\$1,563.49	\$215.45
(\$24.51)	(\$30.92)	\$192.94	\$89.43	\$34.67	\$44.29	\$596.51	\$54.55

Ethanol Related Costs

Estimated construction and production costs are presented in Table 2. Again, please read the footnotes as they contain references and important information on assumptions used for these estimates.

Table 2. Estimated Construction and Production Costs.

Item	Grain	Sweet Sorghum	Lignocellulosic
Construction (Million of \$/MGY) ¹	\$1.35	\$0.90	\$1.60
Ethanol Feedstock Costs (\$/gal) ²	\$0.82	\$0.95	\$0.61
Ethanol Total Production Costs (\$/gal) ³	\$1.30	\$1.55	\$0.94
Co-Product Sales (\$/gal) ⁴	\$0.23	\$0.42	\$0.00
Net Ethanol Production Costs (\$/gal) ⁵	\$1.07	\$1.13	\$0.94

¹Construction costs based on industry estimates for grain plants. Sweet sorghum costs based on discussions with Mr. Anthony Senagore of Florida (see note 2, Table 1). Lignocellulosic costs based on discussions with Terrabon, LLC.

²Ethanol feedstock costs based on industry estimates for grain plants. Sweet sorghum costs are based on discussions with Mr. Anthony Senagore paying \$20.00 per wet ton (65% moisture basis) for sweet sorghum with each wet ton yielding 21 gallons of ethanol (Anderson, *Biomass production and ethanol potential from sweet sorghum*). Lignocellulosic costs are based on data supplied by Terrabon, LLC with conversion rates of 127 gallons of ethanol per dry ton of forage sorghum and paying \$27.00 per wet ton (65% moisture basis) for forage sorghum. If forage sorghum is bought for \$20.00 per wet ton (65% moisture basis), then feedstock cost is equal to \$0.45/gal and total cost is equal to \$0.78/gal.

³Total production costs for grain are based on industry estimates. Total cost for sweet sorghum is based on the cost of ethanol production in Brazil from sugar cane. In Brazil, the feedstock comprises 61.5% of the total production costs (World Bank, <http://siteresources.worldbank.org/EXTENERGY/Resources/336805-1137702984816/2135734-1142446048455/Biofuel.ppt>). For comparison, a report by the European Biomass Industry Association, estimates feedstock comprising 60% of total production costs (Grassi, *Low cost production of Bioethanol from Sweet Sorghum*). Total production costs for lignocellulosic is based on a study published in 2005 (Outlaw, Collins, and Duffield, *Agriculture as a Producer and Consumer of Energy*).

⁴Co-product sales for grain are based on industry estimates. Sweet sorghum co-product sales are based on electricity (\$0.36/gal) and fertilizer (\$0.06/gal) sales from a methane digester. No data could be found on this to help substantiate Mr. Senagore's claims. The \$0.36/gal number could be found with data from cogeneration if the electricity was sold for \$0.06/Kwh (Chiaramonti, et al, *Large Bio-Ethanol Project From Sweet Sorghum in China and Italy (ECHIT): Description of Site, Process Schemes and Main Products*).

⁵Net ethanol production costs are calculated by subtracting co-product sales from total production costs.

Conclusion

Sorghum is positioned to play a major part in the future of US ethanol. The roles of sweet sorghum and forage sorghum will increase as more research is conducted and plants become a reality. Farmer profitability will be a key to which type of plant will work in certain geographic regions as well as constraints on the amount and distance biomass can be profitably transported to an ethanol plant. Construction and ethanol conversion factors will also enter into optimal site selection and growth of the ethanol industry.

The current political environment is open to the expansion of biomass ethanol and sees it as a way to lessen the United States' dependence on foreign oil. This favorable environment will be best served by cooperation between ethanol investors, builders, marketers, and farmers. All can benefit from the growth of a domestic market that provides rural development and national security.

JIM ZENK MN. Dry Bean Council

*United States Dry Bean Council

Information on Farm Bill (Spring 2006)

Background: Edible dry beans are grown for commercial use in about 20 states. More than 20 different classes of dry beans are grown, including: pinto beans, black beans, kidney beans, Great Northern beans, lima beans, navy beans and red beans. In 2005 production was about 1,233,000 metric tons of all classes of dry beans, having a value of approximately \$740,000,000. Dry beans in the last several years have been recognized as a nutritious, healthy food, one of the few foods obtaining a dietary guidance message that reads: "A diet including beans may help reduce the risk of heart disease and certain cancers". Dry beans are currently the only commodity listed twice on the new USDA Food Pyramid in both the meat group (high protein) and also with the vegetable group. Dry beans have also been found to contain high levels of anti-oxidants, and can aid in the fight against obesity and diabetes due to a low glycemic index.

Dry Beans and the upcoming Farm Bill: US dry bean growers have not participated financially, i.e. received support payments, in previous farm bills. Dry bean growers have been proud to proclaim that dry beans receive no subsidies. At the same time, the one common provision of the subsidized price support programs that helped the traditional bean grower was that program crop growers were not allowed to plant non-program crops (such as dry beans) on program acres, and still receive a payment. This provision (fruit and vegetable planting prohibition) basically prohibited a grower from receiving a farm subsidy when planting dry beans (or other specialty crops) on their corn, soybean, or other crop base.

Situation: Several years ago, Brazil instituted an action in the World Trade Organization against the US cotton program as being trade distorting and in violation of WTO agreements. In the WTO's recent ruling for Brazil, it reasoned that the US program restriction on the planting of fruit and vegetable crops on cotton program acres is trade distorting and in violation of the WTO established rules. By penalizing growers who plant specialty crops (like dry beans) on program crop acres, that penalty influences plantings and increases production of program crops. Due to this ruling, and despite well intentioned and vigorous efforts to maintain the restriction, there is a great likelihood that the current restricted planting provision applied to program crops (fruit and vegetable planting prohibition) will be eliminated in the next farm bill. If eliminated, this will allow program crop producers to continue receiving their direct payments, even if they plant specialty crops on program acres. At the same time, this will leave the traditional grower (those with a dry bean or specialty crop history) left to compete with no direct payment.

Other affected Crops: As with dry beans, there are many other "Specialty Crops", primarily categorized as fruit and vegetable crops that would be affected by this potential rule. The one major difference between dry beans and most other specialty crops are the barriers to entry. Most specialty crops need high levels of investment, in equipment to

plant, maintain and harvest that crop along with the technical expertise, marketing connections and labor. Unfortunately for dry beans that is not the case. Anyone with the equipment to plant and harvest grains, such as soybeans or corn, can use that same equipment to produce a dry bean crop.

USDBC Position: USDBC's historical position is to see that nothing is included in a new farm bill that negatively affects dry beans. This position has endorsed the planting restriction and opposed establishment of a support program and payment to growers of dry beans. While we expect this to remain the initial position of USDBC, due to possible agreement in the current Doha WTO negotiations and/or to the Brazil cotton case ruling, this may not be obtainable. In the event that planting restrictions are eliminated should USDBC have a "fallback" position? Should the fallback position treat all growers equally regardless of whether they have historical acreage and if so how can that best be accomplished. By that we mean that all dry bean growers should be eligible for a payment/reimbursement per acre, whether they are non traditional growers with only a corn or soybean base, or traditional growers that have a dry bean history.

Action Requested: USDBC's Ag Issues Committee would like to receive feedback on these issues so that they can be thoroughly discussed and a definitive position(s) be adopted by no later than the upcoming summer meeting. The committee would like comments on:

- Maintaining the position of retaining present planting restrictions;
- Maintaining opposition to any type of program participation—even direct payments;
- Adopting a "fallback" position for dry bean growers;
- Seeking some type of direct payments for fruit and vegetable growers—such as a suggestion that such payments may be equal to a percentage of all present direct payments that is proportional to the value of fruit and vegetables compared to the value of all commodities, with payments being based on a grower's historical base acreage;
- Seeking some type of a conservation practice payment for beans that is not tied to other payments, and encourages growing beans as a positive conservation practice, i.e. legume in a crop rotation
- Maintaining traditional support for "indirect" benefits for the bean industry, i.e. block grants, research, export promotion, enhanced crop insurance, etc.—note these benefit traditional growers (those with a history) as well as any new dry bean growers, including those planting dry beans on program base acres who obtain a direct payment.
- Other recommendations

Conclusion: We want to minimize any negative impact and enhance the position of dry bean growers from the new Farm Bill. While we do not want to limit any grower from planting dry beans,, we do need to insure that all growers of dry beans, traditional and non-traditional, receive equal benefits in future Farm Bill or other legislation.

Larson

Specialty Crop Industry Priorities for the 2007 Farm Bill
Executive Summary

Fruit, vegetable and tree nut production in the United States accounts for \$34 billion in farmgate value, or 30% of farm cash receipts for crops. With the addition of nursery and greenhouse production, overall specialty crops account for over 44% of farmgate value for crops.

The specialty crop industry has organized itself to advocate for a single common set of priorities in the 2007 Farm Bill. A broad array of specialty crop associations representing U.S. growers and shippers have been working to forge mutual objectives for the Farm Bill, to assure a common platform across regions, commodities and other interests. We intend to work closely and collaboratively with allies in all specialty crops who share many of our priorities, as well as other stakeholders across U.S. agriculture.

Statement of Principles

1. The specialty crop industry is a critical and growing component of U.S. agriculture, deserving of full and equal consideration as other agricultural sectors in the Farm Bill. That demands a significant financial investment in mandatory spending.
2. The specialty crop industry would not be well served by direct program payments to growers. Rather, our emphasis must be on building the long-term competitiveness and sustainability of U.S. specialty crop production.
3. Government investment in the competitiveness and sustainability of the U.S. specialty crop industry will produce a strong return on investment for *all of America*, not just farmers. By expanding access and availability of safe, wholesome, healthy and affordable fruits and vegetables, the Farm Bill will be a critical component in reaching the mandate of doubling fruit and vegetable consumption called for in the United States Department of Agriculture (USDA)/United States Health and Human Services (HHS) 2005 Dietary Guidelines. That makes the 2007 Farm Bill more relevant to every Congressional district in the country than ever before.
4. Government investment in this agriculture industry is required to create a fair, level playing field with international competitors who do not face the regulatory burdens of U.S. producers. With the government's mandate that domestic producers must meet the very highest standards in environmental regulation, labor and other areas comes the responsibility to help those producers achieve cost-effective compliance. Without appropriate assistance U.S. production will re-locate to less restrictive foreign growing areas.
5. Consumers in U.S. export markets are increasingly demanding high value food products as their disposable income rises. A thriving and competitive U.S. specialty crop industry will support strong growth in export markets and improve our agricultural balance of trade. In order to realize the goal of increasing exports, it is critical that federal policy and resources support efforts to remove the many existing international trade barriers that continue to block U.S. specialty crop exports.

Specific Farm Bill Priorities

- **Restrictions on Planting Flexibility** – We support this long-standing provision as a fundamental matter of equity among farmers. As long as some farmers receive direct payments from the government, they should not be allowed to plant crops on that subsidized land that competes with unsubsidized farmers.
- **Nutrition Programs** – We support a strong new focus within the 2007 Farm Bill on increasing the access and availability of fruits and vegetables, particularly to children. We support expansion of the school fruit and vegetable snack program, increased commodity purchases, higher allocation to the Department of Defense (DOD) Fresh program for schools, development of a new nutrition promotion program to assist producers in enhancing their markets, and a general requirement that USDA feeding programs and commodity purchasing comply with the 2005 Dietary Guidelines.
- **State Block Grants** – We support an expansion of the State Block Grants for Specialty Crops program originally authorized in the Specialty Crop Competitiveness Act of 2004, and funded through appropriations in the Fiscal Year (FY) 2006 Agricultural Appropriations bill. Due to the wide diversity and localized needs in specialty crop production, state departments of agriculture are uniquely able to assist local growers with the specific investments they need to increase competitiveness.
- **International Trade** – We support programs to increase foreign market access, to increase funding for the Technical Assistance for Specialty Crops program, and creating a new Export Division within Animal, Plant, Health, and Inspection Service (APHIS) to attack with much greater vigor the real but too often hidden trade barriers facing our industry in Sanitary and Phytosanitary (SPS) issues. We will also work with allies to seek continued support for the Market Access Program (MAP).
- **Invasive Pests and Disease** – We support significant new investment in prevention of the unintentional introduction of plant pests and diseases. Investment in prevention is more cost-effective than mitigation.
- **Research** – We support significant new investment in research for specialty crops, through both the National Research Initiative and programs within Cooperative State Research, Education and Extension Service (CSREES) and Agriculture Research Service (ARS).
- **Conservation Programs** – We support a mandatory allotment of funding for specialty crop production within the Environmental Quality Incentive Program (EQIP) similar to what currently exists for the livestock industry. We will work with all allies to expand general support for conservation programs.
- **Unique Attributes of Specialty Crop Producers** – Due to the nature of high-value specialty crop production, many current Farm Bill programs and disaster programs are of limited benefit to specialty producers due to payment caps, limits on Adjusted Gross Income, limits on off-farm income even if integral to farming operations, etc. We support a thorough review of all farm programs to ensure that specialty crop producers have access to benefits comparable to other farmers, rather than being excluded or limited simply due to a higher-cost of production.

2007 Farm Bill Policy Recommendations

COMMODITY SECTION

OVERVIEW

Specialty crop production across the United States accounts for over \$46 billion in farm cash receipts, representing 44% of the U.S. total crop value. While domestic potato production remains a strong \$3 billion industry, we have seen increasing imports in our sector. In all horticultural products, the U.S. imported \$21.9 billion and exported \$12.3 billion worth of goods in 2003.

Over the years, the potato as well as other specialty crop industry has gone through tremendous changes in an effort to remain profitable, satisfy consumer demands, adapt to new technology, and compete in an increasingly global market place. Today, growers are facing the most strident economic conditions and regulatory challenges they've seen in decades. Meanwhile, the consumption of our commodities seems to be stagnating. While the perishable nature of our products present unique challenges and highly volatile markets, our industry has not relied on traditional farm programs to sustain our business. We're proud of our commitment to free markets, and don't want that to change.

The specialty crop industry also produces crops that are vital to the health of Americans and represent a significant segment of American agriculture. However, because they are not considered "program crops," specialty crops are often ignored when it comes to the development and implementation of U.S. farm policy. Yet, like producers of program crops, the specialty crop industry faces significant challenges in the production and marketing of their commodities that must be addressed if they are to remain competitive.

Specialty crops are important to the good health of Americans and to the efforts in our country to prevent disease, reduce obesity, and improve the well-being of our citizenry. We are also working hard to fulfill consumer needs for high-quality and affordable healthy food choices, but we need agricultural policy priorities to assist us in that effort. It is in this context that we raise the importance of specialty crops today -- not as simply one more sector of the agricultural economy, but as a vital national priority in every Congressional district and to the health of our nation overall. The industry strongly believes government policy should provide incentives for private investment, tools to increase profitability, and help to those producers who are committed to constant improvement to better serve consumer needs. We do not want policies that sustain yesterday's business; we want investment in the future.

Ultimately, the goal of any specialty crop federal agriculture policy should be to enhance the tools necessary to drive demand, utilization, and consumption of our products and not distort the production of those products with respect to domestic and international markets.

POLICY STATEMENT

The Federal government should elevate its financial investment into program priorities for the specialty crop industry and work cooperatively to ensure U.S. specialty crop producers are competitive in domestic and international markets. In turn, the goal of any farm policy should be

to enhance the tools necessary to drive demand, utilization, and consumption of specialty crops, and not distort the production and marketing of these commodities in the United States.

POLICY RECOMMENDATIONS

- **Planting Flexibility Restrictions** – The specialty crop industry strongly supports maintaining or strengthening the current restrictions that prevent the planting of fruits and vegetables on acres receiving program payments.
 - *Policy Recommendation* – Maintain current law regarding U.S. planting flexibility policy.
- **Disaster Assistance Payment Limits** – The current \$80,000 payment limit on disaster payments is not equitable for specialty crop producers. Due to higher input and labor costs, possible loss per acre experienced by specialty crop producers as a result of a disaster is generally significantly greater than for program crops. FSA currently maintains a data base that has cost of production figures for various agricultural enterprises. This cost of production data should be used to index disaster program benefits.
 - *Policy Recommendation* – The specialty crop supports restructuring the current disaster assistance payments to allow producers of specialty crops with higher cost of production to receive proportionally larger disaster assistance.
- **Disaster Assistance Adjusted Gross Income Limits** – Currently the \$2.5 million AGI eligibility limit for disaster assistance applies if 25% of income is not from farm or ranch income. If 75% or more of income is from farming or ranching (Schedule F) then income can exceed \$2.5 million and disaster benefits are still available.
 - *Policy Recommendation* – The specialty crop industry supports modifying the current definition of farming and ranching to include individuals that derive 75% of their income from farming, ranching, or as a first handler of specialty crops to be eligible for disaster assistance.
- **Specialty Crop Inclusion in Federal Disaster Assistance Funding** – As natural disasters occur, Congress and the administration frequently develop disaster assistance packages to aid those agricultural producers that have suffered losses due to disasters. As an element of those disaster packages it is important that specialty crop producers be eligible. In certain cases disaster payments have been tied to existing USDA programs for which specialty crop producers are ineligible or do not historically participate.
 - *Policy Statement (Sense of Congress)* – During consideration of disaster assistance to producers suffering losses due to natural disasters, including government imposed quarantine restrictions, it should be the Federal policy that all commodities including specialty crops should be included for payment eligibility.

FitzSimmons

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INTRODUCTION

Good morning Chairman Goodlatte, Ranking Member Peterson and members of the committee. I am Pat FitzSimmons, a pork producer from Dassel, Minnesota. My five brothers and I are partners in FitzSimmons and Sons, and Protein Sources Milling, which is based in Mapleton, Minnesota. In our partnership, we raise market hogs, have a feed milling business, manage sow farms and a boar stud for other farm families, and also provide those families with management service for their swine operations. Our families have a strong commitment to the swine industry and believe it's important to be involved in policy development and leadership.

I appreciate you holding this field hearing in Minnesota and for this opportunity to provide you with information on what I believe is working in the current Farm Bill, and what I think needs to improve as we consider the 2007 Farm Bill. I base my comments on a great deal of personal experience and my work with other Minnesota pork producers. I would like to submit my written testimony and request that it be included in the record.

There are currently 5,000 Minnesota pork producers and the state ranks third in pork production. Last year, our state pork producers earned over \$2 Billion dollars in gross income. That in turn generated another \$5.6 Billion dollars in economic activity for the state. The industry also directly employs over 22,000 individuals. The industry consumes locally grown crops and provides an excellent fertilizer source for our cropland. The Farm Bill affects our industry in numerous ways -- including the availability of feed grains - crop production -- and nutrient management and conservation practices.

My input today is based on my family's experience as pork producers and as a businessman who works with other pork producers on a regular basis. In Minnesota, I believe pork producers have successfully worked towards maintaining our competitive advantage -- both domestically and globally -- in a rapidly changing industry. The 2007

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Farm Bill should be seen as a national investment for all of our pork producers and for our consumers.

Public research, market access, conservation, and rewarding pork producers who adopt the very best nutrient management and environmental practices are ways the Farm Bill can assist Minnesota pork producers. Through these Farm Bill programs we can continue to meet our ultimate goal - bringing consumers a safe and reliable food supply. As an advocate for research, market development and conservation programs, I also believe we can advance alternative fuels made from ag commodities while conserving our natural resources and assuring grain supplies for our livestock needs.

PROFILE OF TODAY'S PORK INDUSTRY

I know that many of you understand the economic contribution that pork producers make to our state economy. In Rep. Peterson's Congressional District, pork producers' gross income from market hog sales was \$459 million dollars last year. And in Rep. Gutknecht's district, where the top ten pork producing counties in the state are located, pork producers' gross income last year brought \$1.3 Billion dollars into the region. The income that flows into our rural communities from swine production is greatly influenced by actions beyond my farm gate. It requires a combination of factors that keep our industry competitive in domestic and international markets.

Pork exports are among reasons why Minnesota pork producers can be an economic engine at the local level and to our state. The U.S. pork industry had another year of record exports. U.S. pork producers currently export one out of every six hogs that go to market. Minnesota pork producers received an additional \$25 per head on each and every hog they sold last year because of exports. In Rep. Gutknecht's district alone, hog exports resulted in \$257 million dollars to his district's pork producers. In Rep. Peterson's district, hog exports translated into an additional \$85 million dollars in gross income to his district's pork producers.

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As we rely on exports, we also depend on our crop producers to provide the feed grains necessary for hog production. Pork producers, along with the other livestock and poultry producers, are the single biggest customer for U.S. crop farmers. Feed for our pigs is the single largest production expense. A market hog will eat about 10 bushels of corn in its lifetime, and consume 3.8 bushels of soybeans that has been converted to soybean meal. Our state's market hogs ate an estimated 158 million bushels of corn and 57 million bushels of soybeans last year. In Martin County, for example, hogs will consume over 50 percent of the corn and 70 percent of the soybeans. I believe this value-added contribution to agriculture from pork production is very important to our local and state economies.

USDA estimates that livestock feed will account for 6 billion bushels (54 percent) of total corn usage this year. While USDA does not have a specific estimate of the amount of soybean meal used for livestock feed, suffice it to say that livestock will use the vast majority of the 34.25 million tons of domestic soybeans produced in 2006. Of these totals, pigs consumed just over 1 billion bushels of corn and the meal from nearly 418 million bushels of soybeans in 2005. Pork producers are strong and vital contributors to value-added agriculture in the U.S.

As we write the 2007 Farm Bill - as it is related to Minnesota pork production - I believe there are four main considerations:

- First, we must maintain our competitive advantage in the export market.
- Second, we must strengthen our competitiveness.
- Third, we must prevent adoption of policies that harm our industry.
- And lastly, the pork industry, as well as all animal agriculture, must continue to adopt management practices that capture the full value of the nutrients in livestock manure.

Pork production has changed dramatically in this country since the early and mid-1990s. Technology advances and new business models changed operation sizes, production systems, geographic distribution, and marketing practices. The demand for meat protein

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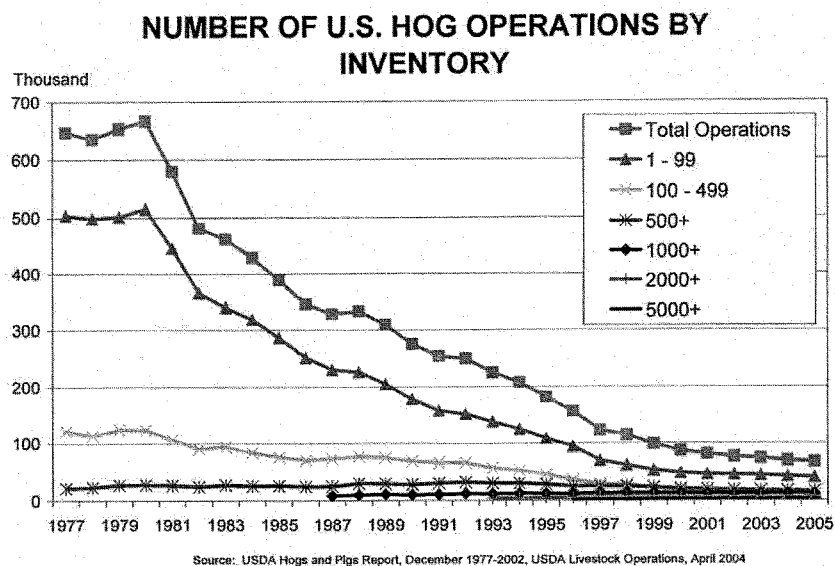
is on the rise in much of the world. Global competitiveness is a function of production economics, environmental regulation, labor costs and productivity. The United States can continue to be a leader in food production and meet the needs of increased consumer demands.

The U.S. pork industry today provides more than 20 billion pounds of delicious, wholesome and nutritious meat protein to consumers worldwide each year. In fact, 2006 will be the fifth consecutive year of record pork production in the United States, and all indicators point to another record in 2007. This is accomplished by nearly 67,000 pork operations in all 50 states, though the lion's share of production is located in the upper Midwest, mid-Atlantic, and High Plains states.

The number of operations today is much smaller than in years past, mirroring a trend that is widespread throughout agriculture. Figure 1 shows the number of operations of various sizes since 1977. The decline has been driven by the general downtrend in farm numbers and the fact that there are substantial economies of scale in hog production. USDA data indicate, for instance, that large hog farms average 1.5 pigs per litter more than small hog farms (USDA Hogs and Pigs Report, December 2005). Reasons for these advantages include specialization of labor and management and the ability to adapt modern technologies, such as group farrowing and artificial insemination.

U.S. pork production units have changed from single-site farrow-to-finish (ie. birth to market) production systems, which were generally family-owned and small by today's standards, to multi-site specialized units, which may be part of very large businesses – many of which are still family-owned. The changes were driven by the biology of the pig and the business challenges of the modern marketplace. Separate sites helped in controlling troublesome and costly diseases and enhanced the effect of specialization.

Figure 1



Marketing methods have changed as well. As recently as the early 1980s, a significant number of hogs were traded through terminal auction markets. All producers, though, began to bypass terminal markets and even country buying stations to deliver hogs directly to packing plants to minimize transportation and other transaction costs. Today, few hogs are sold through terminal markets and auctions, and the vast majority of hogs are delivered directly to plants.

Pricing systems have changed dramatically as well - from live-weight auction prices to today's carcass-weight, negotiated or contracted prices with lean premiums and discounts paid according to the predicted value of individual carcasses. The shift to lean premiums and discounts was largely responsible for the dramatic increase in leanness seen in the 1990s.

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According to researchers at the University of Missouri, the price of about 11 percent of all hogs purchased during January of this year was negotiated on the day of the agreement. All others were packer-produced or sold on marketing contracts wherein prices were not negotiated one lot or load at a time but determined by the price of other hogs sold on a given day, the price of feed ingredients that week or the price of Lean Hog futures on the Chicago Mercantile Exchange. These contracts are entered into freely and often aggressively by producers and packers alike to ensure, respectively, a market and a hog supply and, in some cases, to reduce the risk faced by one or both parties.

The economic impact of this industry is immense. Iowa State University researchers estimated that in 2003, the production sector directly employed more than 33,000 people and supported a total of 565,781 jobs in the U.S. economy. This estimate includes the jobs in sectors such as feed, supplies and processing that directly interact with pork producers as well as those in the rest of the economy that are stimulated by the spending of owners and workers. This vast economic impact included total economic activity of more than \$83.6 billion, total value added of \$20.8 billion and total employment income of \$32.5 billion.

As the U.S. pork industry helps develop the 2007 Farm Bill, I cite three guiding principles for the Congress to consider. Principle number one: we must maintain our competitive advantage. Principle number two: we must strengthen our competitiveness. Principle number three: we must defend our industry.

MAINTAIN OUR COMPETITIVE ADVANTAGE

The next Farm Bill should help the U.S. pork industry maintain its current competitive advantage. This includes manageable production costs, unparalleled food safety, further advancements in animal health, and adding value to the raw product so it continues to meet consumer demands.

Competitive Production Costs

Competitive production costs are the result of affordable feed ingredients and efficient production units. The Farm Bill can help the U.S. industry on both counts by maintaining and enhancing programs that keep feed ingredient prices competitive with the rest of the world. Feed comprises 65-75 percent of the in-put cost of producing a market hog. (Each market pig consumes approximately 10 bushels of corn and 200 pounds of soybean meal – that's about 4 bushels of soybeans.) With that in mind, U.S. pork producers are concerned about the impact on our industry of the increased use – mainly through mandates – of corn-based (ethanol) fuels.

U.S. pork producers believe that this country needs a strong renewable energy policy. However, such an energy policy cannot come at the expense of the livestock industry. The current focus on renewable fuels is laudable, but markets must be neither distorted by subsidies and taxes nor constrained by mandates to the point where they cannot send effective price signals. Further research and development is needed to find other energy alternatives, such as using animal manure and fat and biomass, including switchgrass and corn stover. I want to emphasize that the right balance is needed to meet the needs of fuel *and* feed security.

Unparalleled Food Safety

U.S. pork producers have made unparalleled food safety their highest priority. The pork industry has been very responsive to the issue of residues in the food supply and will continue to be vigilant in these efforts. Residues are found in less than .02 percent of all animals marketed. Success in reaching this small percentage is due in part to industry-

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sponsored producer education programs that help producers understand how and why we need to reach these goals. I believe that adequate funding for the Agricultural Research Service (ARS) and Food Safety Inspection Service (FSIS) is needed to allow those agencies to do what it takes to continue their work in keeping the U.S. pork supply safe and wholesome. Consumer confidence is paramount, and we need to ensure it.

Further Advancements In Animal Health

U.S. pork producers support efforts underway in the Animal and Plant Health Inspection Service (APHIS) to address emergency animal disease outbreaks and efforts to implement a national animal disease programs. I support a mandatory species-specific animal identification system that enables USDA to meet a 48-hour trace-back goal. The pork industry has publicly committed to working toward having our swine premises registered and identified by December 2007 and a mandatory swine identification system for all relevant species by December 2008. For the U.S. pork industry, premise identification is the key to meeting the 48-hour trace-back goal. Premise registration is the firm foundation for any National Animal Identification System (NAIS) that is capable of responding to an emergency animal disease outbreak. At this time, there is insufficient swine-specific surveillance data. The industry is concerned that without swine-specific surveillance data to determine the prevalence of swine diseases we would be unable to act quickly to prevent disease spread or to make certifications to our trading partners about diseases in the U.S.

On our operation, we believe that a mandatory animal identification system can be implemented under authority of the Animal Health Protection Act eliminating the need for additional legislation. Our farm is also a research pilot project site, in partnership with the Minnesota Board of Animal Health, evaluating animal I.D. technology.

We strongly believe that before an effective animal identification system can be put in place, the Federal government must fund the development and maintenance of a data base and provide the infrastructure necessary to support such a system.

Consumer-Driven Further Processing

We must continue to meet the demands of our consumers and allow the structure of the production and packing sectors to change with the demands of the marketplace. This includes allowing producers and packers to change to adopt new technologies and capture economies of size and scope. The U.S. pork-packing sector is the envy of the world in terms of efficiency, and Congress must be careful not to take away or hamper this source of international advantage. Allowing producers and packers the freedom to develop new ways of doing business will only enhance the value of U.S. pork products, home and abroad, and reduce costs and risks.

STRENGTHEN OUR COMPETITIVENESS

In addition to maintaining our competitive advantage, the next Farm Bill should strengthen that position by expanding and including such elements as trade assistance, public research, risk management tools, and science-based environmental and conservation programs.

Trade

At the present time, there is a considerable global demand for pork and pork products. Pork represents 44 percent of global meat protein intake, far more than beef and poultry. World pork trade has grown from 3.9 percent to 5.3 percent of total world pork consumption in just the past 5 years. The extent of this increase in global pork trade in the future will hinge heavily on continued efforts to increase agricultural trade liberalization.

Here are some revealing statistics about U.S. pork trade and the important role of trade agreements:

- U.S. exports of pork and pork products have increased by more than 332 percent in volume terms and by more than 289 percent in value terms since the implementation of NAFTA in 1994 and the Uruguay Round Agreement in 1995.

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- The U.S. has exported a new record amount of pork each year for the last 15 years and now exports over 15 percent of its total production.
- Exports to Mexico, our number one volume market and number two value market, have increased by 279 percent in volume terms and by 406 percent in value terms since NAFTA.
- China, a recent entrant to the WTO, has become, due to diverse cultural preferences and tastes, a huge marketplace for U.S. pork variety meats that have very little value at home. Shipments of pork variety meats to China exploded by 690 percent in volume and 750 percent in value in 2004 before growing by 27 percent and 33 percent, respectively, in 2005.
- U.S. pork prices were \$25.44 per hog higher in 2005 than they would have been in the absence of exports.

U.S. pork producers benefit from open trade. Programs such as the Market Access Program (MAP) and the Foreign Market Development Program (FMD), help expand opportunities for U.S. pork. I urge continued funding for these programs that have long-term market benefits. It is important to emphasize the need to strengthen the ability of U.S. agriculture to compete in the global marketplace.

American agriculture is among the most competitive industries in the world, but it should not be expected to compete alone in the export markets against foreign governments. Reductions of MAP and FMD funding would put American farmers at a substantial competitive disadvantage.

The downside of growing exports is, of course, the larger economic impact should there be any disruption in trade. Pork producers understand this dynamic and recognize that trade disruption would be devastating for the U.S. pork sector. I would welcome the opportunity to work with this Committee to develop risk management tools that would support producers and packers, should our exports market ever be interrupted by a serious animal disease outbreak.

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Regardless of timing discussions in writing the new Farm Bill, Congress should extend Trade Promotion Authority or TPA. TPA is very important to U.S. agriculture and the U.S. livestock sector – it provides new avenues for trade and sends the following message to our trading partners that the U.S. is a willing and open trading partner.

Research

To maintain the U.S. pork industry's competitive advantage, we must invest in public research. USDA's research is critical to the pork industry, be it improving swine genetics by completing the mapping of the swine genome, testing and deploying new and improved animal vaccines, improving the usefulness of energy production by-products such as distillers dried grains, or further increasing animal productivity. Research can assist in monitoring diseases and preventing a disease outbreak. A significant amount of research has been devoted to other animal genomes. It is time for USDA to do the same for the swine genome. Genome sequencing is only the first step to unlocking key genetic information. Annotation is the identification of the functional genes associated within the sequence of the genome and will provide the industry with tools to quickly and efficiently improve production efficiencies in nutrition, swine health, reproductive physiology, animal welfare, nutrient management and pork quality. In addition, the pig is an excellent model for human research in health and nutritional disciplines. Annotation of the swine genome will assist in the development of research models in human nutrition, physiology and medicine.

Risk Management

Although production variability has stabilized, pork producers can still face significant price risk. The USDA Livestock Risk Protection program and an Iowa program, which protect livestock producers' margins above feed costs, have both had limited success. I believe that the USDA should critically evaluate both of these programs to determine if changes can make them more useful and thus more widely accepted by pork producers. These have worked relatively well, but the usage rate could be increased.

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In addition, I believe that more attention should be given to whole-farm programs that would include livestock. Iowa was one of the pilot states for whole-farm coverage and, in most cases, demonstrated how livestock revenue assurance together with crop insurance can reduce premiums compared with insuring enterprises separately.

As noted in the section on Trade above, the Committee is encouraged to consider risk management tools to cover producers and packers should export markets be disrupted by a serious animal disease outbreak.

Conservation and the Environment

Conservation and natural resource stewardship is an area that is most important to our producers. Minnesota pork producers are committed to running productive pork operations while they meet and exceed environmental regulations. Pork producers have fought hard for science-based, affordable and effective regulatory policies that meet the goals of today's environmental statutes. To meet these costly demands while maintaining production, the federal government must provide cost-share support to help defray some of the costs of compliance through conservation programs of the Farm Bill, namely through the Environmental Quality Incentives Program (EQIP) of the 2002 Farm Bill.

Minnesota pork producers are environmentally responsible farmers and business people, and I believe we have fully embraced the fact that our pork operations must protect and conserve the environment and the resources we use. Minnesota pork producers have a serious commitment to environmental stewardship and I believe greater availability and access to EQIP dollars will be beneficial to many of the state's pork operations. So far, Minnesota pork producers have received 7 percent of livestock EQIP dollars allocated to our state, even though pork is the state's largest commodity.

DEFEND OUR INDUSTRY

Finally, the next Farm Bill should defend the competitive position of the U.S. pork industry by not imposing costs on the industry or by restricting my ability to meet consumer demands in an economical manner. We must work against efforts to ban marketing contracts, activists' positions on animal care and housing and other efforts that will harm the agriculture sector.

Marketing Practices

I understand that the issue of banning packer ownership of livestock or eliminating forward contracting continues to be discussed. However, I do not believe that U.S. pork producers will be well-served by having Congress eliminate certain types of contracting mechanisms. This only forces the livestock markets to revert back to an inefficient system used more than half a century ago in which livestock was traded in small lots and at prices determined in an open-market bid system. This system was inefficient and makes no economic sense in today's economy—it died out in the '70s and '80s because it was inefficient. Today, the U.S. pork industry has developed a wider variety of marketing and pricing methods, including contracts and hedging to meet the changing needs of a diverse marketplace.

Industry Structure

Economics should determine the structure of production and processing, including the ownership of both. No economic research has ever shown that either the structure or marketing practices of the industry have harmed producers or consumers. Until such research exists, Congress should not impose limitations on packer ownership of production, producer ownership of packing, or marketing contracts. I believe our family is competing by adopting technology and using tools available to us.

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Miscellaneous

Activist groups and special interest groups will be watching this 2007 Farm Bill debate and will attempt to push their particular agenda by adding regulations to our business practices, be it a social or animal rights or welfare or obesity agenda. I believe we must be cautious about allowing these issues and alternative agendas to be added to the 2007 Farm Bill – a piece of legislation that has been aimed for the past 50 years at maintaining the competitiveness of U.S. agriculture and the U.S. livestock sectors.

The U.S. pork industry has developed and implemented strict animal care practices and judicious use guidelines for animal drugs. These programs are now part of the industry's pork quality assurance and trucker quality assurance programs. These programs require producers and handlers to be trained and certified to care and transport our animals with the utmost concern. I do not believe that Congress should legislate on these issues as part of the 2007 Farm Bill.

CONCLUSION

In conclusion, Mr. Chairman and Members of this Committee, I believe we can craft a Farm Bill in 2007 that meets our objective of remaining competitive in domestic and world meat markets. Thank you once again for holding this hearing and for your time. My family and I respectfully request your continued and focused attention to the matters I have brought to you today.

REVIEW OF FEDERAL FARM POLICY

MONDAY, JULY 24, 2006

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Scottsburg, IN.

The committee met, pursuant to call, at 9:00 a.m., in the Scottsburg High School, 500 S. Gardner Street, Scottsburg, IN, Hon. Bob Goodlatte (chairman of the committee) presiding.

Present: Representatives Lucas, Moran, Pence, King, Schmidt, Sodrel, Peterson, Holden, Etheridge, Melancon, and Larsen.

Staff present: William E. O'Conner, Jr., staff director; Bryan Dierlam, Ben Anderson, Alise Kowalski, Mike Dunlap, Lindsey Correa, Tobin Ellison, Anne Simmons, and April Demert.

OPENING STATEMENT OF HON. BOB GOODLATTE, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF VIRGINIA

The CHAIRMAN. Good morning, this hearing of the Committee on Agriculture of the U.S. House of Representatives to review Federal farm policy will come to order.

I would like to thank all of you for joining us here today for the committee's 11th and final full committee field hearing to review the 2002 farm bill. I will keep my opening remarks brief to allow plenty of time for our witnesses to share their thoughts with our members.

The purpose of this hearing is to gather feedback from producers on the 2002 farm bill, which is set to expire in September 2007. To ensure that American agriculture remains competitive and that our producers can continue to provide fellow Americans with a safe, affordable and wholesome food supply, we must make sure that farmers and ranchers are equipped with an adequate safety net.

As we have traveled throughout the Nation, the feedback we have received from our producers has given us a good sense of how these policies work in practice and what improvements can be made within the budgetary constraints we face in Washington. This is the committee's last field hearing and I look forward to hearing from our witnesses today about issues they face in their operations here in Indiana.

I would like to thank the Indiana delegation, including Representatives Mike Pence and Mike Sodrel on the committee, for hosting this hearing. Representative Sodrel is the newest member of the committee and already he has been a very strong voice on the committee. Both Representatives Pence and Sodrel are strong

voices for American agriculture and will no doubt continue to keep the issues affecting Indiana producers in front of the committee.

And last, but certainly not least, I would like to thank the witnesses who will be testifying today. These witnesses are themselves producers with livestock, crops, fields and forests to tend and I appreciate the time they have taken out of their busy schedules to be with us to speak to us today.

Speaking of input, I look forward to the testimony of the witnesses before us today and I respectfully request Members submit their opening statements for the record so that we may proceed with our first panel of witnesses. I make one important exception to that and that is our ranking member, the gentleman from Minnesota, Congressman Collin Peterson.

OPENING STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. PETERSON. Thank you, Mr. Chairman. I am also pleased to be here in Indiana to get input from folks in this part of the world about what you think is good and what is bad about farm policy.

We are a bipartisan committee, we try as much as possible to work together across the aisle, Democrats and Republicans, and generally the disputes we have are not based on partisan lines, they are based more on regional lines and the problems we get in will be more regional or commodity or that sort of thing.

One of the things that is important is that we get to every part of the country, because there are differences as you travel around. This weekend, we were in my district in southwestern Minnesota hearing from those folks. I think there is only a handful of us that have been on the committee long enough to be here for more than one farm bill, so the other thing that is important is that the Members get out and get a flavor of the differences that there in the different parts of the country.

So we are very pleased to be here today and look forward to the testimony of the witnesses, and I will yield back.

The CHAIRMAN. I thank the gentleman, and we would now like to welcome our first panel. Mr. Randy Koetter, a forest landowner and hardwood lumber producer of Starlight, Indiana; Mr. David Howell, tomato, watermelon, corn and soybean producer of Middletown, Indiana; Ms. Julia Hersey, apple producer of Grands Rapids, Michigan and Mr. Rodney Hager, cow-calf, corn, soybean, wheat and hay producer of Orleans, Indiana.

Mr. Koetter, we are pleased to have your testimony first. I will remind all the members of the panel that your entire written statement will be made a part of the record and ask you to limit your remarks to 5 minutes. And we will start with you, Mr. Koetter.

STATEMENT OF RANDY KOETTER, FOREST LANDOWNER, HARDWOOD LUMBER PRODUCER, STARLIGHT, IN

Mr. KOETTER. Good morning. Thanks to the chairman as well as the Agriculture Committee as well as Congressman Sodrel for getting this thing hosted here in southern Indiana and listening to our comments.

Our company was started in 1959 by Tom and Mary Frances Koetter, who are my parents. There were five of us boys total in the company, no girls.

We in fact produce architectural millwork, cabinet components, flooring, window fashions that go out to the end of the supply chain. We in fact own and operate distribution yards throughout certain parts of the country. We in fact employ right around 750 team members in a couple of different organizations that we own; primarily Koetter Woodworking, which is the founding company, employs around 500 team members alone. One of our subsidiaries in fact produced and installed the flooring in the Oval Office just this past year as well as the East Room the year before last. That product in fact came off of a lot of our ground in Grayson County, Kentucky, which is in fact the same ground that George Washington owned back in the late 1700's. That is for a little bit of information.

Half of our timber ground—which we own and manage about 6,000 acres of timber ground and about half of it is in the State of Indiana and about half of it is in the State of Kentucky.

As I mentioned, there are four or five primary product lines. There is architectural millwork, flooring, cabinet and furniture components and window fashions. Our family is also dedicated to practicing and educating on the importance of sustainable forestry. For those of you guys that may not be aware of our company, we in fact put in in 1998 what we call the Forest Discovery Center right here at Starlight, Indiana. Our mission is to educate society on sustainable practices in the forest industry. We bring approximately 30,000 people through there a year, most of them school children. We start at the basics to really understand how important it is to take care of this timber ground. It is a major piece in the whole supply chain as we work forward.

Just a brief background on the industry itself. Approximately 20 percent of the State is covered in timber ground, 85 percent of this is comprised of private landowners which means 54,000 jobs to the State, it is a \$9 billion economy for the State annually.

Some of the issues that we want to—concerns that come back from our corporation in particular, as well as I think a lot of it in behalf of our industry as well. Forestry needs for the 2007 farm bill, suggestions for improving:

Continue to strengthen the forestry title for the farm bill. We are glad that you guys understand that the forestry industry is important to agriculture in the State of Indiana and want to continue to support that.

The next area would be as far as research. Senator Lugar has been a big advocate on continued research as far as the utilization of equipment to continue to get our product more effectively in the supply chain, not only through Indiana, as well as worldwide. With that, a lot of times when this research is done, a new technology comes out. One of the things that we would like to see that would help a lot of us, when this new technology comes out, a new piece of equipment may come out, for example, that cost \$1 million. Well, within 2 or 3 years, that thing is down to half a million dollars. It is already proven that the technology is there, but all of a sudden what you have to make a choice on is spend the million dollars

versus buying the product from overseas or another State because the cost of capital is too high.

If there was some type of tax incentive possible that would consider bringing some type of rebate back where we can get the technology, keep the jobs here as well, as well as using our sustainable products, creating more demand for our forest products right here in the State. We run into this quite a bit in our industry, here at KW unfortunately. We do everything we can to go ahead and buy the equipment, keep the jobs here. Our corporation, knock on wood, we have been blessed not to ever have a layoff through the history of the company. We are proud of that. Sometimes those decisions do not come easy when we have competition not only regionally but worldwide knocking on our door.

The development of a 30-year carbon credit. This is an area right here that some of you may be familiar with. Basically the content behind this is for people that want to go out and buy ground, pasture ground, put it in tree plantings for 40, 50 or 100 years out. Naturally when you plant these seedlings, it takes almost 80 years for you to get any type of crop coming back off of it, but the carbon credit primarily gives us opportunity to give credit back to those that are just putting that ground in a set-aside for future opportunity out in the future.

The continuation of a tax credit for those landowners that are doing good tree stand improvement. We do believe that—in fact, my dad has done quite a bit of research on this in the last 10 years. He has probably devoted his entire life to just harvesting of timber. He has got data along with Purdue University that if you manage that timber effectively, spend the time with it no different than you would with corn, soybeans or any other crop and cultivate it, it gives you good rewards back. We have stats in our organization that it has given us back with the cultivation process of around \$200 an acre coming back. Unfortunately, you have to look out 80 years, 100 years out in front to do that. It is something you just cannot measure from year to year. You put the effort into it today—the education part of it as well, that is one of the things we do at the Discovery Center, trying to educate people how important that is to spend the time and effort to do that good harvesting or that cultivating up front. So anything that we can do to continue to educate society if you have a track of timber ground, cultivate it, take care of it for the next generation. Naturally that is a big piece of the whole supply chain.

The CHAIRMAN. Mr. Koetter, you need to wrap up your remarks.

Mr. KOETTER. OK. Two other quick comments. Access to world trade, you guys are doing a tremendous job at trying to balance this fair trade throughout the world, it is important. And access to public grounds to continue to work on—you guys have got a great natural resource that comprises about 8 percent of the State, but those resources are not being cultivated within our national and State forestry, to get that out and the effects of it will be to cut back on a lot of disease as well as fire prevention as well.

Thank you for your time.

[The prepared statement of Mr. Koetter appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you. We drove by your place on our way to Joe Huber's Farm last night and I noticed the Discovery Center. I would like to come back and see that sometime, appreciate your effort to educate the public about good forestry practices.

Mr. KOETTER. Thank you.

The CHAIRMAN. Mr. Howell, welcome.

**STATEMENT OF DAVID W. HOWELL, TOMATO, WATERMELON,
CORN AND SOYBEAN PRODUCER, MIDDLETOWN, IN**

Mr. HOWELL. Good morning, Mr. Chairman and members of the committee, I am David Howell, I am a farmer from Middletown, Indiana.

After 35 years as an active farmer and after receiving my formal education in agricultural economics and farm policy; I have studied and experienced more farm bills than I care to remember.

Full time family farms have been the political focal point of U.S. farm bills through the generations and they should continue to be. Everyone in the room will have a slightly different definition of a full time family farm. Whatever the definition, they are the foundation of rural America.

Toward that end, one of the unintended consequences of the 2002 farm bill was the negative consequence of a provision restricting the planting of fruits and vegetables (FAV) for processing on program acres. The next farm bill needs to correct this error by allowing FAVs to be grown on program acres without losing base for future participation in the program.

I will take this opportunity to thank Congressman Pence for his vision and efforts to resolve this issue through his H.R. 2045, known as Farm Flex. Farm Flex clearly specifies that FAVs grown on base acreage must be for processing. Farm Flex does not allow subsidized production of FAVs because of the acre-for-acre reduction in program payments for the acres planted to FAVs.

My family and I grow a few thousand acres of traditional corn and soybeans, as well as 800 acres of FAVs, 350 acres of tomatoes for processing and the balance in watermelons, pumpkins and sweet corn for the fresh market. Our business is made up of four separate sole-proprietorships; one, my wife and I; two, our sons and their wives; and the last is our daughter and her husband. We derive in excess of 50 percent of our gross revenue and even a much larger percentage than that of profits from the FAV production.

I understand at least partially the near-sighted, protectionist attitude and the regional politics that brought about the major change in the FAV rules, which became part of the 2002 Bill. I truly believe, however, that the unintended consequences were not understood by most legislators when the Act was passed.

The Act limits the entry of young farmers into the business and threatens the success and possible expansion of existing producers. Our oldest son has only a small FAV history in the prior farm bill, 1996 to 2001; and the other two have no history because they were in high school and college during that period. To take the problem a step further, you might say why do I not rent my ground to the other three entities and let them use the farm history. Well, this is partially possible, but my current land base has been intensely used for FAVs and needs to be rotated to other crops. You may also

say why do we not incorporate and they could share in the corporate operation. There are a number of reasons why this would not work, but the relevant one here is that the son and I would both lose our history of FAVs and the corporation would have no history in return, with the corporation.

The Act restricts diversification of existing farms. Since the early 1980's, diversification has been touted as the key to survival for the family farm and I would completely agree. That, however, is not what the current farm bill says. It says plant contract crops, corn, soybeans or wheat, or we will not support you. In fact, we will fine you for diversifying into other crops and we will diminish the value of your land for producing revenue by lowering the bases on that ground.

The current farm bill provision damages and limits the ability of older farmers to pass on their life's work and assets. Instead of possible new producers learning keys and secrets to producing higher value crops, they need to learn to play the Government payment game.

The current provision damages and limits the landowner. It prevents competitive bidding for the lease of the land for FAV from honorable producers.

The FAV production history of 1996 to 2001, in a proprietorship, almost always belongs to the husband. Two years ago, a fellow tomato grower in our area was killed in a tractor accident. His wife and son, who worked alongside him for years, were told by the FSA that they no longer had any tomato growing history and they, nor their major landlord would be allowed to participate in the farm program if they continued to raise tomatoes.

Clearly, these unintended—or possibly intended—FAV rules as they now stand are protectionist. They are damaging the Midwest canned and frozen food industry and gradually the entire industry. Ultimately, they will damage consumers and the country's food security network, and ultimately, it will end up in other countries. Farm Flex should be incorporated into the next farm bill.

[The prepared statement of Mr. Howell appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Howell.

Ms. Hersey, you have come a long way from Grand Rapids, Michigan. Is that Congressman Vern Ehler's district?

Ms. HERSEY. Yes, it is. And also my farm is in Congressman Hoekstra's district as well.

The CHAIRMAN. Yes, very good. Welcome.

STATEMENT OF JULIA HERSEY, APPLE PRODUCER, GRAND RAPIDS, MI

Ms. HERSEY. Well, I want to tell you, I do have a son who just graduated from Indiana University, so I have spent a lot of time down here.

The CHAIRMAN. Very good.

Ms. HERSEY. Thank you so much for asking me to come here today and allowing me the opportunity to testify on Federal farm bill policy. And thank you, Congressman Sodrel, for inviting me to the Hoosier State. I want you to know that in Michigan, you and

your fellow Indiana legislators have a wonderful reputation for putting your farmers first and I commend you for that.

My name is Julia Baehre Hersey and I am a fifth generation fruit grower. My family farm grows 800 acres of apples, cherries and peaches and we are not located far from the Lake Michigan shoreline in the heart of Michigan's fruit belt.

Agriculture is the second largest industry in Michigan after the auto industry. And it is ranked second in the Nation after California for its diversity in specialty crops. We are the top producers of several crops and apples are the largest fruit crop grown in the State of Michigan, with an economic impact of over \$450 million.

The specialty crop industry in Michigan and throughout the country strongly supports this reauthorization process. I understand that some have called for an extension of the current farm bill. However, to do so would be to ignore the many changes that have occurred since those policies were first created so many years ago.

The availability of cheap imports coupled with increased production costs has created new challenges for the fruit and vegetable industry and in my own State of Michigan, the influx of Chinese apple juice concentrate has put many apple growers out of business and the imports of Peruvian asparagus have decimated the State's asparagus industry.

Though the specific needs of Michigan apple growers may be different than the needs of Washington apple growers or Florida citrus producers, there are a number of things upon which we all agree. The specialty crop industry is not looking for a direct payment program. Instead, we are advocating for programs that grow demand and build the long-term competitiveness, sustainability and preserve the very survival of the specialty crop industry that represents half of the farm gate receipts in the United States.

Apple producers and the entire specialty crop industry continue to face mounting pressures from the decrease in availability of crop protection tools. The EPA recently announced a preliminary decision to phase out the use of Guthion for apples—this is a critical tool for the Michigan apple industry. Chairman Goodlatte and Mr. Peterson and Mr. Holden, thank you so much, I know you were all supportive of the continued use of this product and we appreciate your leadership on the issue. We urge you to see what can be done to maintain the use of this critical product.

Also key to our continued competitiveness is a prohibition on planting fruits and vegetables on acres of land receiving program payments. We strongly support the continuation of this provision as a fundamental matter of equity among farmers. As long as some farmers receive direct payments from the Government, they should not be allowed to plant crops on that subsidized land in order to unfairly compete with unsubsidized farmers.

Against this backdrop, consumers are placing increased value on agricultural production that is more environmentally friendly through conserving and enhancing our natural resources. For these reasons, programs such as the EQIP should be expanded in the next farm bill. The directive by Congress in the last farm bill to target more outreach and funding to specialty crops has really paid off for Michigan growers. EQIP helps our growers adopt practices

that are better both for their land and resources and for their businesses.

The apple industry exports about 25 percent of our crop. I would urge the committee to consider further expansion of the Market Access Program and the Technical Assistance for Specialty Crops, or the TASC program, in the next farm bill. These programs have helped level the playing field as we compete in the export market against countries such as China and Chile that have much lower production costs.

Today, the produce industry faces a net trade deficit. This makes programs such as the State Block Grant Program critical to our industry's survival.

And surely many of you have noticed the fresh apple slices, the fruit and walnut salad, that is at the McDonald's restaurants. The anti-browning technology which allows for their sale at such outlets was developed with the help of funds from Michigan's original block grant program. This is but one concrete example of effectiveness of the block grant program. Expansion would mean increased funds for marketing, trade promotion and research that would benefit apples and the entire specialty crop sector.

Now this is going off a little bit, but while I recognize that immigration issues do not fall under the jurisdiction of this committee, I would be incredibly remiss if I did not take the time to comment on the issue of immigration reform and specialty crop agriculture. Our industry strongly favors securing our borders. However, if in the process, we do not develop a workable guest worker program for agriculture, the time spent here will be for naught because we will absolutely cease to exist. That is, in my opinion, the greatest immediate threat to my family farm and to the whole specialty crop sector. Furthermore, I believe that most people are completely unaware of the repercussions for our national security of moving our fruit, vegetable and other intensive labor crop production to foreign countries.

In conclusion, I want to say that today's specialty crop industry faces challenges that were never imagined by the producers of my Grandpa Baehre's generation. Our industry is prepared to meet these challenges head on. But in order to be successful, we need programs that build long-term competitiveness and demand.

Without these programs, we could see U.S. specialty crop production, U.S. apple production, relocate to foreign growing areas with far fewer regulations, abundant labor and lower production costs. While the economic strength of my industry is a top concern and may appear somewhat self-serving, it really is not. The survival of agriculture in the United States touches every citizen and many of their basic concerns about life—good health, having enough to eat and food safety.

Thank you for allowing me to testify today.

[The prepared statement of Ms. Hersey appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Ms. Hersey.

Mr. Hager, welcome.

**STATEMENT OF RODNEY HAGER, COW-CALF, CORN, SOYBEAN,
WHEAT AND HAY PRODUCER, ORLEANS, IN**

Mr. HAGER. Thank you. I would like to thank Congressman Sodrel and everyone here today from the Agriculture Committee for this opportunity to put some input on the 2007 farm bill.

Indiana and American agriculture prides itself on the long tradition of producing healthy and safe food, making contributions to the State and national economies and also maintaining thousands of acres of open space for wildlife habitat.

If these same producers are going to succeed in the 21st century and pass their operations on to future generations, we need your help. At this time, the people producing our food make less than 2 percent of the U.S. population, and getting smaller. Without a producer-friendly farm bill, we are going to see more empty silos and housing, homes on hillsides where we raised our cattle and shopping malls where we raised our corn.

I strongly believe that the next farm bill should focus on enhancing and fully funding programs like EQIP, Grassland Reserve, Conservation Security and the Farm and Ranchland Protection. These programs should be producer-friendly, farmer-led and not dictate to the producer how their land is used. And also, reward producers for using good stewardship.

I also believe for agriculture product development to be successful, the Government should allow the industry to be the leader. For example, the issue of animal identification. The industry has the resources, the initiative and must live with the program. Therefore, the industry should design, build and manage the animal identification system in this country.

We need programs designed specifically to help producers recover from catastrophic disasters such as droughts and floods. In working to assist American agriculture after past disasters, we often find ourselves in a position of trying to stuff a conservation peg in a disaster assistance hole. And it has not worked.

American agriculture also needs a resolution on the debate over the Country of Origin Labeling. As a producer, my opinion is that all meat and meat products imported should be labeled as imported and not from the country of origin, so as not to identify a particular country. Also, retailers should be required to label any product they sell to the public that contains imported meats as such. We hope that the USDA will recognize it is our job as agriculture producers to differentiate their products from those produced in other countries.

Some other producers have expressed their concerns about not being eligible for disaster payments if they do not buy crop insurance. They feel the Government is forcing them to add another expense to the already high cost of planting a crop.

We have some producers that have built manure management barns through the EQIP program and have no place for their manure. They are not allowed to put it back on the pasture like the cows can do, so they do not have any crop ground to put it on.

On an Indiana issue, we would like to see funding for a Federal meat grader in our State. If someone wants to start a small retail meat outlet to sell graded beef and lamb such as prime or choice, they must pay a grader from another State. This puts them at an

unfair disadvantage when trying to compete in the market. In Indiana last year, we had 125,000 head of cattle on feed at a time.

In closing, I would like to ask the House Members here today to consider following Senator Orrin Hatch's lead and consider a bill that would allow interstate shipment of State inspected meats and poultry. As he said, it is absurd that 34 countries can ship meat anywhere in the U.S. and a small business in 28 States cannot ship across State lines.

Again, I want to thank everyone here today for this opportunity to share my views.

[The prepared statement of Mr. Hager appears at the conclusion of the hearing.]

The CHAIRMAN. Mr. Hager, thank you very much. We will now begin our round of questions and I will start with you, Mr. Koetter.

I represent the Shenandoah Valley and the Blue Ridge Mountains and the Allegheny Mountains of the western portion of Virginia and have a lot of forest land, about 1.2 million acres of national forest land and a comparable amount of forest land in private land ownership. I could not agree with you more about your concern that we have more active timber management on the Nation's public lands. I do hear, however, from some timber land owners, not particularly in my district but around the country, who fear that increased sales from the national forests would adversely impact timber sales on private lands. And I wonder if you think that concern is in any way justified?

Mr. KOETTER. Well, the more demand you have, it will affect that, but if we can continue to keep jobs here and support here. The free enterprise system works, so if you have got more supply coming in from national and State forests along with private landowners, it is going to affect it maybe a percent or two, but it is nothing dramatic. The real deal is trying to create more and keep it here.

One of the key things that our industry is trying to do is decrease our lead times to where instead of 14 weeks lead time overseas, we are dealing with a 1 or 2 week lead time here in the States.

The CHAIRMAN. I very much agree with you.

Let me ask you about your mention of the need for carbon credits for landowners who plant hardwoods. I wonder if you might elaborate on that and what kind of a Federal role would you envision in such credits?

Mr. KOETTER. Well, in the case of us—two sides of that really. When you go to buy a tract of timber ground, there may still be 5, 10 percent of it may be in pasture ground. Well, it will eventually seed out, drift over and seed out but we typically go ahead and plant new seedlings ourselves. But if there was some type of a tax credit for—even a lot of people that are not into forestry, more your private—we would be considered the industry side—but if I went out here and planted 10 acres, that it could in fact be a set aside program to help do that for 30 years, at least to jump start it, it becomes more environmentally friendly and a lot of these pasture grounds any more, at least in our area here, there is really nothing being done with them in so many cases.

The CHAIRMAN. How would the individual apply for and receive a credit?

Mr. KOETTER. I am not certain how the program would work, but I would assume like most of our timber ground in the State of Indiana, we have it in the classified forest, which is managed by the State, which basically we pay minimal property tax by keeping it into the timber ground. Now if we ever decided to develop that, we would have to take and go back and pay all the back taxes relative to what the stand is worth. We do support the classified program, which is currently in the State of Indiana. I think our tax base is around a dollar per acre. So how it would be monitored, I guess possibly through the same system there, that whoever is monitoring that, if we chose to take 50 acres and put it in seedlings and it was a \$50 or \$75 tax credit per year per acre, to just jump start to give people an incentive to keep it in timber ground versus development.

The CHAIRMAN. So it is not actually measuring the carbon that is sequestered by the trees.

Mr. KOETTER. No, not necessarily.

The CHAIRMAN. OK, very good.

Mr. Howell, this is not my first visit to Indiana and I have enjoyed every visit and every visit, I have heard complaints about the planting restriction and I certainly understand your perspective on that. You have outlined how it has harmed producers in your area who grow fruits and vegetables for processing. Almost every specialty crop witness that we have heard from in the previous 10 hearings that we have held, have shared the view of Ms. Hersey in that we need to maintain the current planting prohibition, and they are concerned that their markets will be flooded if the planting restriction is removed.

How do you both suggest we strike a balance between helping growers who are growing fruits and vegetables for processing, who want the restriction removed, and those who are growing for the fresh market, who want to keep it intact?

Mr. HOWELL. Well, I apologize, the fresh market does not have anything to do with it, we are talking about processing in this issue. And I think it is really one of more long run security and protecting some of the old traditional areas that were marginal vegetable producers over time for processing in the Midwest as opposed to advantages that the western growers had, for example, were all migrated away and we had a lot of abandonment. This is one to kind of stabilize that and allow the current ones to grow. It is not ever going to be the—well, never is a long time, but California certainly has an advantage over us. The other States, I do not think the same is relevant for apples and some of her vegetables as it is for the basic sweet corn, tomatoes, the Corn Belt compatible crops.

And I think I shot over your explanation.

The CHAIRMAN. Would you limit this to production for processing?

Mr. HOWELL. It is, that is our request.

The CHAIRMAN. All right. And Ms. Hersey, how would you respond to that?

Ms. HERSEY. Well, in answer to your question, I do not know what the common ground would necessarily be, but in response to what Mr. Howell said, I would disagree, talking about that it is only for processed fruits and vegetables. However, anything that comes in our grocery stores—we know that people go to the grocery store and they are going to buy a certain amount of fruits and vegetables. The produce industry is very sensitive to change in production into the markets, and when people go, they know they are going to buy a certain amount, they are going to buy bananas or apples or oranges. You bring in something such as a loss leader that is in over-production and it is going to affect all of us. We are very sensitive to any change in production.

The CHAIRMAN. Is that true even with the limitation of being only to processed fruits and vegetables?

Ms. HERSEY. I would think so because you are still paying people to produce a crop on land that they are receiving subsidization for still. So we are not able to fairly compete. Plus, Michigan, most of their production is processed fruits and vegetables, 68 percent of our market goes to processors. It would affect us, too much production would affect our cost and it would be allowing them to compete unfairly.

The CHAIRMAN. Thank you. My time has expired, I am sure we will get some more discussion on this important issue.

It is now my pleasure to recognize the gentleman from Pennsylvania, Mr. Holden. He is the ranking member on the Conservation, Credit, Rural Development, Research Subcommittee that is chaired by Mr. Lucas, who you will hear from in a minute. So he has a great interest in what you all had to say here today. Mr. Holden.

Mr. HOLDEN. Thank you, Mr. Chairman.

Mr. Hager, you mentioned several conservation programs during your testimony and Ms. Hersey, you referenced them to a lesser degree. In the last farm bill, we had \$17 billion investment in conservation and I believe about \$13 billion of that was in EQIP. And I know you mentioned some of this in your testimony. I wonder if you could just reiterate what you think we did right and what is not working so well and how we can change and improve and make these conservation programs more user friendly.

Mr. HAGER. Well, some of the problems that I have is the way it seems like the rules can change in the middle of the stream on some of the programs. Like I mentioned about the manure, what about people that build these EQIP barns and are not allowed to put the manure back on the pasture.

As far as funding, I think we probably all know we are going to get a little cut here, but I could live with that.

But to make them more user friendly, lift some of the restrictions, let maybe some of the local FSA and NRCS offices—we have different, even in Indiana, there is a lot of difference between Orange County and when you go up north in the flat land. There needs to be a little more flexibility there.

There is one thing that they are doing, and there may be somebody in here that really disagrees with me on, but why are they going to allow perimeter fencing to be subsidized on land? I use EQIP for cross fencing but Indiana has a fence law and why should

the Government subsidize me to put a line of fence between me and the neighbor? I really do not agree with that.

Mr. HOLDEN. I think Mr. Lucas heard about that last night, I believe. [Laughter.]

Mr. HAGER. Make it more user friendly and make it a little bit simpler. I was explaining to him last night I had to get a pond fenced out and I got approval for it; and for years, they allowed us to use telephone and light pole bottoms, the good part. Well, I have got half of it up and then they come and told me, we have changed the rules, you cannot do that. So now I am right in the middle of it, so I said well, just keep your money, I will do it myself, I will go ahead and do it.

Mr. HOLDEN. Anything to add, Ms. Hersey?

Ms. HERSEY. I guess what I would add is that we really do need more funds and I think that has been the problem with the EQIP program in Michigan, is a lot of the funds are running out, people are not able to fully use the program to their capacity.

One of the areas that we use it is integrated pest management and establishing buffer zones. We also are beginning to use it to remove neglected orchards, which obviously with people changing to different varieties or people selling their farmland for development, we have the abandoned orchard issue.

Mr. HOLDEN. That was my next question. I believe State Representative Cherry, last night, or someone at the table I was sitting at talked about developmental pressure. That is a real problem in Pennsylvania and the Farmland Preservation Program has been very successful in Pennsylvania and in New Jersey and in Maryland. I am just wondering is it being utilized in Indiana and in Michigan.

Ms. HERSEY. Not in Michigan—well, I should say I know that that has been—actually there have been monies put forward but there are problems with the different counties and jurisdictions as far as farmland development rights. I am familiar with your program and I know that we have not experienced the same success in developing it as Pennsylvania.

Mr. HOLDEN. But you do have the developmental pressure?

Ms. HERSEY. Yes, of course.

Mr. HOLDEN. Mr. Hager.

Mr. HAGER. Why did you take the money part of like NRCS now has some funding and they write the checks. Why was it taken away from the FSA offices and let the NRCS do the engineering and the planning of projects and the FSA paid the bills. Now people have to wait for weeks and sometimes months. I was in DC and a lady in California the other day had mortgaged her farm to plant a bunch of trees for a quarter of a million dollars and they had not got their money in 7 months. We were wondering why it costs millions of dollars to duplicate these records and all this, when it could be done through FSA, which it was done for years and years.

Mr. HOLDEN. We hear about that often and the chairman has done a good job with oversight and working with the administration and we will look into that.

Mr. Chairman, my time has expired.

The CHAIRMAN. I thank the gentleman.

And now, we are pleased to have the gentleman from Oklahoma, Congressman Frank Lucas, who is the chairman of the Conservation, Credit, Rural Development and Research Subcommittee.

Mr. LUCAS. Thank you, Mr. Chairman. Before we launch into the joys of EQIP, which obviously we are going to have a lot of fun with here in just a second, I do want to turn to Mr. Koetter.

In the third district of Oklahoma, we have very few trees, so I rarely ask questions about trees because I just do not have any experience with trees, but let me ask this. What percentage of the wood product you use comes from private land, what percentage comes from public lands?

Mr. KOETTER. In our area, it is almost 100 percent from private ground. The national forests in our area are not being harvested, State forests is being somewhat harvested but there are so many people reluctant to even get into it because the restrictions are so tight that people, for vandalism or whatever reasons, are afraid to get in there. So I would say 100 percent of ours comes off private land.

Mr. LUCAS. So for the volume of wood material you need to run your plant, has the quality been consistent, improved over time, deteriorated?

Mr. KOETTER. I would say it has improved over time, yes. I think people are getting more adept to taking care of the forests. I think people are getting more educated. That is one of those things that is very hard to measure when it takes over 100 years to do. So I guess I would hope that it is improving anyway.

Mr. LUCAS. Now, let us turn and have some fun on EQIP. One of the great accomplishments of the 2002 farm bill program was, as my ranking member Mr. Holden pointed out on the subcommittee, the 17 billion new dollars that went into conservation. We put a lot of effort in 2001 and 2002 in trying to determine how much money it would take to not only meet the backlog, but to move the program forward in an aggressive way.

And the thing I think that the subcommittee for sure determined, once the 2002 farm bill was signed into law and once we worked through the horrendous process of rules and regulations at both FSA and at NRCS, was quite simply we met the backlog as it existed but when people realized there is a chance you might actually be able to get some resources to work with, then the demand exploded.

As far as the jurisdictional lines between the NRCS and the FSA, this has been an ongoing head-butting battle for those of you who have been involved in agriculture since the 1960's. At different times, there have been proposals to completely remove one group from existence and combine them into the other, back and forth. So we have this, in most places, good working relationship and in some places, interesting working relationships. But that is just way that the system has evolved.

Now, tell me about how the EQIP program—and Mr. Hager has taken some very clear steps in that direction—how the EQIP program has affected your particular farms, your industry in your area, both positive and negative.

Mr. Howell, are people in your industry, in your part of Indiana, trying to use EQIP?

Mr. HOWELL. Well, I am going to be like Mr. Goodlatte said, I am the odd man out. I come from, as Mr. Hager said, from a little bit more the flat land of Indiana and I am more negative on the notion and, not a popular one among a lot of people, but it is because I think the majority of it in our area is going to people that are not full time farmers. We have in our neighborhood—and in my extended testimony, I wrote about neighbors that wanted to buy my land and honestly to tear out the tile, dig holes and call it a wetland and pay for my land to enhance their housing subdivision. And I see more negatives than I do positives.

I think the other thing that was in my extended testimony that is a change, I am getting old enough to have been used to always being ready for a new era, but I think with the cellulistic transfer to ethanol and with the progress of the corn ethanol and the energy problems that we face and the rapid expansion of that, I think as a group, you have to be very careful about things that are doing major retirements of productive land that can be used for wood, growing grasses as well as the grains. And I think it is a function of our country's wealth that we are looking at things that are not really important.

Mr. LUCAS. Ironically, a big part of what has passed the last two farm bills have been farmland protection and wetlands protection programs, CRP and all those programs. I agree with you and that is a big part of why we pushed so hard for EQIP in the guise of being a working lands program, not a land set aside or diversion, but a working lands program.

Ms. Hersey, tell me about your experiences in your area.

Ms. HERSEY. With the EQIP program, people have constructed sheds, as Mr. Hager said, to house different agricultural practices. Most recently, how we have benefited, again as I said before, was we have a situation where because of I think encroaching development and such and people taking out their orchards or to plant new varieties, whatever, we have a problem with—we called it abandoned orchards, now it is neglected orchards, we decided to change the terminology. But because of the pest issues, the commercial growers have a real problem with the old orchards being left to stand and not being protected from insects. And so that is of course very expensive to do, to remove orchards, trees, and that is probably the biggest area right now that people are looking at to use those funds. It can also help them to plant new trees, remove the old orchards that are going to be neglected.

Conservation practices, I mean people are doing that as well. But that is the basic interest I believe in Michigan in the EQIP funds for the apple industry.

Mr. LUCAS. My time has clearly expired, but Mr. Hager, repeat one more time your comment about the perimeter fences.

Mr. HAGER. I see no reason that the Federal Government should have to help pay for that. Indiana fence law, if you own on one side and I own on this side, we split the cost of the fence, except if you are a government or a railroad.

Mr. LUCAS. Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

The gentleman from Minnesota is recognized.

Mr. PETERSON. Thank you, Mr. Chairman. I apologize, I had to do a radio show about the drought that is going on in our part of the world.

Mr. Howell, I have been probably one of your problems in terms of getting the flexibility. It has been an issue in my district. We have Seneca Foods which produces, as I understand it, almost all the frozen corn and canned corn in the country. We also do green beans and peas for canning and frozen. There has been issues around there with the other farmers because of concerns of what it does to land values and so forth. I also have a wild rice industry that has developed in Minnesota. We have native wild rice, but we have also commercialized it and if this is opened up, California will put us out of business probably in a year. So we have got some issues there.

But I wanted to report to you, I have been out to California and met with the folks out there and other places in the country and we are working on looking at whether there is a way we can craft this so that we can kind of get everybody comfortable because I think there are some issues that need to be addressed. We are trying to figure out if there is a way we can write this, get the language tight enough to address people's concerns.

I think the chairman asked about this while I was out.

Mr. HOWELL. He did and I think the issue in the Midwest primarily is that we are not taking money. In fact, your Congressional Budget Office said there would be a net gain for you. We are not asking for money for that, we are asking only that we not lose, particularly for the preservation and the credit of the landowners, that they do not get hurt in the process by losing the value of their bases.

Mr. PETERSON. Right. But one of the concerns that we have, I mean the fruit and vegetable people are concerned that if we put too much land out there, it is going to cause over-production and collapse the market, which I think is a valid issue. I do not think it is as much of an issue in the frozen and canned area, although it still I think is of some concern.

But we also dry some beans up in our part of the world and that is another market that we have developed and that has a potential of collapsing that. Farmers are very good at producing. And they are their own worst enemies most of the time because they are so good at what they do. The prices get good and everybody switches and the next thing you know, everybody is losing money, so that is what the concern is. I think having this restriction maybe is overboard too much one way, but we have got to be careful how we do this.

So I just wanted you to know that we are looking at this, we are seriously working on it and seeing if there is some way we can come to an accommodation where everybody is comfortable and we can provide some flexibility and not collapse the market and screw up the situation that people have worked hard to develop. So it is being worked on.

Mr. HOWELL. Thank you, we appreciate that.

Mr. PETERSON. I have got part of my district that has lost nine out of 11 crops and the crop insurance does not work any more because you lose your base and all that stuff and so I have pretty

much, despite all the hard work of Mr. Moran, pretty much given up on crop insurance being able to fix this problem. So I have introduced a bill that would make another part of the farm bill, which would make a permanent disaster program as part of the farm bill. And part of the requirement would be that you have to buy up at least say 60 percent coverage in order to qualify for this disaster. The idea being that we would not have to do any more of these ad hoc disasters, which we seem to do every year or two. The idea being that farmers have to pick up some of this cost themselves or contribute to it, and not just have the Government bail them out whatever happens.

So I guess my question is—and we would also eliminate CAT coverage, which was basically put in for the southerners to be able to say they had crop insurance even though they really did not. So just very briefly, the four of you, would you consider supporting putting a permanent disaster program in the farm bill? Maybe Mr. Koetter, it may not apply to you so much.

Mr. KOETTER. I guess I am not familiar with us ever asking for in our industry, and probably it is over my head, our 6,000 acres, we do not insure for it, once again, if you do good sustainable forestry practices and put the road systems in, protections in, that is not an issue, if the underbrush is taken care of. So I guess we are working on our own insurance itself.

Mr. PETERSON. Right.

Mr. KOETTER. Probably the biggest threat we have in our area would be ice storms, which is a threat, but that typically is not nearly as devastating on hardwoods as it is your pine thickets, which we have very little of that as far as in the industry I am representing, it is more of a hardwood industry. So I really cannot comment relative to our area how that would affect us. So I guess I support free enterprise doing its job as much as possible.

Mr. HOWELL. I would tend to agree. I have been on both sides. We had apples, as Ms. Hersey has, we have had a lot of smaller crops as well as being quite large with corn, soybeans and so forth. And I have been exposed to the somewhat more private insurance on the grain crops and I understand the problems. We cannot get watermelon insurance in our area because we are a small isolated area with not enough count. But I tend to think that it should be more business oriented, more private responsibility and I just have a problem—I saw a lot of opportunity for abuse in the small crop disaster programs and I would tend to be on the opposite side.

Mr. PETERSON. I am trying to stop the abuse, because I think if we had a program, we would not get all this log rolling that goes on when we do these ad hocs where people get paid that should not be paid.

Ms. HERSEY. I agree with Mr. Howell. The Michigan fruit industry really has not had a very long history of obtaining crop insurance. We have benefited from some disaster relief in the past, but as he said, it is not significant enough for us to really be involved in that. So my comments would be pretty much similar to Mr. Howell's.

Mr. HAGER. Well, I agree with you that the crop insurance is almost a disaster. We used it for several years and we had neighbors that did not. We farmed some river bottom land and of course we

had some hillsides. At the time, they required us to pay high risk on every acre we planted because we had a few hundred acres in the river bottom, which we did not think was fair. Well, then I think it was the drought of 1988 or back then, some of my neighbors did not buy crop insurance, the disaster program come out and they actually ended up with more than we did by the time we paid our premium. So I quit the crop insurance business.

But one of my neighbors, I talked to him about coming down here and they farm about 8,000 acres and they do not buy crop insurance. But he got a notice the other day that he had to sign a waiver that if there was a disaster, that they could not collect any disaster payment because they did not buy crop insurance. So that is why I brought that up.

But I agree with you 100 percent, there needs to be something done.

Mr. PETERSON. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

I am now pleased to recognize the gentleman from Kansas, Jerry Moran, who is the chairman of the General Commodities and Risk Management Subcommittee and has an interest in that question and in the discussion that has been going on about the place of specialty crops in our commodity programs.

Mr. MORAN. Mr. Chairman, thank you very much. I was hoping that you did not introduce me as the chairman of the Crop Insurance Subcommittee. [Laughter.]

The CHAIRMAN. That too.

Mr. MORAN. You camouflaged that a bit well—after listening to our witnesses.

I am delighted to be here. Last night where we were in southern Indiana, I can see why crop insurance is not necessary. I have never been in a place which is so lush and so green. It is just a gorgeous place here.

I come from Kansas, represent most of the State, and we are on our 5th or 6th year of a drought, so it is a delight to see things that are growing and that are fresh and are green.

Before we perhaps spend a little more time on crop insurance, let me ask, Ms. Hersey mentioned the word extension of the farm bill. My guess is that, at least at this point, we have kind of moved away from the thought of we are simply going to extend the current farm bill, although at our hearings the current farm bill gets good reviews from almost all program crop farmers, with the continual suggestion from those who raise specialty crops, fruits and vegetables, that they need a bigger place at the table in regard to benefits from the farm bill.

We grow very few specialty crops in Kansas, at least in my part of Kansas, but I too share that desire to see that specialty crops are included in a larger way in the next farm bill, in part because I am practical. I think it is important for those of us who care about agriculture that we come together, that the ability for us—we are a minority in Congress, and to divide us between program crops and specialty crops would be a mistake. If we are going to have success in developing programs, policies in this country that are advantageous to rural America and to farmers across the country, we cannot afford to have the division between specialty crops

and program crops. So I look forward to working with you, Ms. Hersey, you, Mr. Howell, in regard to issues related to that.

The reason I am a Member of Congress, if I had an overriding goal, it is what can we do to see that rural America has some prosperity and that we have a future and that our kids and grandkids have the opportunity to return to our communities. And it does not really matter whether you are raising apples in Michigan or you are raising wheat in Kansas, the consequence of good years in agriculture has—good and bad years affect whether or not we have people who shop on our Main Streets, whether we have kids in our school system. So I want to see you have success as well. So we look forward to working with the specialty crop industry, despite the fact that where I come from and the subcommittee I chair is focused on program crops.

One of the things that I think is important to remind ourselves when we talk about an extension of the farm bill is that the cost of inputs have changed dramatically since the 2002 farm bill, and so if we are going to create a safety net, it seems to me that in 2007, that farm bill, we are going to have to take into account increasing fuel, fertilizer and natural gas costs.

I am interested in knowing if any of you have any suggestions of how we improve the safety net under the current farm bill for those increased costs. This is probably more a Mr. Howell and Mr. Hager question, and whether the direct payments, the counter-cyclical payments or the loan deficiency payments matter most to you in regard to your farming operation here in southern Indiana.

Mr. Hager or Mr. Howell. Unless Ms. Hersey would like to thank me for my open-mindedness. [Laughter.]

Ms. HERSEY. I would.

Mr. HOWELL. Thank you for the question. I tend to think—and this is in my extended testimony earlier—I think that we are headed, in general, for a pretty significant paradigm shift in all of agriculture. I have been optimistic before and been wrong, but I think now, in all of my thinking, it is the time to be cautious about new and more Government programs. I think the farm bill that we are operating under now in general worked fairly well. This is a relatively small issue in significance, the country over. I just feel that the energy changes and issues and the expansion of use for the grains for ethanol and so forth and the biodiesel and so forth is going to make a tremendous amount of new problems, new changes, new situations. When Indiana is going to become a deficit corn producing State over the next—I forget the statistics, 2 or 3 years—Iowa will be next year. There are so many things that are going to change, that I hate to spend a lot of time learning your new farm bill because I am going to have enough things to deal with.

Railroads are going to run backwards. Instead of corn going out, it is going to come back in in Iowa and Illinois. We are going to have all the residual feeds, livestock, that whole situation is going to change because of some relatively inexpensive feed. Cattle may gain on hogs in profitability, we may have a whole new price relationship between those.

I guess my conservative nature comes out, but I hate to see you gentlemen do too much, to create too many new things because I

think the rules are going to change over the next 5, 6, 10 years and you will have to do it all over again.

Mr. MORAN. Thank you.

Mr. HAGER. I agree with that. When you look at the future markets, 2008 corn, \$3.29 base and we have been working with \$1.80 corn. There is a lot of difference. It is like the gentleman said, Indiana, our Governor is pushing for the ethanol and the biodiesel plants here and we are going to be a deficit and we are not going to raise enough corn to take care of things.

And one of the issues I said in my written testimony is the fact that I feel we need some help in utilizing the byproducts, especially here in Indiana and I think Iowa and all of them that are going to the biodiesel and ethanol. We need maybe some funding for our land grant universities to study some more economical uses for these byproducts. We cannot feed it all to cattle. Hogs and poultry, it is not really useable for those livestock operations.

Keep the money about where it is at. I think with the future markets and everything, like he said, do not do a whole lot.

Mr. MORAN. Good to hear a couple of optimistic farmers. Thank you very much.

The CHAIRMAN. I thank the gentleman.

It is now my pleasure to recognize the gentleman from North Carolina, Congressman Bob Etheridge is the ranking member of Mr. Moran's subcommittee and we are pleased to have him with us as well.

Mr. ETHERIDGE. Thank you, Mr. Chairman and let me thank each of you for testifying this morning and being here. It is important and I would only share what others have said, that you know, we go to different parts of the country to hear testimony, but please understand we are writing the farm bill for all of America, not for Indiana and Michigan and Kentucky and Tennessee and North Carolina and Virginia. And that adds a lot of challenge to what we do.

Talking about corn, North Carolina is a corn deficit State as well and we are looked at building ethanol plants, as everyone is. But I think beyond that, we were in Minnesota over this past weekend and I think there is a lot of future in the bio area that goes beyond corn, so I think we will be OK once we get the new research.

Some have said in North Carolina we have two counties that if they were a country, they would be the fourth largest importer of corn in the world, because of our pork and poultry production.

Mr. Mr. Koetter, you triggered some thought as you were talking about this whole issue of maintaining healthy forests and the basic need for constant vigilance over our environmental well-being of the land. And I thought those were comments that all of us can take to heart. It brings to mind a conversation I had with some young farmers back home when we were talking about conservation and issues, because we had just seeded some trees on one of our farms. I do farm some, not much. But we had some trees that I had seeded a couple hundred acres and got to thinking when I had finished that I probably will not be able ever to get anything from it, maybe not one penny. However, that is really what it is about when we think about this whole issue of agriculture and

farming, that is what we call sustainable agriculture, for the next generation.

Mr. KOETTER. Right.

Mr. ETHERIDGE. And that is part of what this farm bill is all about. Every time we write one, we need to remember it is not just about the profit line this year, as important as that is, or next year; it really is about having sustainable agriculture over a long period of time. And as we write the next farm bill, we have to remember that it has an impact on our children and our grandchildren. So thank you for your comments and all of your concern about that issue.

Ms. Hersey, let me ask you a question, because you triggered a thought and here I will take a chance to throw a bouquet to the chairman and the ranking member at the same time, with some other folks in Congress. You have suggested that in the next farm bill, there really needs to be more thought given to the fruit and vegetable nutrition programs in the bill.

Ms. HERSEY. Right.

Mr. ETHERIDGE. And by that, I think if I remember from your notes, you specifically noted that almost 50 percent of our Nation's children eat no fruit or vegetables on a given day.

Ms. HERSEY. Correct.

Mr. ETHERIDGE. Having been the State superintendent of schools for North Carolina for 8 years and worked with the school systems, I can tell you that it is critical, that a child who is not well fed is a child who will not learn well. My wife is child nutrition director for the county school system where I live and we have some pilot projects, as you know, across the country and that is where the chairman and ranking member were involved with some people in Appropriations, in some adjacent counties.

So I would be interested in your thoughts specifically, if you will share with us some information about how the Michigan fruit and vegetable snack program works. Number 2, is it something that you think that we could replicate on a national scale within a reasonable amount of dollars, because I think it is important. The snacks children eat have a significant impact on how they respond during the day. I would be interested in your thoughts.

Ms. HERSEY. If you start them very young, it helps develop good habits for life. I appreciate your comments.

I work and volunteer at the local school system quite often and that is a frustration for me. I do try to eat properly and when I go to lunch at school, it is not necessarily the best things for me to eat, if I need to control my diet, either my cholesterol or my weight or whatever. But in Michigan, we were one of the first States to implement the fruit and vegetable snack program in the schools. It is in 14 States now.

Mr. ETHERIDGE. Tell us how that works.

Ms. HERSEY. We provide information, we visit the schools, we communicate with the schools, the food service programs in the schools, and actually we help them find sources for locally grown apples. I should say the Michigan Apple Growers do that. We have a Michigan Apple Committee and we provide these services for the local school districts if they so want. We give them the food service recipes, we give student activity sheets, posters and lots of other

information. That is basically what we do. I think that we have probably close to 50 participating schools in Michigan and obviously we would like to do a lot more.

Mr. ETHERIDGE. Mr. Chairman, I see my time has expired, but are you saying that every child gets a fresh fruit snack every day?

Ms. HERSEY. If they choose it. But I think what we are hoping is that—put this in conjunction with the new dietary guidelines, I would really like for Congress in the next farm bill to follow the dietary guidelines that were set.

Mr. ETHERIDGE. OK, thank you. I see my time has expired, but I would want you to know there are some pilots around the country where they are providing a fresh fruit for some children in some selected schools every day.

The CHAIRMAN. I believe Mr. Koetter wanted to make a comment too.

Mr. KOETTER. If I could, please. As you guys remember about these alternative fuels, please do not forget the research that needs to be done on the wood. There is about 65 gallons of ethanol in every ton of wood waste out there. I realize the break-even on this is around \$2.50 versus \$1.80 on corn, but I think further research, there is a lot of that natural resource out there.

Mr. ETHERIDGE. From the cellulose.

Mr. KOETTER. And also the comment on the private sector. I agree with you, only about 9 percent of the timber ground in the State of Indiana, for example, is under the industry as ours, and we do plant about 100 to 200 acres a year back for the environment. It is the right thing to do. Unfortunately, 85 percent is under the private sector and everybody does not necessarily have the same visions you do. If we could help those people versus the commercial development coming in, to plant that tree setting and it has to stay there for future generations to come, is really the area we are talking about.

Mr. ETHERIDGE. Right.

Mr. PETERSON. Just for your information, we are making ethanol out of corn for a buck a gallon.

Mr. KOETTER. Buck, OK. That is why I am in the forestry industry.

The CHAIRMAN. But we will get it down there, will we not?

Mr. KOETTER. That is right.

The CHAIRMAN. We are going to be competitive with cellulosic wood ethanol.

It is now my pleasure to recognize the first of our two Indiana members of the committee. Congressman Mike Pence is a very valued member of the committee. He tells me he went to school very close by here and hails from a district that adjoins Mr. Sodrel's district and he lives at the southern end of that, so he did not have to come too far to join us here today. But we are delighted to have Congressman Pence.

Mr. PENCE. Thank you, Mr. Chairman. I want to thank you and all of the members of the committee for coming to God's country, the very center of heartland America. I particularly want to thank my colleague, Mike Sodrel, for becoming a part of this committee at such a crucial time in the run up to the next farm bill and for welcoming us all to his district this morning.

Mr. Chairman, Indiana really is agriculture, with all due respect to Virginia and other constituencies represented. 60,000 farms, 15 million acres of farmland. Just for your information, Indiana ranks fourth nationally in the production of corn, third in soybeans, second nationally in tomato processing, a topic that has come up today and will likely come up again. And my personal favorite, second largest producer of popcorn in the Nation, Mr. Chairman.

We are delighted to have you all here. I am especially pleased with David Howell's presentation this morning. It is not anything that I have not heard before, I get regularly tutored by Mr. Howell and another witness who we will hear from today, and I thank him for being here. He is, as evidence of the bipartisan nature of Indiana, it is worthy noting that here in Indiana University country, a Purdue University graduate like David Howell I think has been very warmly received. [Laughter.]

South of Highway 40, Mr. Chairman, this is IU country.

I am particularly glad to hear from David again on this issue of fruit and vegetable growing and processing. As he mentioned, I introduced the Farming Flexibility Act in both the 108th and the 109th sessions of Congress, and I am particularly moved by the comments of several of my colleagues, including our Ranking Member, Mr. Peterson, this morning about what I know is a very sincere effort on his part and the part of other members of the committee to find a workable compromise on this issue in the next farm bill, that acknowledges an important fresh produce industry in America but also encourages the kind of diversification of income that Mr. Howell spoke of today for those involved in traditional program agricultural. I believe my legislation would address what really was an unintended consequence, to use David Howell's term, created by the 2002 farm bill, that discourages producers from diversifying farming operations and encourages an unnecessary cycle of dependence on Federal farm program payments.

With that commercial advertisement out of the way, I would just like to pose a question to Mr. Howell in the remaining time. I thought I heard you to say, David, for the record this morning, that 50 percent of the gross revenues of your farm, which I think is in the range of 5,000 acres, that 50 percent of your gross revenues at this point come from fruits and vegetables, despite the treble damages and imbalance that we have today. Maybe you could amplify that point. It seems to me to be a very startling fact maybe to some members of this committee, who have not focused on this issue recently. And also, what do you think the effect of loosening up these rules for processing for the growers of fruits and vegetables for processing, would have on operations like yours and other operations across Indiana and across the country.

Mr. HOWELL. Thank you, Mr. Pence. I guess that is a difficult question, and even though I talk about it to you often, it is difficult.

I think what we are really trying to do with your proposed legislation and what we are asking for is to hold the ground. We are not talking about more, we are not talking about dry beans, we are talking about only things for processing. We are talking about taking out, not receiving any payment for that ground. All we are asking is fairness to the landowner in being able to maintain his basis

if we continue on this cycle of dependency on farm programs. And I have some reason to hope that it is getting bigger all the time.

Mr. PENCE. But you believe this would add measurably to farm family income in Indiana? I am just struck by the 50 percent of gross revenues for your operation today.

Mr. HOWELL. Well, we do not have livestock, I like plants, I do not like animals.

Mr. PENCE. I like cats.

Mr. HOWELL. I can talk to a watermelon, but I cannot talk to a hog.

I do not think it is going to be a runaway, no, I do not think it will be a runaway, I think it will just maintain the status quo and maintain—in the Midwest, in Kansas, there was a sweet corn processing facility that may or may not have been in your district, but a couple of years ago, that went in with Government funding to grow that, to raise sweet corn as a process, to diversify, to maintain family farms in that area. When those rules changed, essentially all the land dried up to let that be grown on because of the risk of loss of the wheat base. It is a holding action, it is not an advancement. I do not view it as a threat.

Mr. PENCE. OK. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

It is now my pleasure to recognize the gentleman from Louisiana, Congressman Melancon.

Mr. MELANCON. Thank you, Mr. Chairman, I appreciate the opportunity to be here in Indiana.

I was just wondering, from the standpoint of program crops, specialty crops, I have been hearing across the Nation that people feel that the farm bill that was passed, the last farm bill that we are operating under, was a good farm bill and should be extended. I guess my question is do you feel that USDA has interpreted that farm bill to the best advantage for the producers, or do you feel that they have made decisions that were adverse I guess to farmers, whether specialty crops or others? Anybody want to take a shot at that, it is lobbed.

Mr. KOETTER. Naturally I am not familiar with the entire farm bill, but on the forestry side of it, which is a large portion of the State of Indiana, probably the two things that I understand is not in there would be this planting, some subsidy to help these private individuals—No. 1, to educate them on how important it is. As I mentioned earlier, the research we are doing in our plant, we are hoping to share, working with Purdue in the next few years. Not trying to leave IU out, we are validating that if they manage effectively, there is \$200 an acre of nice revenue coming in there every year. Naturally, we are keeping data on the expense side. Unfortunately, there is only 9 percent of the ground in the State that most people in the industry are managing. The other private sector, trying to educate them on if they do manage it effectively, this is what happens, and them so many of those private landowners have 5 acres, 10 acres, that is not necessarily even in timber ground, that they can choose to do something else, and most of them are—if we could give them some type of incentive, we are talking about on this 30-year carbon, to possibly, whatever the amount would be a year, to go ahead and plant it and help the environment for years

to come. And from the carbon side as well, on the environmental side, as well.

Mr. MELANCON. Ms. Hersey, I see you grabbing for the mic.

Ms. HERSEY. Didn't I. Thank you.

Actually I think the farm bill has worked very well for a lot of people, probably not necessarily for the fruit and vegetable sector.

I did want to touch on the TASC grant. Perhaps you can clarify something for me. We have been receiving TASC funding for the last 3 years and that money has run out. I believe that that was mandatory to be funded, but has not been funded. We were supposed to be receiving more monies but that has not been put in. Am I correct?

Mr. MELANCON. I would have to ask staff there. I know that in my particular instance, this past hurricane season was that the Department was sitting on about \$778 million in the section 203 or 302, I cannot remember, and kind of is still sitting on it and never helped in the disaster relief. And I guess that is where I am coming from. They are sitting on monies that they do have, have an opportunity to help farmers, particularly in disasters and ours was double hurricanes, yet they have not moved on it.

So what you are saying is there has been programs, either underfunded or stopped?

Ms. HERSEY. Well, the TASC program is what has enabled us to have a Mexican inspector. We are developing a market with the Mexicans to export our apples and we have been using those funds for the last 3 years to house that inspector, to have him come up to Michigan. He is there for a couple of months in the fall when the controlled atmosphere rooms are filled, he is there when they are opened up again. So we pay his salary. He does all the phytosanitary inspections, which actually the USDA does as well, but the Mexican Government requires that in order for us to send fruit. That money has run out and we really need an extension of the TASC program in order to develop the Mexican market.

Mr. PETERSON. Will the gentleman yield?

Mr. MELANCON. I will yield to Mr. Peterson.

Mr. PETERSON. You are right, we passed a bill in 1993 or 1994 for fruits and vegetables, which was mandatory. The appropriators stole the money and that is why it has run out. What they call CHIMPs—changes in mandatory programs. It started and they were stealing about \$100 million starting in 2001, they have been up to over \$2 billion. So as they have ostensibly been trying to cut spending, what they really have been doing is stealing money out of our programs, even though the agriculture bill saved \$15 billion.

So we are not the ones that did this and so you need to get on the back of the appropriators.

Ms. HERSEY. Who did?

Mr. PETERSON. The appropriators.

Ms. HERSEY. Thank you.

Mr. MELANCON. for some reason, their committees have a little higher rank than ours. One of the members said that we are the minority, the Agriculture Committee is the minority. So I am the minority in the minority of the minority.

The trade agreements—we are just getting word that the last round of talks may have collapsed last night. There was an article

on the Blackberry just a few minutes ago. But one of the things that has concerned me is the bilaterals that we continue to get into. Are these bilaterals truly helping American specialty crops? I perceive they are not, I perceive as I walk into the grocery stores and find fruits and vegetables with stickers from every place other than the United States that we have given up our fruit and vegetable industry, for all intents and purposes, as being a major factor in agriculture in the United States. Ms. Hersey and Mr. Howell?

Ms. HERSEY. That is why we also need the continuation and expansion of the Market Access Program. As I mentioned earlier, the importation of Chinese apple juice concentrate did decimate the apple processing industry in Michigan and I mentioned also about the Peruvian imports of asparagus. So we are seeing that from all factions, not just in processing, but we are also very aware of the concern that the Chinese Government will begin to import fresh apples into the United States. Mr. Larsen, I am sure you are very aware of that. That will affect all of us, it affects Washington growers, which are the largest apple producers obviously, because they are so dependent on the Asian Rim nations to export their product to. It is being displaced by Chinese product, it puts pressure on the rest of domestic apple industry in the United States and on the eastern States. So it is really a problem with imports. We are battling in Mexico with the phytosanitary issues and with the tariffs that are imposed on us. So it is a continuing battle.

We do need the Market Access funds in order to expand our markets. We have been utilizing those mostly through the U.S. Apple Export Council, which Virginia is a part of and California, and I know that Washington State also receives probably the greater portion of those funds, which helps them. Anything that helps them helps us.

So I would say we need protection from the pests that come in and APHIS is very important in that regard. That is probably the one thing that, for instance, China, prevents them from being able to come into the United States at this point, is because they do not meet our phytosanitary standards.

So those are pretty much our issues and our concerns, but yes, we are very afraid of what is going to happen if more products are brought in and the trade agreements. Really, NAFTA has not worked very well for us.

Mr. MELANCON. And I see my time is running out, so let me just ask one real quick yes or no question. Do you think any of these trade deals have benefited agriculture?

Ms. HERSEY. That is tough. Hard to tell.

Mr. MELANCON. Do you see an advantage to your operation because of NAFTA or CAFTA or any other of these?

Ms. HERSEY. CAFTA has been beneficial to the fruit and vegetable industry and to the apple industry in Michigan. We export a lot of our products to the Central American region and that has helped us in lifting some of those tariffs, so that has been beneficial for us.

Mr. MELANCON. Good. Thank you, ma'am. I yield back my time.

Mr. LUCAS [presiding]. The gentleman's time has expired.

The Chair now turns to the gentleman from Iowa, Mr. King.

Mr. KING. Thank you, Mr. Chairman.

First, I would like to direct my attention to Mr. Koetter. We in this Congress get re-elected every 2 years and in the Senate every 6 years and as I listened to your testimony and you are planning out—Thomas Jefferson said a generation is 19 years, so I am going to say five generations, by your testimony, 4 to 5, 80 to 100 years. As I listened to that, I am wondering, are you aware are there any timber managers in Congress? I have not found them on the long-term planning committee and I think we could use some.

But I especially want to compliment you. That is a tremendous business management style to look that far ahead, look across that many acres and look for the long-term best interest of the land and the commodity that you are harvesting and producing and putting on the market. I do not get to hear that. Hardwood management is another step beyond what I get to hear anywhere and I am western Iowa, so we do not have a lot of timber. We have got some, but not a lot.

I just wanted to comment that way, we can use that long-term planning. We may come back to you on that.

Mr. KOETTER. Thank you.

Mr. KING. And then, Mr. Howell, I wanted to ask you, again as I read through your testimony and listened to your statement here, I am impressed with the perspective that you bring. The trend for your operation, has it been away from program crops and toward specialty crops and could you give us a little history? Where were you 20 years ago compared to today, percentage-wise on specialty crops?

Mr. HOWELL. Our trend has been more to specialty crops, but it is for another reason. We are a family of many generations of farmers and we intend to make the next generation, if they want to after their college educations and so forth, be farmers. And the only way, in our area, with quite a bit of urbanization—that is the primary reason—the only way to expand the pie, so to speak, in an effort to divide among four families is to go to the higher value crops on the same amount of acreage.

Mr. KING. I would say as you see some of us take out our Blackberry and send out a little message here and there, it is not that we are not paying attention. That was me sending a message off to my agriculture assistant to look into the Pence bill, H.R. 2045. So your testimony responded directly to me this morning.

Mr. HOWELL. OK.

Mr. KING. I also get this sense from your testimony that you are looking at a perspective—I will just say this is mine and I would ask you to comment on it.

I have this belief that if people own the land, work the land and live on the land, this country is better off in a lot of ways. Is that the direction that you are looking at?

Mr. HOWELL. Yes.

Mr. KING. As you testify to this committee and make your recommendations?

Mr. HOWELL. That is right. We have more concern for it than anyone else. We are going to take care of it. And we do not need a terrible amount of coaching as far as conservation and so forth because we are going to take care of it ourselves.

Mr. KING. And the trend has been the opposite direction over the last generation perhaps or more—well, for as long as we remember.

Mr. HOWELL. Yes.

Mr. KING. I thank you.

And Ms. Hersey, as I listened to your testimony, there was a statement in there that absolutely caught my attention, essentially if we do not get a guest worker program, we will absolutely cease to exist. That statement, I just offer the opportunity to expand on that and define that a little better because I got some images in my mind that I fear would happen if we let the terrorists attack us, but I am sure that is not what you are talking about. Could you explain that a little bit?

Ms. HERSEY. Explain it a little bit, I could probably explain it a lot, but I will give you a little bit of history.

I told you I am a fifth generation fruit grower and so my whole life has been on a fruit farm and we have—I cannot remember the earlier years when the neighbors would pick your crops or you yourself would. Obviously you grow and you have more acreage and then the people would come from, for instance, from the Ozarks, and they would come and pick the crops. And then those people, a lot of them took jobs at the General Motors plant or moved on to something else to do. And so then we had the people from the south. And when I was in my teens, then we started to have Hispanic help. And they were always a part of my life and I tell people that I had wonderful growing up years and I lived in a village and it was all of these families that would come up. I have no fear of them, you have no fear of them, these people are here to pick the crops and they want to go home.

Mr. KING. I understand. I am watching the clock tick here, so I would pose a couple more questions.

You stated that you are in support of strong enforcement policy and so I have to ask this question in two ways—well, quickly one. If we do not pass any legislation, do you support enforcement of current law?

Ms. HERSEY. Of current law?

Mr. KING. Yes.

Ms. HERSEY. You mean the border policy?

Mr. KING. I mean if people find themselves cross ways with the law and they are in this country illegally, do you support sending them back where they came from, according to current law?

Ms. HERSEY. With all due respect, not if my crops are not going to be picked.

Mr. KING. OK. Now I am going to ask you one more question quickly and that is can you name a single species of an essential crop, one that this country cannot get along without?

Ms. HERSEY. No, I cannot.

Mr. KING. I thank you and I appreciate your testimony and I would yield back to the Chair.

Mr. LUCAS. The Chair now turns to the gentleman from Washington State, Mr. Larsen.

Mr. LARSEN. Thank you, Mr. Chairman. I appreciate the chance to be in Indiana. I think it is my first trip to Indiana, first time I have been to the State of Indiana. I had a good friend in high school who had moved from here in this area to out West and

about as far north in the West as you can get in the lower 48 from Washington, DC. It actually looks kind of familiar to me here to where I am from, which is why I am very interested in hearing all of your comments, especially those from the specialty crop producers, because we do a lot of specialty crops in Washington State as well.

A lot of questions have been asked. I am not sure I could ask anything new. I was going to ask Ms. Hersey about the TASC program and the importance of it, and rather than ask that and have her explain it again, I just want to underscore that with the committee, the Technical Assistance for Specialty Crops Program is something we put in in the 2002 farm bill. I like to joke that we moved the 2002 farm bill from having half a percent of the farm bill supporting specialty crop growers to a full 1 percent of the farm bill supporting specialty crop growers. So we are hoping to build on that success here in the next farm bill. So it is not a lot and the specialty crop growers do not ask for a lot except for the basic infrastructure, the research, the help to get their products into other markets and a variety of other things.

But Ms. Hersey, you touched on and I was not quite clear on your answer about crop insurance and how crop insurance for apple growers, and if you have heard from other folks in the specialty crop industry, how crop insurance has helped or not helped them and what needs to be done there?

Ms. HERSEY. Well, I have to be honest with you and say that I am not real familiar with crop insurance because basically we have never really used it or benefited from it. I can tell you that I know that we have invested in crop insurance in the last 2 or 3 years with our tart cherries, which is beneficial since we lost most of our crop in a windstorm a couple of weeks ago. But still, I have to tell you I am not real familiar with that because we have never really used it and it has not been prudent for us, very expensive, not beneficial for us to participate in.

Mr. LARSEN. And is that because the volume of your individual crops are so small, you cannot spread that risk out?

Ms. HERSEY. I think it is probably cost prohibitive in one case, but also I think that it is difficult—fruit acreage is so different than corn or soybean acreage, the production per acre is vastly higher, that it is hard to say that you have to have so much loss in order to qualify and you do not necessarily have that, but you can have a wipe out with hail on 10 acres of apples and it is the same as maybe 200 acres of soybeans or such.

Mr. LARSEN. Just as far as your testimony goes, and I want to underscore this for the committee as well, you did not mention this but every day in this country, 13 percent of children wake up not knowing where their next meal is going to come from. And when I consider your testimony, part of what you are saying is that there is a marriage, if you will, between food policy dietary guidelines, nutrition and hunger. So when you consider the DOE Fresh Program, the Fruit and Vegetable Snack Program, there is a marriage of things that we can bring together in the next farm bill, nutrition and hunger, that could not only help your industry, but also help us address some other policy issues that we face in this country.

Ms. HERSEY. And I think very importantly too, the economic impact of those program would greatly benefit the fruit and vegetable industry, to require all students in the schools or the military, to supply to the military fruits and vegetables. Doubling the amount would be a significant boom to the fruit industry and vegetable industry. But then also, you need to look at the dietary guidelines and obesity is epidemic in the United States and that starts with how we feed our children. And like I said earlier to you, Mr. Etheridge, that you go into the school cafeterias and there is nothing you absolutely can eat if you need to watch your caloric intake or your cholesterol or such. So if it is not good for us, it cannot be good for them. And that is training them with bad habits.

Mr. LARSEN. I appreciate the time. I have no further questions, I will yield back.

The CHAIRMAN [presiding]. I thank the gentleman very much.

And it is now my pleasure to recognize the gentlewoman from Ohio, Congresswoman Jean Schmidt, whose district is close to joining, I think, this district, but she has driven a long way nonetheless to join us this morning and we are pleased to have her as one of the new members of the committee.

Mrs. SCHMIDT. Thank you very much. This was a familiar path for me to drive because my family is in the auto racing business and Salem International Speedway is not too far from here. One of the fastest high bank oval tracks in the country, I might add. And they just got finished with Indiana Speed Week, like seven races in 10 days in Indiana. So my family has been in this fair State quite a long time this past month.

But I really just have a quick question and I am going to ask Mr. Howell and Ms. Hersey if you can rectify this for me. Regarding the specialty crop issue and the 3-year history, how do we balance the issue that Mr. Howell raised of landownership? For a variety of reasons, a family may want to have a sole proprietorship to protect their assets, protect their investment, to be able to pass it along to future generations without having the issue of the inheritance tax get involved with it. And yet when someone dies, it is really part of the family. How do we balance what I think are opposing positions on this? Is there a possibility that we can overlook what happened in the last farm bill if we have a provision in there that says in your will, you are willing your land to your descendants and so that 3-year history would continue? Does that make sense to both of you?

Mr. HOWELL. Perfect sense, but I am not sure I have the correct answer. I think that the administrative level gets tied up. As I cited the friends of ours that the gentleman was killed in a tractor accident. It is something that is held by your administrative offices at the FSA and it is not a willable item to my knowledge. And I do not see how there could be frankly.

Ms. HERSEY. This really is not an issue for us because we do not have any history on our fruit acreage. So that really does not necessarily apply to us.

Are you asking about death taxes or—

Mrs. SCHMIDT. No, what I am asking is can we make this a willable item, for Mr. Howell's sake, so that if a family farm, that you divide up the parcels and the son owns one parcel, the wife

owns the other, the dad owns the other. And suddenly one of them dies and now you have got an issue of inheriting the property, but now you do not have the 3-year history because you were not the sole proprietor of the property. Can we will those assets and will that history.

Ms. HERSEY. I am not quite sure I am understanding that. I guess I do not know if I have an issue with what he is saying with regard to that and would probably be in agreement with him. What I am talking about is actually the fruit and vegetable planting prohibition and that would be destructive to our industry, if that were lifted.

Mrs. SCHMIDT. Let me ask you, how would that be destructive if—I do not see how it is going to expand the—your fear is that if you get more fruits and vegetable growers, the specialty crop, into the market, it is going to make it less beneficial for you. And what I am saying is how is that going to make a difference when the landownership really did not transfer, it is still in the family.

Ms. HERSEY. I do not think that is the same issue.

Mrs. SCHMIDT. Maybe I am not understanding it.

Mr. HOWELL. Well, I think you do. I think it is that there is a personal history as a grower—and I will get lost in the details very quickly also. I think one of the potential problems with your suggestion is that typically where we have to rotate crops, as Congressman Peterson understands, in the case of peas, there are only 2 or 3 years and you have to move on forever.

Mrs. SCHMIDT. Right.

Mr. HOWELL. That there is a lot of rented land involved and what I own as a farmer is insignificant compared to the rented land that I farm. And the willing of mine would not be enough to help the next generation because most of that is spread over several thousand acres of rented land from other landlords. And they are the ones that are really going to suffer. I think my children will be smart enough to figure out the system, but somebody's grandmother that rents me a farm, the next guy might rent that and plant vegetables and her not understanding and she will come up short in the big picture over time in her crop base.

Mrs. SCHMIDT. I see my time is expired. Do you have any suggestions for the rental issue? I need to look at Mr. Pence's bill.

Mr. HOWELL. Look at Mr. Pence's bill I think would be a start and I would have to think about this.

Mrs. SCHMIDT. Thank you.

The CHAIRMAN. I thank the gentlewoman.

And now it is my pleasure to recognize the newest member of the committee, but also our host today, in whose district we are very pleased to be holding this hearing. And that is the gentleman from Indiana, Mr. Sodrel.

Mr. SODREL. Thank you, Mr. Chairman.

Every once in awhile on the floor of the House, they will say everything that needs to be said has been said, but everybody has not said it yet. [Laughter.]

Unfortunately, when you are bringing up the rear, a lot of the good questions have been asked, but Mr. Hager, you talked a little bit about EQIP projects. Can you tell us how EQIP projects have

been used on your farm and how it is important to the cattle industry?

Mr. HAGER. Well, it is very important out where I live. I utilize the EQIP program every chance I get. Of course, we have a cow-calf operation and we utilize EQIP program for cross fencing, water systems, erosion control land such as that, rotational grazing. It is very beneficial, very beneficial to us. Like I have said, there are a few little things we would like to see corrected, but it is a very, very beneficial program.

Mr. SODREL. Mr. Koetter, we always hear from people that do not want to use public lands virtually at all, they just would like them left alone. Is there not a real benefit to actively managing the forest rather than just leaving Mother Nature to her own devices?

Mr. KOETTER. Yes. Looking at the bigger picture, naturally with 85 of the land being privately held, where a lot of people do not understand and maybe you folks do or do not, I will go through it just a little bit—the fact that we are dealing with a lot of global warming, the carbonation that is put off, for every acre of ground that is managed effectively, as we feel like we do in our plant or our industry, if you are cutting timber at about 100 bezel down to about 70 bezel, you are keeping those good trees growing vigorously, they are giving off good oxygen. The ones that are not being cut for maybe 30 years, 40 years at a time, even a lot of times on private sectors, a lot of those trees are falling over and dying, which gives off bad carbonation, which offsets—it almost takes 2 good acres to offset even the ones that are not being managed effectively.

So naturally your national forests and State forests, you have got the same issue. Plus you have got another issue there, in the fact that when they are not being managed effectively, besides on the global warming aspect of it, you have got the fact that fires are more aggressive—you see the fires out west and everything else. A lot of that has to do with just not effectively taking care of, cultivating and land management. So it goes on both sides of the issue there. There are a lot of people even on the private sector that is not managing effectively. So if we can get it fixed, that is probably the bigger issue.

One of my big pastimes is trail riding, I ride our State forests, I ride our national forests, I love the scenery. But there are so many acres out there that people do not even get through that can be handled effectively, plus from my business background, there is a source of revenue. As I understand, the Government has got a little bit of a deficit right now. That could be used effectively. And there is a balance on both sides.

Mr. SODREL. Some of our friends in the media wonder why we pay so much attention to agriculture issues, 2 percent of the people live on the land, but 100 percent of us eat. They do not seem to recognize—in fact, one farmer in one of the hearings that we had said a friend of hers made the remark if you think you like being dependent on foreign oil, you are going to love foreign food.

So we need to strike a balance in the farm bill. I think most of life is about balance. You can get too much rain or too little rain. We can tilt the program in favor of one crop versus another crop, or you can not fail to balance the needs of the consumer with the

needs of the producer, or you can go too far in any direction. So we certainly appreciate every one of you coming here this morning and sharing your experiences so that hopefully we come up with the right farm bill at the end.

And with that, Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. Well, I thank the gentleman.

And on that note, we will thank all four of these panel members, these witnesses have done an outstanding job. We appreciate their testimony and the answers to our questions. Let us give them all a round of applause.

[Applause.]

The CHAIRMAN. If you all would exit stage left, we are going to proceed directly to our second panel.

[Pause.]

The CHAIRMAN. We are now pleased to be joined by Ms. Kaye Whitehead, pork producer of Muncie, Indiana; Mr. Hoppy Henton, a tobacco, corn, soybean, wheat, cattle and freshwater prawn producer from Versailles, Kentucky; Mr. Eric Wolfer, corn, soybean and wheat producer of Fayetteville, Ohio; and Mr. Ernest Brames, corn and soybean and hog producer of Huntingburg, Indiana.

All of you will have your full written statement made a part of the record and we would ask that you limit your comments to 5 minutes and we will start with you, Ms. Whitehead. We are pleased to have you with us today.

**STATEMENT OF KAYE WHITEHEAD, HOG, CATTLE, CORN,
SOYBEAN AND WHEAT PRODUCER, MUNCIE, IN**

Ms. WHITEHEAD. Thank you very much, Mr. Chairman and members of the committee. I really want to thank you for the opportunity to participate in this hearing and I really appreciate Congressman Pence extending the initial invitation to testify.

As you have stated, my name is Kaye Whitehead and I am a family farmer from Muncie, Indiana. Our farm is a diversified farm, we produce corn, soybeans, wheat, hay, straw, hogs and cattle. We utilize the manure from our livestock for our crops and maintain the nutrient management records required by the Indiana Department of Environmental Management. We participate in several of the current Government programs. In other words, we are a working family farm. We are owned by family, managed by family and worked by family and a few employees.

I want to stress that my comments on the farm bill reflect my viewpoint, not of any farm organization or commodity group. So I hope to offer glimpses of how the program is actually working.

My impression is that our current farm policy was intended to steer agriculture toward a more free trade and market-driven pricing direction with some underlying support. However, certain aspects of the 2002 farm bill may not have worked in real life as hoped, and had certain unintended consequences.

The Commodity Credit loans seemed to work well with little total obligation to the Government, as loans are paid back. These loans are paid by with interest if the current price of the commodity is above the support price and the interest is forgiven if the prices are below the support price.

Direct payments, direct guaranteed payments, have largely worked as a supplemental financing tool to help stabilize farming incomes. And while it does indeed do that, landowners and farm managers have capitalized these payments into their cash rents with very little of the actual payments going to the producers.

Loan deficiency payments and counter-cyclical payments seem to be the most controversial dollars in the current farm bill and I understand some congressional reluctance to continue them in future legislation. However, both of these programs have been beneficial to the income of the actual producer. Both are directly coordinated to the original price supports of the 2002 farm bill and are not paid in addition to that support.

Both the LDP and the CCP were designed to help mitigate revenue shortfalls and they have been successful in that effort.

One aspect of the current farm bill that is not working well are payment limitations. My husband and I have a family farm. However, many years ago, we were advised to incorporate to allow more members of the family to come back to the farm. Now, because we are a farming corporation, we have one payment limitation. If we were strictly farmers, a husband and wife farm team, we would have two. And as you are aware, there are farmers who devise complicated business arrangements to avoid Federal payment limitations. Our family does not do that. We believe payment limitations are not working as Congress intended and payment limits only work to benefit those that attempt to abide by the intent of the law.

In an ideal world, every commodity, agriculture or otherwise, would be strictly market driven and efficient, low-cost producers would thrive economically. In an ideal world, prices would be solely based on true supply and demand. But the world is not ideal.

Personally, I would prefer no Government program, no Government intervention and no Government mandates. However, being a realist, I know that is not going to happen any time soon. So I must be a participant in order to compete not only with my neighbor, but in the world market as well.

Farming is inherently risky because it is subject to weather and biological cycles. It is risky because of currency fluctuations and uncontrollable input costs. It is also risky because it is subject to foreign government quotas, embargoes and trade agreements.

Should the Government help soften that risk? I would argue yes. But how might we do that? What means of income protection can the U.S. Government provide to ensure our agricultural production is competitive in the world trade arena? American agriculture is a critical industry to the United States citizens for food, fiber and most importantly, fuel in the future. It is a strategic national asset and should be treated that way.

Some thoughts: Energy and trade agreements will likely dominate the thinking of the next farm bill.

The next farm bill could use the existing farm program structure but we should make them more WTO-consistent, reduce their negative effects on farming structure here and better target them to producers.

Our next farm bill should seek to increase our energy independence through domestic production of bio-based fuels. Each barrel of

imported petroleum that can be replaced with U.S. ethanol or biodiesel improves our balance of trade. We should endorse the national goal of the 25 by '25 program. We will need good research to fulfill that fabulous potential. I am one livestock producer that does not fear the impact of biofuel production on my livestock operation. There is an expression we use here in Indiana, and that is "Cheap corn is cheap hogs."

I would not advocate a program for livestock producers beyond properly funding EQIP in fulfilling the promise of environmental compliance costs.

I have heard it suggested that we reduce trade-distorting counter-cyclical payments and marketing loan rates by compensation with increased direct payments. Regardless of what we do, we need to make sure that we guard against a dramatic drop in land values as farmers and agricultural bank loan portfolios are dependent on current values.

My plea to the committee is to be cautious in your changes. Be mindful that nearly all programs have unintended consequences, and be certain that the U.S. producers that I know are anxious to be competitive with other producers but must compete on a fair playing field. Thank you.

[The prepared statement of Ms. Whitehead appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Ms. Whitehead.

Mr. Henton, we are pleased to have your testimony.

STATEMENT OF HAMPTON "HOPPY" HENTON, JR., TOBACCO, CORN, SOYBEAN, WHEAT, CATTLE AND FRESHWATER PRAWN PRODUCER, VERSAILLES, KY

Mr. HENTON. Thank you very much. It is a pleasure to be here. I am glad to know our mics are live, I did not want someone from England to hear me say something weird here.

The CHAIRMAN. We all do it.

Mr. HENTON. Yes, I know.

I represent family farming in central Kentucky. My land, Mr. Chairman, was granted by the Virginia legislature before Kentucky was even a State, so I have some history with Virginia. Tobacco is a major part of our operation, although as you may notice in my bio, we have a diversified operation, including lots of crops and lots of things we have tried in the past and will continue to try, including prawns, cattle operation, corn, soybeans, that are still operating today.

Congressman Chandler is not here, he represents my district and I am honored to be from the same county as Mr. Ben Chandler.

When it comes to this issue in front of you all today, my grandfather, my father, we all could have chosen other things to raise. One of the things that happens to fit into my area of operation is tobacco. And I know tobacco causes a lot of discomfort for a lot of us in terms of farm policy. But one of the things that has happened in the past, and I am sure the Congressman from North Carolina certainly understands this, tobacco was never part of a farm bill since 1938 or 1949. So it did not come up for reauthorization on a regular basis, so we did not have to talk about it. There was something that was called permanent legislation. With the recent

buyout, that is all ended and there is no longer a tobacco provision in Congress. It has taken out a lot of things that dealt with tobacco, including market news, including export inspection, a lot of things have come out of all of that activity that was considered part of U.S. policy but now is no longer part of it.

The livestock industry, which is also important in our area, which is primarily cattle—I am not in the hog area primarily—have really not ever had a title in the farm bill. So in many cases when people from my region of the State and from this region come before you, sometimes we are a little bit mystified as to what to ask for in terms of what a new farm bill should be, because we normally have not been part of an annual or biennial or 5-year or 7-year farm bill.

But I think the major thing we want to talk about is inclusion. I think the farmers in our area want to be included and I think the tobacco farmers want to be included as fruits and vegetables, as specialty crop, there are considerations that apply to us. We are not asking for a reinstallation of an old farm bill for tobacco, we do not want price supports or a quota system. We are not asking for a direct payment or a counter-cyclical type payment or LDPs, but we would like to be included as other specialty crops are included and they would include crop insurance, they would include crop insurance that deals with a number of issues including very specific issues that affect one farm versus another.

A regional area disaster can happen, but in tobacco and some specialty crops, one hailstorm can wipe you out and only affect one farm and not affect many farms. I personally believe and I think many believe, as the Congressman from Minnesota says, that a permanent disaster title is absolutely necessary. To have an ad hoc program that comes and goes is very hard to manage for and to be involved in. Last year, we suffered an extraordinary drought in our area, it was not widespread but it was an extraordinary disaster and we looked and looked and looked for maybe there was going to be a disaster program and, of course, as you know, we really did not have one. Crop insurance helped marginally with production expenses and that is about all.

One of the things that happens with the elimination of the Tobacco Program is that USDA and specifically FSA is really not too much involved in tobacco production at this point at all. In fact, crop reporting is not done, yields are not collected, data is not being collected at the FSA level because it is not a program crop. If you have a disaster, if you have crop insurance needs, it is very important that the U.S. Government has a way to adequately and accurately assess the damages and what needs to be done from that standpoint.

Conservation titles, because we are not a program crop in many cases, the issues of old sodbuster, those types of issues, we are not going to the FSA office and we are not availing ourselves of some programs that NRCS has because our whole contact activity in the USDA service centers has been drastically curtailed.

The Farmers Home Administration type loans that now FSA administers are important to continue to go forward and I think as we all know, a number of things affect the profitability of agriculture and they are in fact the DOHA Rounds, they are issues of

foreign trade, energy prices have been mentioned before. A lot of these things do affect the profitability and I think inclusion again is very important for all of us to be involved in.

I know livestock has been discussed a little bit and I will tell you that I think livestock production does need some title inclusion and aquaculture, shrimp production, prawn production, are issues that are really new on the horizon, but there are some disasters that can happen. And they are naturally occurring and in some cases foreign trade. And I hope we would be included in those also.

Thank you for your time.

[The prepared statement of Mr. Henton appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Henton.

Mr. Wolfer, we are pleased to have your testimony.

**STATEMENT OF ERIC WOLFER, CORN, SOYBEAN AND WHEAT
PRODUCER, FAYETTEVILLE, OH**

Mr. WOLFER. Thank you, Mr. Chairman, members of the committee, I appreciate you allowing me to testify today. I would like to give special thanks to Representative Schmidt for submitting my name to the committee. Thank you.

A little bit about our farm. It is located 40 miles east of Cincinnati in Clermont and Brown Counties. We farm approximately 2,400 acres of corn, soybeans and wheat, it is a 50/50 operation between myself, my wife and my parents. We started the operation with 600 acres and have expanded to the 400 owned and 2,000 rented acres over the last 10 years. My father always did farm part time with my grandpa until I graduated from the University of Cincinnati in management and accounting. At that time, my grandpa retired and my father and I have expanded the operation to the current 2,400 acres.

I am in my last term as an FSA County Committee member, I represent four counties as a State board member of the Ohio Farm Bureau and I serve as a board member on the Southern Ohio Agricultural and Community Development Foundation, which provides grants and loans to communities and farmers in southern Ohio and was part of the tobacco MSA settlement money. Representative Schmidt is a past member of that foundation also.

The changes in the 2002 with yield upgrades and the addition of oilseeds has helped with the direct and counter-cyclical payments. As an expanding farm though, most of the land that becomes available to rent is difficult to establish in the safety net programs because of lower reported yields and lack of reporting. The direct payment program seems to only benefit the long time historical farms who participated in earlier farm bills. If new WTO rules are established and Congress feels the need to rewrite programs so that they provide more direct payments to farmers, then remember that yield updates need to correspond with that in order to keep up with improved seed technology and keep the program up to date.

The marketing loan and loan deficiency programs work very well in implementing a marketing plan and risk management plan in combination with crop insurance. A problem that we experienced was in 1999 and 2001 when we suffered droughts and did not have the bushels to claim the LDP, since it is tied to the current bushels

of the year. Another problem with the LDP program is that grain terminals in our area erode basis when LDPs kick in. Their response is why should we care because we are getting government money anyway. Subsidizing grain companies is not what the program is about.

The counter-cyclical program is designed to help soften the difference and is a step in the right direction. The counter-cyclical program helps as a safety net and is good for both the taxpayer and the farmer. We get money when prices are low and money is saved when the prices are better.

Subsidizing of crop insurance would be a must for our operation to stay in business. Between 2000 and 2004, we have used it twice and we would have been out of business otherwise. This is a great way to leverage dollars and make them go farther. The insurance company takes the brunt of the loss while the subsidy makes insurance affordable to us as the farmer. Our crop insurance bill is still \$30,000 per year even with the subsidy. Yes, there are some abuses out there, but with tough enforcement and the use of county committees to watch over reporting, I think it is well worth it. Our own county has actually flagged three claims this year, as our oversight.

The conservation programs we have utilized include the continuous CRP waterways, buffers and filter strips. We farm approximately 200 acres of bottom ground next to the Eastfork River and this has allowed us install the buffer strips to filter herbicides and fertilizer before it enters the water. This gives us the opportunity to receive some funding for the landlord, so we do not have to farm it and also improve water quality. EQIP has been under-funded in our area recently, causing it to become a water quality program. Priority seemed to be given to those who are having the worse problems while the good conservationists do not make the cut. This program should have additional funding to help reward those who are already going above and beyond. The CSP program was designed for this purpose but has not had enough funding and is not available to many people, not to mention the paperwork nightmare. Because most of our farms are rented, we do not have enough records on them to qualify for the full amount and landowners are not willing to help us with the time requirements.

Last year, we did obtain a facility loan to build a 65,000 bushel grain bin. Getting marketing loans works well from a cash flow standpoint and for a marketing plan, but you need the storage to utilize it. The facility loan helps make the storage construction affordable so you can utilize a better marketing strategy.

Looking into the future, we understand that you will be looking at efficiencies and want to save money. We do the same thing on our farm every day, but I urge you to review county FSA office closings with caution. We have an E-online account set up with the USDA and do our DCPs and LDPs online. In the two counties we deal with, our farm is the only one of three producers who use the online reporting system. Many producers do not have computers and only a handful have the high speed Internet access that it takes to use to system. In using the system, I have had one staff member in the office train me for 1.5 hours to properly fill out the forms. After the training, double checking, I still ended up sending LDP to the wrong county, which had to be manually fixed. This is

a step in the right direction, but to me is only a tool in the tool box, not the silver bullet.

In summary, with rising energy costs, which are a part of almost all of our costs, and the need to have a safe and ample food supply, I cannot see where there can be any reduction in future farm bill budgets. I would support the idea of leveraging as many dollars as possible like the crop insurance subsidy. All we are looking for in the agricultural community is to have a safety net that helps us when prices and/or yields are low so that we can pay the bills to prosper in the future. We would prefer to have the market provide prices that would allow us to be sustainable but when the prices get high enough to accomplish this, a lot of times our products are not affordable abroad.

The 2002 farm bill has served well, but could use some tweaking as we go forward, from our experiences.

Thanks again for your time.

[The prepared statement of Mr. Wolfer appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Wolfer.

Mr. Brames, welcome.

STATEMENT OF ERNEST BRAMES, CORN, SOYBEAN AND HOG PRODUCER, HUNTINGTON, IN

Mr. BRAMES. Thank you, Mr. Chairman and members of the committee and Mr. Sodrel, for the opportunity to participate in this field hearing concerning the farm bill. My name is Ernest Brames and my wife Elaine and I are celebrating our 40th wedding anniversary in August. We have raised three wonderful children who have given us seven wonderful grandchildren. We are also commemorating a 40-year marriage to our livestock and grain farm.

Most everyone ahead of me here this morning has testified and gotten into a lot of details. And I am happy for that. Agriculture is so diverse, we have to work these details out. I am not a detail person, so my testimony is geared more toward where we have been, where do we have to go.

During these 40 years of farming, I have seen many different types and configurations of farm programs. The programs that I consider to be the most successful were easy programs to understand and implement and for the most part fair to all groups. The programs stayed focused on the true reason for having farm stabilization and conservation. The programs that seemed to be the most unsuccessful have been very complex and the true reason for farm programs was over-shadowed by special interest requests and demands. In my opinion, stabilization should be considered the most important goal of a successful farm program for today, the same as it was 50 years ago.

You may ask, stabilizing what and for what reason. The answer is stabilizing supply and price of the food supply for our Nation; but also, and probably more important today than 50 years ago today, is stabilizing our Nation's economy by having a fair and controllable commodity export system built into the program. I feel if this export system was designed without input from special interests or emotionally-driven groups, it could be very successful in cre-

ating that stabilizing part of the next program that I referred to before. Of course, I say again, keep it simple.

If you ask where to get the input needed to design a viable program, I would be quick to say be skeptical of the advice from farm organizations and commodity group leaders. Because of their positions, they generally have selfish interests or emotional agendas. And with either of these, it is practically impossible to have an open mind. The present program is a typical example. How did a program ever get written so that the highest yielding acres receive the highest payments of LDP? One would have to look at where that advice originated. This terrible inequity has cast a shadow on any worthwhile part of the present program.

What I just said may seem very bold, but I do not think I was asked to testify as an individual and then not tell the story the way I see it.

What has taken place here today is excellent. I am so honored to be asked for my individual opinion, but I will admit, I am not a detail person. There are many individual producers—and you have heard a lot of them this morning—like myself, but who are better with details, details that a farm program must have and they would cherish the opportunity to have input into the next farm program.

Agriculture-related, unbiased journalists and editors, in my opinion, could be an excellent source of help—but unbiased is the key word. Agriculture colleges and their field representatives, retired and present employees of the Farm Service Agency who have administrated the past and present programs would also be able to have valuable input into a workable program. I am sure this committee knows the best sources of information, but unfortunately many times the most reliable sources are the hardest to find. But as we have heard many times, where there is a will, there is a way.

In writing a new farm program, remember if the program adds stability to our Nation's economy, then it will add stability to our Nation's agriculture and vice versa. That thought may put hardship on some of us near term, but will be to everyone's benefit in the long term.

Beware of special interests or emotional advice. Keep a clear vision of the ultimate goal and keep it simple. With these thoughts in mind, the program cannot fail and will be a success story.

Again, thank you for allowing me to share my thoughts.

[The prepared statement of Mr. Brames appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Brames.

Ms. Whitehead, I will start with you on the questions. As a hog producer, are you participating in the EPA's Clean Air Act monitoring program under the recently signed consent agreement?

Ms. WHITEHEAD. Yes, we have applied. We have received nothing from the EPA yet to say that we were selected as a participant, but we did apply, yes.

The CHAIRMAN. Well, I think you may be the first one who has said yes in the 11 hearings that we have held.

Looking ahead a few years, do you believe the current conservation programs, such as the EQIP program, will be adequate to meet

producers' needs to comply with the EPA's orders that may be forthcoming as a result of that agreement?

Ms. WHITEHEAD. As a producer, I do not think anything is ever going to be adequate to comply with EPA's orders because it is a roving target.

The CHAIRMAN. Well, we agree with that, but we are trying to hit that target when we write the next farm bill.

Ms. WHITEHEAD. Well, I wish you well. I think that it is an integral part of what must be in the farm bill, adequate funding for EQIP and other programs that may be initiated similar to EQIP, because there is no way that individual farmers such as ourselves can afford—we just do not have the resources—to meet the ever-moving EPA targets.

The CHAIRMAN. You have our shared concern about that.

Ms. WHITEHEAD. Thank you.

The CHAIRMAN. Mr. Henton, would you give us kind of an update on how your family's tobacco farming business has gone since the elimination of the tobacco program?

Mr. HENTON. Certainly. In my area, and especially for my own farm, we have actually expanded production slightly. We were operating a little bit under the quota system of reduced quotas and we were actually operating less than capacity. The buyout has allowed us to reduce some debt and recapitalize, but we actually have expanded production some and we have tried to diversify some. But tobacco is still a very major part of our operation.

The CHAIRMAN. How are prices?

Mr. HENTON. The prices have declined. Prices of tobacco were around \$2 a pound under the old program, they are about \$1.50 right now. So there has been a rather substantial reduction in price. We eliminated some cost because we were actually leasing quota in, but we suffered some price reduction, so we just get a bigger truck.

The CHAIRMAN. Mr. Wolfer, could you explain to the committee some of the specific challenges that young producers like yourself have in entering agriculture?

Mr. WOLFER. I think one of the biggest challenges we have as a young producer entering is with farm bills and the way the programs are structured, like with direct payments. Most of the ground that I can pick up going around and that is released is lower productive ground, ground that has not been historically reported all the time, most likely has not been participating in other farm bills. So when we go to a program where a lot of those monies to help the producer comes like in the form of direct payment or historical counter-cyclical payments, we do not have the yields up very high. So we are not getting a big benefit out of that.

The CHAIRMAN. Explain to the committee what you mean by basis erosion when it comes to the LDP payments.

Mr. WOLFER. LDPs, I will give you an instance right now for wheat basis. Basically the price on the Chicago Board of Trade is somewhere around \$4 a bushel right now. The price we can get cash is about \$3.17, they are running about an 84 to 86 cent basis, which is what the grain company takes as they need to operate on. Generally, it only costs them about 15 cents a bushel, but as of right now, the price is so high, they cannot get rid of it, they are

thinking maybe an LDP will kick in. If an LDP kicks in, why then they go ahead and take a little bit off the top also.

The CHAIRMAN. And Mr. Brames, other than the commodity programs, what other farm bill programs, such as conservation programs, have you utilized? And how have they worked for you?

Mr. BRAMES. In my testimony, of course, I talked about keeping things simple, take the complexity out of it. Conservation programs are excellent, that is an excellent part of it, it is a very important part of our farm program. I did not touch on that as much as I did the others, but I put as much importance on it. But it has to stay where we can all utilize it. I heard some comments earlier this morning about it takes so long to get your plan approved and then of course the funding. If I had to advise a young person wanting to get into agriculture today, I would say you are going to have to really try and understand the complexity of the farm program.

What I said here this morning, I hope that had an impact but I am skeptical myself. I do not know, it seems like every farm program gets more complex, including the conservation programs. I am not sure I answered your question properly, but what programs have I utilized? I started no tilling corn and soybeans in 1973 when of course the herbicides made it available. And I have been a no till farmer ever since. So that is probably the basis of my conservation program, maintaining the residue on the soil rather than dry dams and diversion programs and things like that.

The CHAIRMAN. Very good, thank you.

The gentleman from Minnesota is recognized.

Mr. PETERSON. Thank you, Mr. Chairman.

Mr. Henton, I heard your answer to this loud and clear, but the rest of you, do you think there is any need or would you support putting a permanent disaster program into the next farm bill? Ms. Whitehead?

Ms. WHITEHEAD. Well, as a farm entity that does participate in the crop insurance program, we have some frustrations with that program for the very reasons that you have stated, and a couple of our own. Once you elect to participate and you select your level of coverage, it is very expensive to participate. I do not care what the level is, it is an expensive item. But what is more frustrating than that is after you have spent those funds or dedicated those funds to be spent and a disaster happens, then we have these ad hoc disaster programs which make you wonder why did you ever participate in the first place.

I even made a note here if you did not ask me this, to make the notation that if you asked I would definitely be in favor of some sort of permanent disaster type program at the 60 percent level, whatever it ends up being, and that producers must financially contribute to be a part of, because that gives it a lot more authority and presence and dedication, more credibility, so to speak. And if it will prevent ad hoc disaster programs.

Mr. PETERSON. That is what I am trying to do.

Mr. Henton, you would support it, I guess.

Mr. Wolfer.

Mr. WOLFER. Based on my experience, I am going to be similar to Ms. Whitehead. We actually utilize the crop insurance program because our operation, being expanding as hard as it is, is highly

leveraged. We do not have room for error. Basically if we have some kind of crop disaster, we have to have it insured.

When it comes to disaster programs, a permanent disaster program would be OK, but I just think it is going to cost a lot of money we might be able to utilize in other places. If we do have that program, it would be nice that we knew going into it what it is.

Mr. PETERSON. Yes, that is what I am trying to accomplish. I think it will cost a lot less money myself than what we are doing with these ad hocs.

Mr. WOLFER. Right, because with the ad hoc system, we do not know how it is going to work, what we are getting, who is getting what. It is just kind of confusing. But if it would be permanent, I could be in support of that. But I have also got to be in support of crop insurance because we have gotten way more money from crop insurance in disaster than the actual disaster.

Mr. PETERSON. Mr. Brames.

Mr. BRAMES. My dealing with crop insurance has been minimal. 5 or 6 years ago, we had a terrible drought through southern Indiana. I requested drought assistance from the Government as an individual and some others as individuals, and there was some drought assistance made available. But we were told with no uncertain terms, you will take out insurance the next 2 years. So that is how I got initiated to the crop insurance. Crop insurance is again too complex, it costs too much to implement it, costs too many salaries to implement it. I do not know how else to say it. Whether a direct drought assistance program, directly from the Government, like we were used to before is any better, I cannot give you a clear answer on that. But we do hear some comments about safety nets, that is one safety net that I think is important. If we do not have crop insurance, the Government has to have the responsibility to have a drought assistance program of some kind available.

Mr. PETERSON. Thank you.

You are from three different States. Do you have the CSP implemented in your States in any of the watersheds, are you aware?

Mr. WOLFER. Yes, in Ohio, we have about three watersheds, they are all in the north, right now. Basically our ground probably is the highest yielding in the State, so we kind of do not qualify because they have other watershed issues, water quality issues, along with the higher productive land. So it is implemented. But we are scheduled maybe 2 to 3 years from now.

Mr. PETERSON. Mr. Henton.

Mr. HENTON. Yes, same thing, it is available but not for us yet.

Ms. WHITEHEAD. The same thing, yes.

Mr. BRAMES. I cannot speak to that.

Mr. PETERSON. And are you familiar with how it is working in the areas where it has been implemented? Not really?

Ms. WHITEHEAD. It is not in our immediate areas, so no, I cannot.

Mr. WOLFER. The only suggestions that I have heard is that if you are going to participate in the program and you think you might be 3 years away, start now, because it is going to take you that long to fill out all the applications and get all your records together.

Mr. PETERSON. Thank you, I will yield back.

The CHAIRMAN. I thank the gentleman.

The gentleman from Oklahoma is recognized.

Mr. LUCAS. Thank you, Mr. Chairman. I am curious and I try to ask at least one panel at all of these hearings we have had across the country, tell me about land prices. How do things compare to 1982 or the last 5 years? Up, side ways, down, cross ways?

Mr. HENTON. The land prices in our part of central Kentucky have I guess you would argue skyrocketed. A lot of urban pressure has driven most of that, but land prices have gone up dramatically.

Mr. LUCAS. Are we now back to the pre-mid-1980's bust period prices, back to the early 1980's in comparison or maybe even higher in your areas?

Mr. HENTON. We are certainly higher in our area.

Mr. WOLFER. We are higher in our area than the 1980's.

Mr. BRAMES. I will answer similar to the gentleman to my right. We are in a very fast-building area, Dubois County, still have a lot of livestock, still have a lot of crop land. The crop land that will not be used for residential, that is truly going to be used for producing a crop probably would be comparable to what it was 20 years ago. It has had some ups and downs, but you are right, it is probably right there, as all over the Nation.

Mr. LUCAS. Rough number, what percentage of the sales, when farm land sells in your communities, what percentage goes back to a farmer and what percentage goes to a developer or somebody from town or acreages or some other source—rough split?

Mr. WOLFER. I would say in our area, unless you know the landowner and they want to keep it in agriculture, zero.

Ms. WHITEHEAD. That would not be the same in our area. It is quite different from one side of the city of Muncie to the other side, within the same county. Where we are located is the reservoir for the city and the land prices have escalated back to the 1980 dollars or higher, but we see a lot of investors that come in and compete with farmers to buy that land. And I am sure they are holding it for what they think is a higher use possibly in the long run, but the development is taking place on the other side of our county. So most of our land does go back into agriculture.

Mr. LUCAS. The reason I asked is that land prices have traditionally been considered to be a good gauge of what is going on in the community. Of course, the higher the percentage of sales to non-ag people, the more distorted that is. But it also brings around the question of when you work on farm policy issues, the things you do impact land prices and I assume Indiana, Kentucky, Ohio, it is just like Oklahoma, the typical farmer has a huge percentage of his or her capital and life savings tied up in that real estate. So being careful not to dramatically impact land prices and the effect it has on people.

Let us touch for a moment on crop insurance, a subject that has been discussed at some length. We spend about \$5 billion a year on the present crop insurance program, from the Risk Management Agency, with the subsidies we provide the crop insurance entities to the subsidies to farmers to get them to participate. Different parts of the country have different opinions and I asked question in Minnesota and was quickly straightened out by Mr. Peterson's

constituents that doing away with the program and taking that \$5 billion and putting into ad hoc disaster or just giving it to farmers to go buy products from some independent source was unacceptable. But there are areas in the country, when you ask that question, you get a slightly warmer response.

Your opinion. Federal crop insurance, is it worth \$5 billion a year?

Mr. HENTON. Well, Federal crop insurance for some of our program crops, we raise corn, soybeans and we are fairly pleased that we have coverage there and we still continue to have Federal crop insurance on tobacco, for instance.

But as many of us diversify and move from tobacco to other non-program crops to specialty crops, because there is no base, there is no history, no one has raised watermelons in our area or apples in our area, we find crop insurance to be very hard to buy and obtain if you are trying to diversify or move to other production, especially in our area where many farmers, not like myself, are trying to move from tobacco to other crops. There is no way you can get crop insurance on cherries or something you have never raised and you have no production history. So it is a real problem from that standpoint.

Mr. WOLFER. I would have to concur. Being on the Tobacco Foundation essentially, as they call it, and seeing a lot of diversification going on, any time they diversify out of a regular program crop, crop insurance is really hard to get and does not really help out, but from a producer of general row crops and production, and it being an expansion and highly leveraged, I could not function without it. But that also goes with that we have a crop insurance agent who is on salary and does not get benefits from what kind of plan he sells. So when he comes to sell us, he finds the plan that fits us and our farm, not what he gets the highest premium for.

Mr. LUCAS. Some of course would argue that in a system by which you develop a product, you take it to RMA, if they approve the product then all crop insurance agencies, all different companies can sell the thing, might not create the most innovation and competition, some would argue.

I thank you, Mr. Chairman, for the time.

The CHAIRMAN. I thank the gentleman.

The gentleman from Pennsylvania, Mr. Holden, is recognized.

Mr. HOLDEN. Thank you, Mr. Chairman.

I do have a question, but I am going to yield to the ranking member for follow up.

Mr. PETERSON. I should have asked earlier along with Mr. Lucas' questioning, are 1031 exchanges a problem here that are driving up land prices?

Mr. HENTON. It is certainly in the mix. Whether it is driving up land prices, it is certainly a factor that is being discussed in almost every land transaction.

Ms. WHITEHEAD. I would like to echo that. In our area particularly, we are seeing professionals come from Indianapolis or even smaller cities that want to invest or have invested and someone within that particular range has bought them out at \$20,000 an acre and they use a 1031 exchange. So it makes it very difficult for

that next generation of family farmers to be a part of that enterprise.

Mr. WOLFER. In southern Ohio, it is not quite as much a problem because basically we are pushed by developers, so it is either going to go to development or you are going to know the person who will purchase it. But I know like in central Ohio, that is a big issue.

Mr. BRAMES. I am sure it is in our area, I mean it has to be. Common sense tells us it has to be impacting land prices. To what extent, I cannot really answer.

Mr. HOLDEN. Mr. Lucas is the chairman and I am the ranking member on the Subcommittee of Conservation, Credit and Rural Development and Research and with the last panelists we talked about conservation. I am just curious, how are your credit needs being met? Are commercial banks, community banks or is it the Farm Credit System that you are relying on?

Mr. WOLFER. Actually, as a matter of fact, we were not eligible with the Farm Credit System because of our expansion and lack of having that much capital to expand that hard. So we have gone to local banks for funding, yes. And our Farm Credit agent actually is sorry she had to do that, but with the current rules on the capital you had to have, I could not provide that to expand that hard and so we were not eligible. But the local bank was and now she is sorry she does not have our credit.

Mr. HENTON. I think the Farm Credit System is extraordinarily aggressive in our area and I think they are doing a tremendous job. But one of the things that Mr. Lucas pointed to, land values have gone up, so land-based lending is easier for banks to do, in many cases more than cash flow. So they are doing some equity lending and you find your bankers much happier when you have got higher land values.

Ms. WHITEHEAD. For us it is a combination of both, we utilize both. Farm Credit System is very assertive in attempting to come out and if they do not have your business, they want your business.

Mr. HOLDEN. Mr. Brames.

Mr. BRAMES. You heard me say before our area is becoming a residential area, but our roots are agriculture. So we have a lot of roots in agricultural lending in our area. Farm Credit Service is very strong, it has had its ups and downs as it did in the whole country. I might just throw this in, you saw in my resume farmed 40 years. I was on a PCA Board, long time ago. I do not know if any of you gentlemen remember the PCA, but I have been through all of that. But that lending association has become very strong again and in our area likewise.

Mr. HOLDEN. Thank you. I yield back, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

The gentleman from Indiana, Mr. Pence is recognized.

Mr. PENCE. I thank the chairman and I appreciate all the participants of this panel, but none more than Kaye Whitehead from Muncie, Indiana, who has been a friend of mine for nearly 20 years. The Chairman might be glad to know that she not only owns and operates a farm but it is called the Seldom Rest Farms. And if you knew Kaye Whitehead for about 5 minutes, you would know where they came up with that name. She is appropriate to this panel and I think you have already seen that, my colleagues have,

because her farm participates actually in a number of the programs authorized in the 2002 farm bill. And I appreciate her candor today, although I am used to it from her.

And I guess my question for her and for the panel would be a much larger kind of global question as we look at next year. We have heard conversations about EQIP, we have heard disaster funding, your concern stated earlier, Kaye, about payment limitations not working.

Ms. WHITEHEAD. Yes.

Mr. PENCE. And I would be curious about this business of unintended consequences. One of your comments made me think of this, that whatever we do, you urge caution, I think at the end of your—markets tend to thrive based on predictability. And I guess I would pose to the panel, beginning with Kaye, where are the areas where we ought to proceed with the most caution about introducing significant change? And what do you see as the perils associated with that? We could go left to right, I would love to hear everybody's response to that if we have time.

Ms. WHITEHEAD. Quickly, an unintended consequence, LDP payments. I have heard farmers say well, I had the best crop I ever had, but I still got a big LDP payment. Well, that is not what the intent of the LDP payment was about. One way maybe to fix that and make it more WTO-compatible or in compliance with the WTO is look at total revenue instead of just commodity prices on WTO or on LDPs. And I think that possibly would help that because you would not look at specific pricing, you would look at the overall revenue picture for that item being produced.

One other thing you have talked about and I am just going to mention it briefly, in the panel earlier, I think an unintended consequence of your fruit and vegetables was for those that will lose program base acres because they participated in a specialty crop. And I, for one, would like to donate a hog to Mr. Howell, so he would have one to talk to. [Laughter.]

So he will not have to talk to all those plants. But I think that is a couple of examples.

When you look at payment limitations, well, they do not call it Mississippi Christmas tree for nothing. That has been a consequence, when you have attorneys that set up practice in an area just to help alleviate the pain of one payment limitation, then something is not working. We are spending a lot of time alienating ourselves because we are trying to circumvent a good intention.

So that is just a couple or three examples I think of an unintended consequence.

Mr. PENCE. Mr. Henton.

Mr. HENTON. Mr. Pence, in addition to having Kentucky by my name, I actually went to school at Purdue, so I have some Indiana roots a little bit here. One of the things that happens if you do not keep an eye on the supply issue, demand tends to be, as they refer, inelastic, it does not move very much. And if we put our foot on the gas pedal on production and if we have payments designed the more you yield, the more you get, you are going to get that consequence, you are going to get higher yields. And if we do not have a demand expanding—maybe with ethanol, maybe so—but you have the tendency to over-supply the market rather rapidly and I

think not paying attention to how we handle supply and what signals we send to the market are very, very important to look at.

Mr. PENCE. Very good.

Mr. WOLFER. I think an unintended consequence in the future will be when we are going into these trade negotiations and having to change around for trade boxes and so forth, if we go to something like a direct payment, we have got to remember that the way these direct payments come out, they are very efficient, they work very well, they get to most everybody that participates, but the amount they get, we have to negotiate with landlords, they get to see those prices, not all that money comes to us. As an expanding farm, our yields are not up there real high, we may not be getting the same proportion of the pie that everyone else gets.

Mr. BRAMES. In my testimony I said we have to stabilize the Nation's economy by having a fair and controllable commodity export system built into the program. Do not ask me how, but that has got to be important. The world trade has got to be a major portion of our farm programs in the future, in my opinion.

Mr. PENCE. I thank the panel. Mr. Chairman, I yield back.

The CHAIRMAN. I thank the gentleman.

The gentleman from North Carolina, Mr. Etheridge is recognized.

Mr. ETHERIDGE. Thank you, Mr. Chairman, and let me thank each of you for being here today. And to our host, I am glad to be back in Indiana. I want to thank the folks who are from Indiana—all the rest of you too, but those of us in North Carolina owe a great debt to Indiana. Had it not been for Everett Case and the Hoosiers who came to North Carolina after World War II, who knows, we might not have the level of basketball we have today. [Laughter.]

So we owe a great deal to you. We are glad to be here.

One point was made earlier and I think we all should be aware of it and I hope those of us on the committee are, the issue of land values is critical as it relates to our financial institutions and if those values start to flatten out or drop, we are going to have a real problem in rural America, unlike anything we have seen in a long, long time. And I get nervous when I see the escalation of it at a very rapid pace.

Mr. Henton, let me follow up, the chairman raised a question earlier on tobacco, and I assume from your comment, do you grow Flue-cured or Burley?

Mr. HENTON. Burley tobacco, sir.

Mr. ETHERIDGE. Burley, OK. And you have a unique perspective, I think, of all the other people who have testified on both panels, because you have been in a crop that was a specialty crop, that was really in permanent law and sort of outside the farm bill, and then you have a number of products that are within the farm bill as it grows. So I would be interested in your perspective on a couple of issues, because I think it is important to us as we look at the new farm bill.

You have shared with us a little bit about growing tobacco, that you have increased your amount of tobacco. In the interest of full disclosure, North Carolina grows more Flue-cured than anyone else and my district is probably one of the largest in America in that regard and we are about where we were or expanded. But my ques-

tion is this, do you find growing tobacco still profitable? I assume the answer to that is yes.

Mr. HENTON. Yes, sir.

Mr. ETHERIDGE. But the margins are not what they used to be?

Mr. HENTON. The margins have narrowed substantially.

Mr. ETHERIDGE. Now I am going to get a little sensitive with this, because I think this is critical, because for those who listen and do not know, there was a buyout and farmers are being paid for the allotments they had. Are buyout payments that you receive, if any, subsidizing your ability to continue growing tobacco? And would you have abandoned tobacco production if there were both no program and no buyout? And you understand why I ask that question. We do not have to deal with it, but we almost did.

Mr. HENTON. The answer to your first question, I think that the answer is as diverse as the number of farmers. Many farmers have—most farmers in Kentucky area, most farmers, who were raising tobacco have now quit. More have quit and have abandoned any production, have used any buyout money to either pay off debt, retirement or some other venture. I think that is where most people have gone.

Mr. ETHERIDGE. Right.

Mr. HENTON. And in many cases, you have got a few farmers raising more, and I would suggest that the second part of your question—the second part of your first question is I have probably taken the buyout money and recapitalized my own farm so I can raise more tobacco. Which may have been not what it was intended from that standpoint.

Mr. ETHERIDGE. That was your choice.

Mr. HENTON. Yes, sir.

Mr. ETHERIDGE. That was your choice. I raise that because I think it is important to get that.

Thank you. Mr. Chairman, I yield back.

Mr. LUCAS [presiding]. The Chair now turns to the gentleman from Kansas.

Mr. MORAN. Mr. Chairman, thank you very much. I thought it was another very good panel, you are our last panel from 11 hearings.

And Mr. Wolfer, I appreciate, particularly in my role as chairman of the subcommittee dealing with program crops. I am going to take your testimony with me, you highlighted some things about counter-cyclical payments, the LDPs and the direct payment. In Kansas, particularly wheat farmers at the moment, that direct payment has been our savior because of lack of production. That is what we are surviving on. And so in some ways we have got to figure out what the right balance is between those three, but the general theme throughout all of these hearings has been, as I said earlier, except for the specialty crop producers, the 2002 farm bill gets pretty good marks. No farm bill is perfect, no farmer is going to brag about farm policy in this country, but it seems to me that what we have heard is that we are on the right track.

One of you indicated—I think it was Mr. Henton—about crop insurance and disaster program. One of the things that caught my attention, Mr. Peterson talks about a disaster program within the farm bill and I just got off the phone with my agriculture press

wanting to know how we are doing in Washington, DC this week on agricultural disaster for drought—we need a disaster program that, however it is fashioned, it needs to be farm-to-farm as compared to county-by-county. Too many times I see where a county is excluded or included and some of the complaints that we have seen recently in the national press about a farmer getting a disaster payment when it is not deserved comes from the fact that we lump everyone together rather than taking into account their individual circumstances.

A number of you mentioned crop insurance and I just wanted to give you the chance, particularly you, Mr. Wolfer, who testified about its importance, anything that we ought to know. I do not know a lot about crop insurance as it affects tobacco, Mr. Henton, I would be glad to hear about that. We are trying to develop a crop insurance program that meets the needs of all farmers, regardless of what crop they produce, and to expand crop insurance for those who want it, depending upon your philosophy, Ms. Whitehead, as to whether or not so-called crop insurance should be available in the livestock arena. But I would be glad to hear any thoughts that any of you have about crop insurance.

Mr. WOLFER. Well, basically the philosophy that we have gone with on our farm is that we look for revenue coverage. We have got so many dollars worth of inputs, we need so much money at the end of the year. So we actually go with a revenue coverage. And we do not necessarily need it field-for-field. We do not want to definitely make a profit on every field. We want to make sure that our crops are covered. So we have been utilizing, bouncing back and forth between some RA coverage, CRC coverage and some grip policies, depending on the need for the year, because the pricing has been fluctuating because of droughts, lower yields, the pricing has changed so we actually switched from some RA and CRC policies on corn and gone to a grip policy.

Mr. MORAN. What percentage of your cost of production are you able to insure when you pursue revenue insurance? Are you getting to cost of production or are you getting something higher?

Mr. WOLFER. We are basically insuring the cost of production.

Mr. MORAN. Would you be able to insure at a higher rate, to cover more than your cost of production?

Mr. WOLFER. Probably not affordable, no.

Mr. MORAN. It is available but not affordable?

Mr. WOLFER. It is partially available, depending on what you want to include in that total production loan, but it is very unaffordable.

Mr. MORAN. Thank you.

Mr. Henton.

Mr. HENTON. One of the things that I think we tried to address and I think it has come up and I think it is an issue, what data are we using, especially on specialty crops in terms of what type of revenue are we trying to be involved in. And if we do not collect some information, especially on specialty crops, for yield and price, if I have a disaster and I am raising ginseng or I am raising yellow root or I am raising some bizarre crop and you say well what was your income stream, there seems to be no way to have accurate data, especially for specialty crops, unless the FSA office, USDA

service centers, are doing some way to collect that information. And especially on a farm-by-farm basis, because yields do change farm-to-farm and I do not think you can just use the universities' data or some production book, it is going to be important to have some type of annual reporting of acreage and yields if you want to build a disaster or an adequate farm insurance program in the future.

Mr. MORAN. I thank you both.

Mr. Howell on the previous panel talked about the desire to diversify and the role that fruits and vegetable prohibitions may prevent that from happening. One of the other problems we have is that when you diversify, you do not have a base, you do not have a history is the right word, in regard to crop insurance. So we are discouraging farmers from diversifying just because they cannot get crop insurance for a new crop they want to grow.

I appreciate, Mr. Chairman, you yielding me the time and I yield back the balance.

Mr. LUCAS. The Chair now turns to the gentleman from Louisiana.

Mr. MELANCON. Thank you, Mr. Chairman.

I hear about crop diversification, I come from south Louisiana and specifically from the sugarcane area. They have tried every crop there is out there, produce, et cetera. The only thing that survives and makes it and is hardy enough has been sugarcane. So there are not a whole lot of options to us.

But given where we are right now in American agriculture and looking at what the Government has been trying or not trying to do in these trade agreements—I have told people, my comment has been that part of the problem we have got with these trade agreements is that nobody has been directed to make a good deal, they have only been directed to go make a deal. Well, when you do that, particularly when you are dealing with developing countries, you usually come out on the short end. Having trade deals with countries of similar environmental standards, worker safety standards and such like the United States, to me can probably be deals that all sectors of the economy can deal with. But with that in mind, I guess, and this is just a toss it up and anybody and everybody take a shot at it, do you think the next farm bill should be written as the last farm bill, or that it should be a bill for the future for most of our producers? I know it is kind of wide open.

Mr. HENTON. I am trying to see who has got the most gray hair to figure out what the long term is, maybe we will defer down here to the left a little bit.

One of the things that in all these trade bills and all the trade activities that go on, is that there really are no barriers to entry in agriculture. So as we find something in south Louisiana or in Kentucky that happens to work, we find an enterprise that happens to make money, it tends to be rather short-lived because it does not take long for someone else to come in and capture that market. There are no barriers in agriculture. And because of that, I think you are going to continue to find that there is going to be displacements take place whether it be in the sugar industry, the tobacco—you and I are both very concerned about how that might take place, but it is very difficult to find these alternatives. And when you do find them, it is hard to say how long a generation

might be or how long a long term could be. I think we will have a long term need for farm policy in this country, as far as I can see.

Mr. WOLFER. I would have to agree with Mr. Henton, I think we should not be writing this as the last farm bill. I think if we want to keep rural development up and keep rural America going with us—basically most of our money that we do get from farm bill money goes right back into our local communities. We buy lunch every day at the local grocery store, we have got a couple of part time employees, we buy pickup trucks, we buy farm equipment. The little bit of money we do get from the farm bill money goes right back into our local community.

Mr. BRAMES. I find myself repeating myself on this particular issue a little bit. But I will. I think that has got to be a very important part of the next farm bill, is to somehow write that farm bill so that it enhances world trade. To do that, I think I alluded to that in one of my comments, some of us may lose. We all know that, we all know that we cannot compete in world trade with a lot of these countries under the present system, it just will not work, it just will not. So we would like for it to, but if we are going to have free and open trade, the farm bill has to reflect that thinking.

Ms. WHITEHEAD. Perhaps the long-term thinking should be that eventually there would be no farm bill but I am fairly optimistic about agriculture, more optimistic than I have been in a long, long time. We have such opportunity here to be a part of expanding, I guess disbanding American reliance on foreign fuels and we have such an opportunity there, I feel like you cannot go into this farm bill stating that this is going to be the last one. It should set the foundation for the future and be flexible enough to change with whatever that future might bring. I have heard a lot of you talk about conservation efforts and talking about sugarcane, sugarcane can be a big part of bio-fuels and should be recognized as such. And with that in effect then, will there be a need in the future for the direct program payments that we see now. Hopefully not, hopefully everybody wins that way. But in case that does not happen, there needs to be a safety net provided underneath these commodities in the future. You cannot forget that, I think that is part of your task. But I think we have a great opportunity here and it is an exciting time to be on this committee.

Mr. MELANCON. The sugarcane for ethanol, there is a report that just came out from USDA, it is not the cheapest and there are some problems. All farmers are looking for additional revenue flow and looking for the most profitability on what it is that they grow. And I understand, that is any business. So the frustration I have is dealing with, giving away our food security net as we have done with energy through the past and look where we are now. So my concern and my belief is that this country needs to just stand up, maybe like to some extent the European Union countries do, and just say we are not going to give it away, we are going to maintain it until such time as there is a level playing field and if we are going to have world trade, it is going to be a fair and equal trade and not we drop our status and our quality and let you all have it all.

Ms. WHITEHEAD. Right.

Mr. MELANCON. And that is what I see going on in Geneva, that is why I said what I see with the USTRs, regardless of what Administration, their assignment is go make a deal and I have not seen many good deals yet for agriculture.

Thank you, Mr. Chairman.

The CHAIRMAN [presiding]. I thank the gentleman.

The gentleman from Iowa, Mr. King, is recognized.

Mr. KING. Thank you, Mr. Chairman. I would also like to thank all the witnesses that have been here to testify today and the hospitality here in Indiana.

I was particularly interest, Ms. Whitehead, in your testimony. As I listened and go through the written testimony, first I would address direct payments, and you said with regard to those that "Landowners and farm managers have capitalized these payments into their cash rents and very little of the payments go to the farm operators who rent the land." I see that in my district as well. And as we listened to the testimony here on land values, I have to speculate and ask you to speculate, if we got into this ideal, which we both recognize we are not going to get to any time soon, which would be essentially no Government program, no Government intervention and no Government mandates, but freedom. If we arrived at freedom, hypothetically, if we had done so at the moment of implementation of the 2002 farm bill, what would you expect farm land sales to farm land sales values would have done over say the last 5 years as opposed to what they have done?

Ms. WHITEHEAD. Well, they probably would not be at the current level, but you are talking about individual like price per acre?

Mr. KING. Yes.

Ms. WHITEHEAD. OK. I would say they probably would not have been at current levels without some sort of investments, whether it be 1031 exchanges or outside investment or direct Government payments. The guaranteed direct payments are easy to capitalize into whether it is a cash rent or a payment per acre when you are looking at purchasing. So it probably, in all likelihood, would not have been quite as high.

But in the future, with my optimism about agriculture, perhaps we can look at a situation where we rely less directly on Government payments. Of course, I am in my ideal world, it may not be the real world yet and it may take more than the life of this next farm bill. So there needs to be a continuation—in my written testimony, I referred to the fact that we could probably continue on with certain aspects of this farm bill. There are certain things about this farm bill that work quite well. Just a little attention to detail may make them WTO-compliant.

Mr. KING. You also testified about payment limitations and about some of the creative things that lawyers can do to create new entities out there. I reflected back up on some testimony that we received in an entirely different part of the country from a producer who testified that I believe it was four different family members, but by the time I got done asking the point blank questions, he testified that there were nine entities in his family operation and that was nine entities who qualified for \$3.2 million and if we reduce

that payment limitation from \$360,000 to \$250,000, then his subsidy would only be \$2.2 million.

Is that something that I can sell in Indiana or Iowa? Or what do you all think of that here?

Ms. WHITEHEAD. The reduction?

Mr. KING. I will say this, the taxpayer public, if they are looking at a reduction in payment limitations that would affect a subsidy and take it from \$3.2 million down to \$2.2 million, is that something you think we can go to the taxpayers and say trust me, I know what I am doing?

Ms. WHITEHEAD. No. I really do not think the taxpayer understands it really is a payment per acre. I mean that is essentially what it is, and so the more risk one takes by farming more, the more opportunity one has and of course, you use tools such as crop insurance and so forth to help minimize that risk.

Mr. KING. But now you have done things the right way, as I read through your testimony. And you are not gaming this system to create these entities and I want to make that clear, and I appreciate that and respect that and I want to thank you for that.

But if we see this program go down the line where there are more and more creative entities out there and we get the vertical integration of agriculture and it becomes truly the face of corporate agriculture and Grant Wood's American Gothic no longer applies in the image of the American taxpayer, what then do you think happens to the farm program?

Ms. WHITEHEAD. I think we are in peril, we are in jeopardy. I think that in the non-ag consumer's mind, they think it is just a get-rich scheme and it is not at all. Trust me, for those of us that do it, it is not. We feel quite penalized by abiding by the rules and I am sorry that I cannot offer you a new set of rules to help remedy that situation, but there needs to be a lot of close attention paid to this.

Mr. KING. I thank you.

Quickly, Mr. Wolfer, please, because my time is just about out; you sit on the FSA board, and do you believe that an FSA board could have a real solid contribution in determining what a single entity might be?

Mr. WOLFER. Well, actually if you look in my written testimony, I do have a comment on payment limitations, that the multiple entity rules probably are the hardest policing program there is. We have got people coming in, we have got papers from lawyers saying this is a corporation, this is separate. The office has to keep all the paperwork separate. It is a real challenge to make sure that everything goes in the right place to stay legal.

On the payment limitations, I think lowering the payment limitations is probably less effective than getting rid of multiple entity rule.

Mr. KING. Thank you very much. Thank you and I yield back, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

It is now my pleasure to recognize the gentlewoman from Ohio.

Mrs. SCHMIDT. Thank you. And I am going to direct my question actually to my very dear friend, Mr. Wolfer, who by the way I have

to brag is one of the best producers of corn in my district and such a young individual to be able to do so. I applaud you.

I want to talk a little bit about two things; one you did not bring up and then on another one. Eric, you and I have had a discussion about the cost of production and the rise in price of fuel. Can you illustrate how much money it is costing you as fuel prices exceed what you expected them to in your budget?

Mr. WOLFER. Yes, on an annual budget, and recently you will remember, fuel prices like you all know is tied fertilizer and direct fuel and also, most of the stuff that we get delivered to us has a fuel surcharge on it now. We cannot pass that on to anyone else.

But actually direct fuel cost has gone up around 85 percent from last year. This year going on, we are almost at double our fuel expense for the year. And then going into nitrogen, you are almost at the double on the nitrogen for the corn and the wheat also. So our expenses related to fuel have doubled in the last 2 years.

Mrs. SCHMIDT. Thank you. But the second part I want to talk about is you do a lot of corn and soybeans, are the current corn and soybean and other crops support programs consistent with the shift to renewable fuels? And I guess that also goes to Ms. Whitehead, because you are very bullish on ethanol, as I am very bullish on ethanol. In fact, as my husband said, he would rather give our money to an American farmer than someone in Saudi Arabia. But some farmers contend it is not economic to produce crops that may be good biofuel feedstocks but do not receive subsidy; thus, do current policies create crop reduction distortions that may be bad for agriculture as well as renewable fuels, or not?

Mr. WOLFER. Currently, I do not think they are headed in that direction. The prices are actually helping that. If you look at the price, the price of corn has gone up substantially in the last 6 to 8 months and I think that is kind of driving more of what the demand is than how the programs are written. The programs are not really affecting what we raise on our farm, it is actually the price, is what is driving that.

Ms. WHITEHEAD. I would echo those comments and I would just like to reinforce the fact as a pork producer, and on our farm, over 50 percent of our income comes from hog production, I have no qualms whatsoever about the opportunities in biofuels raising the price of my input, particularly of corn. I think that is a natural system, a checks and balances. And it prevents over-exuberance in the expansion of the pork entity. When you have cheap corn, people expand into other specialty areas and of course, pork is one of those.

But I would echo the sentiments that I do not think the program is a limiting factor at all.

Mrs. SCHMIDT. Thank you. And I want to thank Eric for taking the long drive up here this morning and I yield back the balance of my time.

The CHAIRMAN. I thank the gentlewoman.

And the gentleman from Washington State has yielded back his time. Do you have any questions?

Mr. LARSEN. No.

The CHAIRMAN. So that means that our host, the gentleman from the congressional district we are seated in, Mr. Sodrel, has the last word.

Mr. SODREL. Thank you, Mr. Chairman.

The CHAIRMAN. Or almost.

Mr. SODREL. Mr. Brames, looking at your testimony, kind of brings to mind the old saying about the camel being a horse designed by a committee. What do you think is the best policy in the 2002 farm bill? If you could pick something out of the bill and say hey, this is the best part of the bill, what do you think it is? The current bill.

Mr. BRAMES. I need just a second. Can I give you two? That is not allowable?

Mr. SODREL. Sure.

Mr. BRAMES. The talked before about the conservation programs, that is a very important part of the farm bill. Counter-cyclical I guess, that part of the farm bill, the counter-cyclical payment. I said the LDP program, in my opinion, was so unfair that it overshadowed all the other good in the program. That is just my opinion. I would agree with Ms. Whitehead. Maybe that is the program we need to keep, I said keep it simple, simplify it as much as possible. We definitely need a farm program.

Mr. Sodrel, can I say something a little bit further?

Mr. SODREL. Absolutely.

Mr. BRAMES. I am old enough that I remember Mr. Earl Butz from Purdue, the Secretary of Agriculture, fence row to fence row. That did not work or it would have but we did not give it enough time, but that did not work. We cannot have that again. I do not think it would work today. So we do need a farm program, we the agriculture community do need a farm program. The part that probably if we are going to continue with what we have, counter-cyclical, somehow refine that LDP payment. That might be a good part of it but it has to be refined.

Thank you.

Mr. SODREL. Would each one of the rest of you like to respond to that? Mr. Wolfer?

Mr. WOLFER. Yes, I would probably have to say if you look at the best part of the farm bill, it would be the upgrading of the yields. Being an expansion farm, being able to update those yields that were 30 years old has helped us more greatly than any other piece and I think going forward, we would need to make sure that we keep updating that as technology advances and as our production skills get better. If it is going to be a picture of how agriculture was run in that time frame, we need to keep up to date with that.

Mr. SODREL. Mr. Henton.

Mr. HENTON. Well, as I said, the farm bill in the past has really not affected too much of our traditional agriculture because of tobacco and cattle. I think the conservation programs have been probably the best part.

One thing I would point out is that some of the staff reductions that have taken place at the field level, at the field service, from FSA and NRCS, have been rather hard for us to figure out how we are going to be involved in these programs when we have had vacancies all over the place. And our personal NRCS vacancy has gone on for 2½ years now. So it has been very difficult for us to get involved in the programs when our personnel have been lacking.

Mr. SODREL. Ms. Whitehead.

Ms. WHITEHEAD. Well, I think I agree with what has been said, but one item that I think is very helpful and in the long run does not cost the Government a lot of money is the CCC loans. When you take out a loan on what you store and then you have the opportunity, you redeem that, pay it back; if the price is above the floor, the support price, you pay it back with interest, if it is below, it is forgiven. And it is an excellent tool for production agriculture with very little cost to the Government.

Mr. SODREL. Thank you. And in the interest of time, Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. Well, I thank the gentleman and I want to thank all of these witnesses. You also have done an outstanding job and we appreciate your testimony and your answers to our questions.

I would like to thank all of the witnesses who testified today. I appreciate their careful consideration in preparing for today's hearing.

I would also like to thank Scottsburg High School's Principal Derek Marshall and his staff, along with the Scott County School District II Superintendent Robert Hooker, for allowing us to use this facility today, and the effort they put into making this hearing possible. They have a marvelous high school facility and they take good care of it and we are pleased to be able to use it.

The information provided by the witnesses here today will be very helpful to us as we begin this review process. While these hearings provide the committee with an opportunity to hear directly from producers, I know there are many more out there who would like to provide input about the future of farm policy. The committee has set up a Web form on our Web site that will allow producers to provide the committee with feedback about current policy and what producers see for the future of farm policy. We have cards with more information about the form that you can pick up on the way out today and we look forward to maintaining an open dialog with all of you and your fellow producers around the country as we consider the next farm bill.

The record will remain open for 30 days for anyone who would like to submit a written statement for our consideration. You are welcome to do so by seeing Lindsey Correa, our clerk, for more information on submitting a statement, if you wish to do so.

Without objection, the record of today's hearings will remain open for 30 days to receive additional material and supplementary written responses from witnesses to any question posed by a member of the panel.

And this hearing of the Committee on Agriculture is adjourned.

[Whereupon, at 12:17 p.m., the committee was adjourned.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF HAMPTON H. HENTON JR.

My family is the seventh and eighth generations on our central Kentucky farm located in Kentucky's sixth district. Our land was acquired as a land grant (prior to Kentucky's statehood) from the Virginia State Legislature in 1780. Henton Farms operation presently consists of corn, soybeans, wheat, hay and straw with a cow/calf and steer background program. In addition, my son raises fresh water prawns on the farm. However, the major enterprise is Burley tobacco.

Since I started farming in 1975 we have diversified our operation to include an Orchard with a farmers market. We have also raised asparagus, spinach, and bell peppers in addition to sheep, hogs and horses.

However (maybe like a smoker), when it comes to paying the bills and the mortgage, it's still tobacco. We just can't quit the stuff. Perhaps my Father or Grandfather or Great-great Grandfather could have chosen to raise corn, wheat or maybe hops, grapes or malting barley. Instead, farms in this region chose tobacco and the grazing of livestock because it made more sense.

The tobacco works especially well here because it fits our land configurations, our soil types and our climate. It requires only a small acreage base, a fact of particular importance considering our limited amount of tillable land and its highly-erodeable nature. There is a very high risk of environmental damage if the region were to be converted to other large scale field crops.

As my biography states in addition to farming for 30 years, I was the Executive Director of USDA's Farm Service Agency in Kentucky from 1993 to 2000. I wish to draw on those experiences to address the 2007 farm bill today.

The past Federal farm bills (5 to 7 years in length) had little impact on this region as a result of direct involvement of USDA or Congress. Livestock have not ever had titles in past farm bills. Tobacco has not been a part of farm bill debate since the legislation of 1938 and 1949. These 1938 and 1949 bills, created through "permanent provisions", allowed tobacco to be one of the most protected of U.S. crops through strict price supports and production adjustments (quotas).

The recent Tobacco Buyout changed all of that. Today farms in our region are now among the least affected by farm bills in this country. All laws and regulations concerning tobacco are now gone. Beside Price Support and quotas being eliminated; export/import inspection, pesticide regulations, and information from Agricultural Marketing Services concerning acres planted and yield reports have all disappeared. The FSA does not require acreage reports or yields reports, nor do conservation compliance issue concerning our farms effect FSA.

So when the farm leaders of this region are asked about the 2007 farm bill; many are bit confused as to what the role of congress should be as it relates to livestock or tobacco farmers. I would never expect a return to past farm legislation nor would I hope for inclusion into a feed grain type program such as: AMTA payments, target prices, Counter cyclical payments, LDP payments or having non-recourse commodity loans.

What we need is inclusion in the broad debate over non-program crops and livestock. The livestock and fruits/vegetable growers of this country are indeed U.S. farmers. As such the 2007 farm bill needs to address our farms and farm family needs.

All future farm bills need the following:

1. Weather and other natural disasters are a primary concern. Inclusion of our farm enterprises in improved Federal crop insurance is vital.
2. Additionally, a permanent disaster program title should be included for catastrophic conditions.
3. Conservation titles must allow for more farms in this region to benefit from "Green Payments" such as EQIP, CRP, Security Programs or carbon banking.
4. Crop and yield history data needs to be collected by USDA in order to equitably assist farms in times of yield or price crisis.
5. FSA (FmHA) loans must be made available to this regions farmers.
6. The farm bills in the future must take into consideration the effects on U.S. farms and farm families of trade policies, embargos, the impact of international tensions on world trade (oil prices input cost and loss of exports), and WTO Doha Round policies and programs.
7. Livestock farms need country of origin labeling (COOL) in place now.
8. An affordable (to farmers) animal ID program is needed.
9. Borders defendable from diseased livestock imports.
10. Stricter enforcement of the Packers and Stockyard Act.

STATEMENT OF JULIA BAEHRE HERSEY

Chairman Goodlatte, Ranking Member Peterson, and distinguished members of this committee, thank you for allowing me the opportunity to testify on Federal farm bill policy. And thank you, Congressman Sodrel for welcoming me to the Hoosier State. You and your fellow Indiana legislators have a phenomenal reputation for making Indiana a State that is friendly to its farmers and for making agriculture its top priority. I commend you.

My name is Julia Baehre Hersey and I am a fifth generation fruit grower. I am part owner of Hersey Brothers, a fruit growing, storage, packing, shipping and sales organization. Hersey Brothers owns 800 acres of apples, cherries, and peaches and is located north of Grand Rapids, not far from the Lake Michigan shoreline in the heart of Michigan's fruit belt.

Agriculture is the second largest industry in Michigan after the auto industry. To give you a clearer picture of the significance that agriculture plays you may be interested to know that agriculture generates \$60 billion a year while the auto industry generates \$80 billion a year. It is believed that agriculture will soon surpass the auto industry in Michigan.

I am chairperson of the Michigan Apple Committee, serve on the executive board of the U.S. Apple Association, and am vice president of my county farm bureau. Today I speak to you as a farmer of specialty crops.

Michigan is ranked second in the Nation for its diversity in specialty crops after the State of California. We are the top producers of several crops including tart cherries, blueberries and dry beans. Apples are the largest fruit crop grown in the State of Michigan with an economic impact of over 450 million dollars. Also noteworthy is the fact that specialty crops represent 51 percent of all farm cash receipts in the United States, yet we receive considerably less consideration in the current farm bill programs.

Chairman Goodlatte, thank you for holding these field hearings. I understand that several have already been held and that more are planned. The specialty crop industry in Michigan and throughout the country strongly supports this reauthorization process. I understand that some have called for an extension of the current farm bill; however, to do so would be to ignore the many changes that have occurred since those policies were first created, so many years ago. Extension of the current bill would be using Depression-era tools to compete in the 21st century global marketplace.

This is particularly true for the specialty crop industry both in Michigan and across the country. The availability of cheap imports coupled with increased production costs has created new challenges for the fruit and vegetable industry. In my own State of Michigan the influx of Chinese apple juice concentrate has put many apple growers out of business and imports of Peruvian asparagus have decimated the state's asparagus industry.

The challenges and opportunities of today's global economy call for a new direction in agricultural policy and I welcome the opportunity to testify on this issue today.

Our nation's specialty crop producers are confronted with a number of challenges that threaten their viability and, in some cases, their survival. While the economic strength of my industry is a top concern and may appear somewhat self-serving, it really is not. The survival of agriculture in the United States touches every citizen and many of their basic concerns about life—good health—having enough to eat—food safety.

Though the specific needs of Michigan apple growers may be different than the needs of Washington apple growers or Florida citrus producers, there are number of things to which we all agree. The specialty crop industry is not looking for a direct payment program. We feel that price and income supports distort the market, can have adverse trade implications and foster inefficiency. Instead, we are advocating for programs that grow demand and build the long-term competitiveness, sustainability, and preserve the very survival of the specialty crop industry that represents more than half of the farm-gate receipts in the United States.

There are several areas I would like to highlight that require your assistance, through the farm bill, to insure our existence:

Promotion Programs for Increased Consumption and Better Health

A vibrant fruit and vegetable industry will produce a strong return on investment for all of America, not just producers. Our industry believes that our agriculture and food policy should better reflect the 2005 Dietary Guidelines for Americans.

The next farm bill should include a Fruit and Vegetable Nutrition Promotion Program designed to help all Americans increase their consumption of fruits and vegetables to meet the 2005 guidelines. Meeting Federal health guidelines would require the average American to double his or her consumption of fruits and vegetables, an increase in demand that would create significant market opportunity and value to U.S. growers. The program would be a cost-effective way for the Federal Government to invest in sustainability of U.S. fruit and vegetable growers while tackling the critical obesity and health crisis that is draining on individual American wealth and depleting Medicare.

We need to reach the consumer at an early age to help establish habits that will last a lifetime. Studies show that on any given day 45 percent of children eat no

fruit at all and 20 percent eat less than one serving of vegetables. Expansion of the Fresh Fruit and Vegetable Snack Program could help reverse this trend. Michigan has benefited from being one of the 14 states currently participating in this program. The Michigan Apple Committee leverages this program by communicating with and visiting the participating schools. We help these schools—and others—find sources for locally grown apples, and provide them with healthy recipes, student activity sheets, posters and other information. The next farm bill should expand the program to all 50 states, providing opportunities whereby young students can reach for fresh fruits and vegetables as snacks teaches good habits for life.

For these same reasons, I strongly support an expansion of the Department of Defense (DOD) Fresh Program and section 32 purchases of fruits and vegetables. These programs are a win-win for the produce industry and for our children.

Increasing Competitiveness. Apple producers and the entire specialty crop industry continue to face mounting pressures from the decrease in available crop protection tools. EPA recently announced a preliminary decision to phase out the use of Guthion for apples—this is a critical tool for the Michigan industry. Chairman Goodlatte and Ranking Member Peterson: I know that you were both supportive of continued use of this product and we appreciate your leadership on this issue and we urge you to see what can be done to maintain the use of this critical product.

Against this backdrop, consumers are placing increased value on agricultural production that is more environmentally friendly through conserving and enhancing our natural resources. For these reasons, programs such as the Environmental Quality Incentives Program (EQIP) should be expanded in the next farm bill. The directive by the Congress in the last farm bill to target more outreach and funding to specialty crops has really paid off for Michigan growers. Today, EQIP provides cost sharing for a number of activities including: integrated pest management, insect scouting establishing buffer strips, and removing neglected orchards. By last fall, the cherry, apple and asparagus growers in two counties of Michigan had contracted for nearly \$3 million in EQIP grants and an additional \$6 million in conservation practices. EQIP helps our growers adopt practices that are better both for their land and resources and their businesses.

Federal farm policy should also re-emphasize the need for significant investment in specialty crop research and development in order to keep fruit and vegetable producers competitive in a rapidly evolving and highly competitive global marketplace. Of particular interest to apple growers are research programs that improve labor productivity, rootstocks and varietal selection, production efficiency, fruit quality, and address other challenges to the future competitiveness of the industry. I support proposals to mandate an emphasis on specialty crop research as part of the National Research Initiative (NRI) and to establish grant programs within the USDA with the goal of improving the efficiency and competitiveness of specialty crop producers.

Building Demand. The apple industry exports about 25 percent of our crop. The Market Access Program (MAP) has enabled us to break into new markets—such as Mexico—while maintaining and growing other markets including Michigan's largest export market, the Central American region. In addition to our fresh apple promotions, this summer Michigan apple processors are using MAP funds through MIATCO to explore the possibility of selling Michigan-made, single serve applesauce cups to Mexico. I would urge the Committee to consider further expansion of the MAP and the Technical Assistance for Specialty Crops (TASC) programs in the next farm bill. These programs have helped level the playing field as we compete in the export market against countries such as China and Chile that have much lower production costs.

Today, the produce industry faces a net trade deficit. This makes programs such as the State Block Grant Program critical to our industry's survival. Authorized under the Specialty Crop Competitiveness Act of 2004, this program builds on the success of the 2001 State Block Grant Program. The program allows each State maximum flexibility to determine what types of programs best serve producers in that State. The local administration of this program is critical to its success as the needs and challenges that specialty crop producers face varies greatly from State to State.

Surely many of you have noticed the fresh apple slices now served at McDonald's. Anti-browning technology, which allows for their sale at such outlets, was developed with the help of funds from Michigan's original block grant program. This is but one concrete example of the effectiveness of the block grant program. Expansion would mean increased funds for marketing, trade promotion and research that would benefit apples and the entire specialty crop sector.

Also key to our continued competitiveness is a prohibition on planting fruits and vegetables on acres of land receiving program payments. We strongly support the continuation of this provision as a fundamental matter of equity among farmers. As

long as some farmers receive direct payments from the government, they should not be allowed to plant crops on that subsidized land in order to unfairly compete with unsubsidized farmers.

Immigration. While I recognize that immigration issues do not fall under the jurisdiction of this committee I would be incredibly remiss if I did not take the time to comment on the issue of immigration reform and specialty crop agriculture. Our industry strongly favors securing our borders. However, if in the process we do not develop a workable guest worker program for agriculture, the time spent here will be for naught because we will absolutely cease to exist. This is, in my opinion, the greatest immediate threat to my family farm and to the whole specialty crop sector. Furthermore, I believe that most people are completely unaware of the repercussions for our national security of moving our fruit, vegetable, and other intensive labor crop production to foreign countries.

Today's specialty crop industry faces challenges never imagined by the producers of my Grandpa Baehre's generation. Our industry is prepared to meet these challenges head-on. In order to be successful, we need programs that grow demand and build long-term competitiveness.

Without these kinds of programs, we could see U.S. specialty crop production—U.S. apple production—relocate to foreign growing areas with far fewer regulations, abundant labor, and lower production costs. The outsourcing of our food supply would not only be economically devastating to our production areas, but would also be a threat to our national security. Remember my earlier comments: When it comes right down to it, Americans have very basic needs. They want to be in good health, have enough to eat, and be secure in the knowledge that what they feed themselves and their children is a safe product.

Thank you for allowing me to testify today, we look forward to working with you in the development of the next farm bill. I will be happy to answer any questions.

Additional Statement for the Record

Dear Chairman Goodlatte:

Thank you for the opportunity to testify before the Agriculture Committee at the farm bill field hearing in Scottsburg, Indiana.

I write today to provide additional information regarding the Federal crop insurance program for apples and the Environmental Quality Incentives Program (EQIP).

APPLE CROP INSURANCE PROGRAM:

An improved apple crop insurance program is critical to the health of the U.S. apple industry. From 1998 to 2002, Michigan, western New York and eastern New York suffered devastating storms that in the past would be considered 50-year storms. Those storms put many growers out of business and the financial stability of agricultural lenders as well. At that time, the apple crop insurance program was quite underutilized as most growers did not feel it was of benefit to them. The industry came together and formed a Risk Management Task Force through the U.S. Apple Association. The Task Force, which is comprised of growers, State association members and insurance agent representatives, worked with USDA's Risk Management Agency (RMA) to develop a new apple crop insurance policy, which went into effect for the 2005 crop year.

The new policy is a great improvement and, as a result, a much higher percentage of apple growers are participating in the program than participated under the old policy. However, there are still a number of additional features that would make the policy more appealing to growers. George Lamont, who is a grower in New York State and a member of the Risk Management Task Force, testified before the Risk Management Subcommittee on this issue in April. I would echo many of the recommendations made by Mr. Lamont at that time.

Specifically:

1. The ability to salvage apples after settlement. In 2005, apple growers learned that apples salvaged after a claim has been settled and then sold as U.S. Fancy for fresh and U.S. No. 1 Processing for processing fruit would have to be reported on an amendment to the claim. The value of the salvaged apples, if sold at that grade or higher, would then be deducted from the indemnity payment. This represents a change from previous years when growers were allowed to keep and sell any apples they salvaged at the most profitable grade. USApple feels growers should be allowed to salvage and sell apples without penalty after a claim has been settled to help compensate for the difference between the insurance payment and their normal expected revenue.

2. The ability to create additional parcels. The Task Force requested that orchards divided by a road, an irrigation or drainage ditch, or some other permanent public right of way, be allowed to be insured as separate parcels as long as the grower had maintained separate information on the blocks. This would be a very valuable addition and would encourage greater grower participation.

3. Sales Closing Date. The apple industry also asked RMA to extend the deadline for signing up for crop insurance to a more reasonable date after harvest. The current closing date of November 20 occurs during harvest in most parts of the country and forces growers to make a major financial decision without adequate time to select an appropriate policy for their needs.

ENVIRONMENTAL QUALITY INCENTIVES PROGRAM (EQIP)

The apple industry strongly supports expansion of conservation programs such as EQIP. These programs are becoming increasingly important as apple producers are facing mounting production costs, a decrease in available crop protection tools, and costly environmental regulations. However, greater outreach planning and technical assistance are needed for apple growers to have sufficient opportunities to make use of these programs. In 2004 approximately \$95 million in qualifying EQIP projects went unfunded.

The experience of Michigan specialty crop growers shows that when sufficient outreach and assistance are available significant benefits are possible. Through a recent project organized by growers and non-profit groups with the land grant university, cherry, apple and asparagus growers in four counties of Michigan were awarded roughly \$3 million in EQIP contracts that resulted in nearly \$6 million in conservation practices. Today, EQIP provides cost sharing for a number of activities in Michigan including: integrated pest management, insect scouting, establishing buffer strips, and removing abandoned orchards. EQIP has enormous potential, with the direction of Congress, to help our growers adopt practices that are better both for their land and resources and their businesses.

STATEMENT OF ERNEST BRAMES

My name is Ernest Brames, and my wife and I are celebrating our 40th wedding anniversary in August. We have raised 3 wonderful children who have given us 7 wonderful grandchildren. We are also commemorating a 40 year marriage to our livestock and grain farm.

During these 40 years of farming, I have seen many different types and configurations of farm programs. The program that I consider the most successful was called the set-aside program. It was an easy program to understand and implement, and for the most part, fair to all groups. The program stayed focused on the true reason for having farm programs, stabilization and conservation. The programs that seem to be most unsuccessful have been very complex, and the true reason for a farm program was overshadowed by special interest requests and demands. In my opinion, stabilization should be considered as the most important goal of a successful farm program for today, the same as it was 50 years ago.

You may ask, stabilizing what and for what reason. The answer is stabilizing supply and price of the food supply for our nation; but also, and probably more important today than 50 years ago, is stabilizing our nation's economy by having a fair and controllable commodity export system built into the program. I feel if this export system was designed without input from special interest or emotionally driven groups, it could be very successful in creating that stabilizing part of the next program that I referred to before. Of course, I say again Keep It Simple.

When the current farm program was initiated, it took numerous farm meetings just to explain and try to get everyone to understand all the options. Then each farmer had to make choices on which option would be suitable for their farming operation. The Farm Service Agencies were bogged down because of the complexity of the program, and then some producers were still unsure if they had chosen the correct option. How did a program ever get written so that the highest yielding acres receive the highest payments of LDP? One would have to look at where that advice originated. This terrible inequity has cast a shadow on any worthwhile part of the present program. Another program that was very complex and was full of "loop-holes" was the PIC program which also was an inequitable program for most farmers. What I just said may seem very bold, but I don't think I was asked to testify as an individual, and then not tell the story the way I see it.

If you ask where to get the input needed to design a viable program, I will be quick to say, be skeptical of advice from farm organizations and commodity group

leaders. Because of their positions, they generally have selfish interests or emotional agendas. And with either of these it is practically impossible to have an open mind.

What is taking place here today is excellent. I am so honored to be asked for my individual opinion, but I will admit I am not a detail person. There are many individual producers like myself who are better with the details that a farm program must have and would cherish the opportunity to have input into the next farm program. Agriculture related unbiased journalists and editors could be an excellent source of help, but unbiased is the key word. Agriculture colleges and their field representatives, retired and present employees of the Farm Service Agency who have administered the past and present programs would also be able to have valuable input into a workable program. I am sure this committee knows the best sources of information, but unfortunately many times the most reliable sources are the hardest to find, but as we have heard many times, "Where there is a will, there is a way."

In writing a new farm program, remember if the program adds stability to our nation's economy, then it will add stability to our nation's agriculture and vice versa. That thought may put hardship on some of us near-term, but will be to everyone's benefit in the long-term.

Beware of special interest or emotional advice. Keep a clear vision of the ultimate goal and keep it simple. With these thoughts in mind, the program cannot fail and will be a success story. Again, thank you for allowing me to share my thoughts.

STATEMENT OF DAVID W. HOWELL

Good morning, Mr. Chairman and members of the committee. I am David Howell, a farmer from Middletown, Indiana. I am pleased to have the opportunity to share some thoughts with you on the 2007 farm bill.

After 35 years as an active farmer and after having received my formal education in agricultural economics and particularly farm policy; I have studied, experienced and sometimes been the victim of more farm bills than I care to remember. All made with good intentions, all politically and probably practically necessary, but given the immensity and diversity of U.S agriculture and the world in which we live at least a few mistakes have been made.

It goes without saying, given my profession, that I am an optimist—given my years, a pragmatic optimist would probably be most accurate.

Although a new era is promised with each new farm bill's passage, I think over the next ten years agriculture may truly be headed for a new economic era, a paradigm shift caused by energy requirements/needs and energy security.

The economic realization that has driven farm bill discussions, development and passage for years are going to change dramatically by the time the 2007 farm bill is ready to be replaced.

Full time family farms have been the political focal point of U.S. farm bills through the generations and they should continue to be. Everyone in the room will have a slightly or grossly different definition of a full-time family farm. Whatever the definition, they are nearly always good. They are the foundation of rural America. They are the school board, the church, the county government, the small towns' biggest customer, the bank, and the community's strongest volunteer. Whatever you gentlemen and ladies do with the 2007 farm bill, it should be done with the well being of the nation's full-time family farms in mind.

Toward that end, one of the, I believe, unintended consequences of the 2002 farm bill was the negative consequence of a provision restricting the planting of fruits and vegetables (FAV) for processing on program acres. The next farm bill needs to correct this error by allowing FAV to be grown on program acres without losing potential base acres for future programs.

My family and I grow a few thousand acres of traditional corn and soybeans, as well as 800 acres of FAV, 350 acres of tomatoes for processing and the balance is watermelons, pumpkins and sweet corn for the fresh market. Our business is made up of four separate sole-proprietorships; one, my wife and I, two, our son Adam and his wife, three, our son Aaron and future daughter-in-law, and four, our daughter Audrey and her husband Mike Behrendt. From our economic point of view, we are still a small full-time family farm operating at a level required to provide a modest income for four college educated families. All four entities are growth, efficiency and profitability oriented and understand well the need to expand our business. We derive in excess of 50 percent of our gross revenue and an even larger percentage of the profits from FAV production.

I understand at least partially, the near-sighted protectionist attitude and the regional politics that brought about this major change in the FAV rules which became

a part of the 2002 FSRI Act. I truly believe, however, that the unintended consequences were not understood by most legislators when the act was passed

This Act limits the entry of young farmers into the business and threatens the success and possible expansions of existing producers. As it stands, I am being protected from my sons and my son-in-law. This provision acts as a limit on their entering FAV production. The oldest son has only a small history of FAV production from the years under the prior farm bill, 1996–2001, and the other two have no history because they were in high school and college during this period. To take the problem a step further, you may say, “Why don’t I rent my ground to the other three entities and let them use the farm history?” This is partially possible, but I am already competing with them for suitable rented land because my current land base has been intensely used for FAV and needs to be rotated to other crops. The only alternative is to not rotate, and thus be required to use higher and higher rates of insecticide, fungicides and bactericides and still achieve production that is well below the land’s potential. You may also say, “Why don’t we incorporate and they could share in the corporate operation?” There are a number of reasons why this would not work, but the one relevant here is; that as it stands now, the two of us who have FAV production histories would lose our history and the corporation would not have any history either.

The act restricts diversification of existing farms. My wife and I did not always raise FAV. In the beginning, it was only the traditional Midwest corn, soybeans and hogs. In the farm depression of the early 1980’s, had it not been for our ability to diversify and start producing FAV and with the help of our children selling our production in multiple retail markets and wholesale, I would not be here today in this role.

Since those early 1980’s, diversification has been touted as the key to survival of the family farm and I would completely agree. That, however, is not what the current farm bill says. It says plant contract crops, corn, soybeans or wheat, or we will not support you. In fact, we will fine you for diversifying into other crops and we will diminish the value of land you farm by reducing revenue generating crop bases on your land for future years.

The current farm bill provision damages and limits the ability of older farmers to pass on their life’s work, assets and experiences. No one needs a \$250,000 used tomato harvester or any of the associated equipment if they cannot start growing tomatoes on equal competitive footing with existing growers.

Instead of possible new producers needing to learn the keys and secrets to providing higher value FAV crops they will need to learn how to play the government payment game.

The current provision damages and limits the landowner. The farm bill, as it stands, threatens the landowner’s assets as well as the value and earning power of the land. It prevents competitive bidding for the lease of the land for FAV from honorable producers. It presents the possibility for less than honorable FAV producers to rent land from unsuspecting landowners, plant FAV and lower the crop bases and earning power on that farm for future years.

The FAV production history of 1996–2001, in a proprietorship, in almost every situation belongs to the husband. Two years ago one of our neighbors and fellow tomato growers at our particular tomato processor was killed in a tractor accident. His wife and son, who had worked alongside him for years, were told the next winter by the Farm Service Agency, they had no tomato growing history and they nor their large, major landlord would not be allowed to participate in the farm program if they continued to raise tomatoes.

Clearly these unintended or possibly intended FAV rules as they stand are protectionist. They are damaging the Midwest canned and frozen food industry and gradually the entire industry because California will not feel the pressure from the Midwest to maintain their competitive edge. Ultimately, it will damage consumers through higher prices and the country’s food security network, first, through concentrated production regionally and second, by ultimately losing the industry to other countries.

In a time when my non-farm neighbor can anonymously try to buy my productive farmland, destroy the tile drainage, dig holes in it and call it a wetland to enhance the land he wants to sell for houses while the farm bill pays for both the land and the holes—

In a time when the hobbyist and the extremely wealthy non-farmer can take farm support payments and criticize me for getting too much—

In a time when I can’t get out of bed in the morning without breaking some government body’s rule or regulation; this one small change to the next farm bill,

which, by the way, the Congressional Budget Office says will have a positive budget effect, would be a significant help to many full-time family farmers.

STATEMENT OF KAYE WHITEHEAD

Chairman Goodlatte and members of the Committee, thank you for the opportunity to participate in this field hearing concerning the farm bill. I also appreciate Congressman Pence extending the initial invitation to testify.

My name is Kaye Whitehead and I am a family farmer from Muncie, Indiana. On our family farm, Seldom Rest Farms, we produce corn, soybeans, wheat, hay, straw, hogs and cattle. We have a diversity of production within our farming operation and we participate in several of the current government programs offered by the 2002 farm bill. We utilize the manure from our livestock for our crops and maintain the nutrient/manure management records required by the Indiana Department of Environmental Management. In other words, we are a working family farm, owned by family, managed by family and worked by family and a few employees.

My comments on the farm bill reflect my viewpoint and are not from a commodity or farm organization policy book. I hope to offer glimpses of how the written programs and actually implemented in the field.

My impression is that our current farm policy was intended to steer agriculture toward more free trade and market driven pricing direction with some underlying support. However, certain programs within the 2002 farm bill may not have worked in real life as hoped and had unintended consequences. Commodity Credit Loans seem to work well, with little total obligation to the government as the loans are paid back. The loans are paid back with interest if current price of the commodity is above the support price; and interest is forgiven if prices are below the support price.

Direct payments have largely worked as a supplemental financing tool to help stabilize farming incomes. While it does indeed supplement gross farm income, land owners and farm managers have capitalized these payments into their cash rents and very little of the payments go to the farmer operators who rent land.

Loan Deficiency Payments and Counter Cyclical payments seem to be the most controversial dollars in the current farm bill. I understand some congressional reluctance to continue them in future legislation, however both of these programs have been beneficial to the income of the actual producer. Both are directly coordinated to the original support prices of the 2002 farm bill and are not paid in addition to that support price, but rather, they work to complement it.

Both the LDP AND CCP were designed to help mitigate revenue shortfalls and they have been successful in that effort.

One aspect of the current farm bill that is not working is payment limitations. My husband and I have a family farm. However, many years ago we were advised to incorporate it to allow some family members to return to the farm and participate in the farming operation. Now because we are a farming corporation, we have a single payment limitation; no matter the number of acres that we farm. As you are aware there are farmers who devise complicated business arrangements to avoid Federal payment limitations. Our family does not do that and we believe payment limitations are not working as Congress intended. Payment limits only work to limit those that attempt to abide by the intent of the law.

In an ideal world every commodity, agricultural or otherwise, would be strictly market driven and efficient low cost producers would thrive economically. In an ideal world prices would be solely based on true supply, demand and need. There would be no government intervention or interference. But the world is not ideal.

Personally, I would prefer no government program; no government intervention; no government mandates. However, being a realist I know this is not going to happen any time soon, so I must be a participant in order to compete not only with my neighbor, but in the world market as well.

Farming is inherently risky because it is subject to weather and biological cycles. It is risky because of currency fluctuations and uncontrollable input costs. It is risky because it is subject to foreign government quotas, embargoes and trade agreements (or lack thereof). It is risky because of foreign and domestic diseases and pests.

Should the government help soften that risk? I would argue yes, but how? What means of income protection can the U.S. government provide to ensure our agricultural production is competitive in the world trade arena? American agricultural production is a critical industry to U.S. citizens for food, fiber and fuel. It is a strategic national asset.

Some thoughts:

Energy and trade agreements will likely dominate the thinking of the next farm bill.

The next farm bill could use the existing farm programs structure but should make them more WTO consistent, reduce their negative effects on farm structure and better target them to producers.

Our next farm bill should seek to increase our energy independence through domestic production of bio-based fuels and chemical stocks. Each barrel of imported petroleum that can be replaced with U.S. ethanol or bio-diesel improves our balance of trade and national security. We should endorse the national goal of 25 x '25. We will need good research to fulfill that fabulous potential. I am one livestock producer that does not fear the impact of biofuels production on my livestock operation. There is an expression we use here in Indiana, "Cheap corn means cheap hogs."

I would not advocate for a program for livestock producers beyond properly funding EQIP in fulfilling the promise of environmental compliance cost assistance.

I have heard it suggested that we could reduce trade-distorting counter cyclical payments and marketing loan rates by compensation with increased direct payments. Regardless of the type of income support, we must guard against a dramatic drop in land values as farmers' and agricultural bank loan portfolios are dependent on current values. Rural economies could not be sustained if land values dropped precipitously.

We need to address payment limitations and the legal shell game that we have currently.

I believe that if marketing loan payments are significantly reduced, we could see a change in what commodities are grown. Acreage could shift from crops that are reliant on marketing loan benefits to crops that are not. One suggestion that would be helpful and compliant with the WTO is to allow producers the flexibility to grow other crops, such as fruits and vegetables, on program base acre.

You should not create a commodity price support program for fruits and vegetables.

My plea to the Committee is to be cautious in you changes. Be mindful that nearly all programs have unintended consequences. And be certain that the U.S. producers that I know are anxious to be competitive with other producers, but must compete on a fair playing field. Thank you.

STATEMENT OF ERIC WOLFER

Good morning Chairman Goodlatte and members of the Committee. Thank you for allowing me to provide you with information on the effectiveness of the 2002 farm bill and on the future challenges of agriculture going forward. I would like to give a special thanks to Representative Schmidt for submitting my name to the committee.

Our farm is located approximately 40 miles east of Cincinnati, in Clermont and Brown Counties in Ohio. We farm approximately 2400 acres of corn, soybeans, and wheat. Our operation is a 50/50 partnership between my parents, my wife and I. We started the operation with 600 acres and have expanded into the 400 owned and 2000 rented acres over the last 10 years. My father always farmed part time with my grandpa until I graduated from the University of Cincinnati with a BA in Business Management and Accounting. After my graduation in 1996, my grandpa retired and my father and I started the expansion and both have farmed full time ever since. We have also added two part time employees in the expansion process. I am in my last term as a FSA County Committee member, I represent four counties as a State Board member of the Ohio Farm Bureau, and serve as a Board member on the Southern Ohio Agricultural and Community Development Foundation (the tobacco settlement MSA) which provides grants and loans to communities and farmers in southern Ohio, in which Representative Schmidt is a past board member of this foundation.

Over the last 10 years our operation has experienced many of the title I Commodity parts of the 2002 farm bill and title V Farm Credit portions. I will share our experiences and provide how they may be addressed better in the future. The changes in 2002 with yield upgrades and the addition of oilseeds has helped with direct and counter-cyclical payments. As an expanding farm though, most of the land that becomes available to rent is difficult to establish in the safety net programs because of lower reported yields and lack of reporting. The direct payment program seems to only benefit long time historical farms. These farms are owned by older farmers who have been involved with farm bill programs for many years. If new WTO rules are established and Congress feels the need to rewrite programs so that they provide more direct payments to farmers, then remember that yield up-

dates need to correspond in order to keep up with improved seed technology and help the program be up to date. Also, requiring the landowner signature causes lots of confusion and more paperwork. We have 36 landlords and they get confused when they get piles of paperwork from the FSA office. Most of them just forward the documents to us because they rented their land so that they don't have to deal with this type of red tape.

The Marketing loan and loan deficiency programs work very well in implementing a marketing plan and risk management plan with crop insurance. A problem that we experienced was in 1999 and 2001 when we had suffered droughts and did not have the bushels to claim an LDP, since it is tied to current bushels. Another problem with the LDP program is that grain terminals in our area erode basis when LDP's kick in. Their response is why should we care because you are getting government money anyway. Subsidizing grain companies is not what the program is about.

The Counter-Cyclical program is designed to help soften this difference and is a step in the right direction. Most economists seem to like how the program works, in that it provides more funding to be saved in good times, in order to weather the bad times. That sounds good but the public perception is negative because big income years get bigger. The Counter-Cyclical program helps as a safety net and is good for both the taxpayer and the farmer. We get money when prices are low and money is saved when prices are better.

The subsidizing of crop insurance is a must for our operation to stay in business. We have utilized crop insurance since 1999 when we lost \$100,000.00 due to drought. Between 2000 and 2004 we had to use it twice and would have been out of business otherwise. This is a great way to leverage dollars and make them go further. The insurance company is taking the brunt of the loss while the subsidy makes insurance affordable to the farmer. Our insurance bill is \$30,000.00 per year even with the subsidy. There are some abuses out there, but with tough enforcement and the use of county committees to watch over reports, I think that is well worth it. Our own county has red flagged three claims in the last year.

Having emergency programs has helped out when a local disaster is present. In the past there were timing issues but this is improving over time. Our county has been able to use this for an ice storm this winter and a drought in 2001. This has allowed livestock producers to fix fence and allow them to develop better water systems for livestock.

The conservation programs that we have utilized include the continuous CRP waterways, buffers, and filter strips. We farm 200 acres of bottom ground next to the Eastfork River and this has allowed us to install buffer strips to filter herbicides and fertilizer before it enters the water. This gives us the opportunity to receive some funding for the landlords so we do not have to farm it and improve water quality. EQIP has been under funded recently causing it to become a water quality program. Priorities seem to be given to those who are having the worst problems, while the good conservationist's don't make the cut. This program should have additional funding to help reward those who are already going above and beyond. The CSP program was designed for this purpose but has not had enough funding and is not available to many people, not to mention a paperwork nightmare. Because most of our farms are rented we do not have enough records on them to qualify for the full amount and landowners are not willing to help with the time requirements.

Last year we obtained a facility loan to build a 65,000 bushel grain bin. This program which provides low interest money works very well with the other programs available. Getting marketing loans works well from a cash flow stand point and for a marketing plan, but you need storage to utilize it. The facility loan program helps to make storage construction affordable so that you can utilize a better marketing strategy.

Looking into the future we understand that you will be looking at efficiencies and want to save money. We do the same thing on our farm everyday, but I urge you to review county FSA office closings with caution. We have E-auth accounts set up to do DCP and LDP's on line. In the two counties we deal with our farm is only one of three producers who use the on-line reporting system. Many producers do not have computers and only a handful have high-speed internet access. In using this system I had to have one of the staff in the FSA office train me for 1 ½ hours to properly fill out the forms. After training and double checking, I still sent an LDP to the wrong county this fall which had to be manually fixed. As a farm that uses GPS yield maps and has three GPS guidance systems on equipment we still have trouble using the e-file system. This is a step in the right direction, but to me is only a tool in the tool box and not the silver bullet.

As for payment limitations the problems are with enforcement and the multiple entity rules. We all know the people will try to find loopholes whenever possible but we should close them once they are found. As a FSA Committee member this is one

of the hardest programs to police. If everyone was held to one payment limitation no matter what type of business structure they are under then there would not as much scrutiny over the limits.

In summary, with rising energy costs which are a part of almost all of our costs, and the need to have a safe and ample food supply, I cannot see where there could be any reduction in future farm bill budgets. I would support the idea of leveraging as many dollars as possible like the crop insurance subsidy. All we are looking for in the agricultural community is to have a safety net that helps us when the prices and/or yields are low so that we can pay the bills and prosper in the future. We would prefer to have the market provide prices that would allow us to be sustainable but when the prices get high enough to accomplish this our products are not affordable abroad. For example wheat on Chicago Board of Trade is trading at \$4.03 but our cash price is \$3.28. This difference is because our grain terminal can't sell the wheat for any higher. Higher Chicago Board of Trade prices aren't the answer unless a buyer is willing to pay for it. The 2002 farm bill has served us well but could use some tweaking as we go forward given my experiences.

Thanks again for your time.

STATEMENT OF RODNEY HAGER

I, Rodney Hager, would like to thank Congressman Sodrel and the U.S. House Agriculture Committee for this invitation to address issues that will affect the 2007 farm bill.

After having been asked to testify, I contacted several producers around the State and ask what they would like in the 2007 farm bill, the majority said they would like to see the 2002 farm bill continued. I have worked with the FSA, the NRCS, and the Purdue Extension Service for over 30 years and I am very appreciative of their assistance. However, there are some things we would like to see changed in the 07 farm bill.

1. FSA paid producers for all conservation cost share programs for years. FSA has all the banking and eligibility information on hand, which NRCS now has to duplicate in their system in order to make the cost share payments. NRCS has the experience and experts to take care of technical fieldwork. FSA has the experience and experts to handle the paper work and pay for cost share in a timely manner. When FSA handled cost share payments producers received their cost share within a few days. Producers have waited weeks and even months to receive their payments from NRCS. Why change things that were working fine plus the additional expense in duplicating records?

2. FSA & NRCS should continue to have a presence in every county in the State. Congress writes the farm bill for farmers, these are complicated pieces of legislation that needs to be explained to the producers. If we close down county offices and merge them, we will lose the local contact we now have with all producers. The large producers will continue to participate in the programs but we will lose the small family farmer. Using the ideas that are in the paragraphs prior to and following this one could offset some of the cost of keeping the county offices open.

3. The current DCP program gives producers the flexibility they need in planting and marketing their grain. When the cash markets drop, the government steps in and pays a counter cyclical payment to help support the low cash grain prices. To reduce the cost of the current program, only farmers who have the applicable crops planted should receive the applicable counter cyclical payment. The way the program is now written if a counter cyclical payment is due all producers in the program receive the payment, even the producers who haven't planted a crop. Those producers have no risk and are losing nothing when the cash market is low because they have no crop. We would save millions if only the farmers who plant a crop would receive the counter cyclical payments.

4. Give local people more of a voice in how conservation spending is used. Every Soil and Water Conservation District is different and local people can better decide what works best for them. In Indiana there is a great difference in what conservation programs can do for people in the northern part of the State compared to what the same ones will do for people in the south.

5. Programs need to be less complicated. Some programs are so complicated we lose sight of what we are trying to accomplish and this keeps some producers from participating.

6. More money should be spent on conservation programs and get the cost share to at least 50 percent or greater. On some practices cost share has been reduced to 20 percent, while at the same time requirements have changed. In the past, we have used utility poles for posts when building cross fencing and building fence to

keep livestock out of streams and ponds. Indiana has changed the rules and we can no longer use them for cost share projects. We are being required to purchase higher priced and inferior products. On my farm I have used utility poles for fence post in the past and have gotten cost share. If they have been good enough in the past, why change now?

7. In Indiana as we move forward with energy conservation and will be producing ethanol and bio-diesel fuels, we are going to produce bi-products that are capable of being used for livestock feed. In order to benefit the farmer, additional research needs to be done to use these products in a more effective and cost efficient way for all species.

As farmers face the changing dynamics of American agriculture, it is imperative that they be exposed to the latest research findings from the Land Grant Universities to be able to take advantage of new technology and business and entrepreneurial opportunities that this research provides. Continued strong Federal support to provide this essential research is necessary if American farmers are to remain competitive in the global economy.

It is equally important that we maintain a strong and viable local Extension Service to connect these research findings and opportunities to the farm communities. No system can bring the needed research-based knowledge to our local communities better than the Land Grant Universities with their County Extension Services.

8. In today's economy the only way smaller producers can compete with the larger ones is if they can create a value added merchandizing venture that satisfies a niche market. These ventures add to the viability, competitiveness, and sustainability of local producers and help them remain economically viable and capable of supporting their families. We would like to see the 2007 farm bill include more funding for feasibility studies, marketing plans, and start-up capital for local value added agricultural ventures of all sizes by local producers. Local food needs to be consumed locally to minimize costs to the consumer, due to escalating costs such as transportation.

9. Producers would like to see the Grassland Reserve Program updated.

10. More funding support is needed for young people who would like to farm. With the price of land and equipment escalating, it is nigh impossible for them to enter the industry. Farmers make up less than 2 percent of our population and are decreasing in number every year. If this trend continues, only huge farm operations will be in business and the small and medium size family farms will be gone.

11. By-products from corn and soybeans made in to fuel in Indiana will make Indiana more cost effective and competitive in feeding livestock. We will soon have more cattle finished within the State. At this time if a producer wants to sell his beef or lamb to a retail or wholesale market that requires a USDA quality grade, such as prime or choice, the producer must pay a prohibitive fee for a Federal grader to come from out-of-state to do the grading. The cost can run into hundreds or even thousands of dollars, depending on which State the grader is coming from. A USDA meat grader is urgently needed for Indiana, if the Indiana livestock industry is to grow and to supply locally high quality food to local consumers.

Again I want to thank everyone for the chance to express some of the concerns of Indiana producers about the 2007 farm bill.

STATEMENT OF RANDY KOETTER

Good morning Mr. Chairman and members of the Agriculture Committee. Also welcome to Southern Indiana. I would like to first thank my Congressman Mike Sodrel for his leadership in having this committee hosted here in my home area.

Koetter Woodworking was started in 1959 by Tom and Mary Francis Koetter, my parents. We now have been in business over 47 year. The business is operated by my four other brothers and me. We have over 750 team members as employees with facilities in Indiana and Kentucky.

Our business focus is hardwoods. We produce cabinet, furniture components, architectural millwork, hardwood flooring, molding, and doors. In fact one of our subsidiaries restored the flooring and some molding in the Oval Office at the White House and the East Room of the White House last year.

Our family is dedicated to the support, practice and educates the importance of sustainable forest management, which ensures the proper use of our woodlands for generations to come. Our family developed the Forest Discovery Center next to Koetter Woodworking as an education and entertainment facility that is open to educate the public on importance of the hardwood industry and keeping hardwoods as a renewable resource. The Forest Discovery Center visitation will average 30,000 school age children along with general public through the year.

In fact, our family is also a producer. We currently have over 6,000 acres of timber ground split evenly in Indiana and Kentucky. At this time, we plant on average of 50,000 new hardwoods per year.

Now some brief background information on our industry and issues that affect our industry.

II. Indiana Forest Resources—Background Forestland accounts for 20 percent of the land in Indiana of which 85 percent is comprised of private land owners. Forestry means 54,000 jobs and \$9 billion to the State's economy annually. I have attached background information.

III. FORESTRY NEEDS FOR THE 2007 FARM BILL

Suggestions on improving the farm bill.

1. Continue and strengthen the forestry title of the farm bill.
2. Allow for reinvestment tax credit and or allowance to purchase and develop new equipment that can improve efficiencies and reduce waste. This issue is critical and has an impact when making business decision on rather to import various products or to produce here in Indiana. This will allow the smaller producer to drastically reduce waste and increase production out of each piece of timber.
3. Increase Federal research. The research focus on wood utilization—product research, development activities, support and technology transfer is critical to our industry. In fact our Senator Richard Lugar has been a leader on this issue.
4. Develop a 30-year carbon credit for hardwood tree planting initiative.
5. The need for a tax credit incentive for landowners to keeping their land in forestry is equally important. This could be done by some form of direct payment for environmental service for natural tree stand management. Return of cost share funding for timber stand improvement is critical in keeping our most valuable renewable source. Trees.
6. Access to world trade. We need a level playing field.
7. Access to public lands to make better tree management and forestry practices on those properties. These practices will decrease the like hood of disease and fire while supporting good conservation practices.

Thank you for your time and consideration. I will answer any questions.

