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REGIONAL FARM BILL FIELD HEARING: GREAT FALLS, MONTANA

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

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REGIONAL FARM BILL FIELD HEARING: GREAT FALLS, MONTANA

THURSDAY, AUGUST 17, 2006

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY
Great Falls, MT

The committee met, pursuant to notice, at 9:50 am at the University of Great Falls, Hon. Saxby Chambliss, chairman of the committee, presiding.

Present: Senators Chambliss, Baucus and Salazar. Also present: Senator Burns.

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

The CHAIRMAN. This meeting will come to order and let me welcome all of our witnesses as well as all of our other guests here today. I can't tell you how pleased I am, as Chairman of the Senate Ag Committee, to be back in Montana. You have a beautiful state out here. I'm somewhat familiar with the type of agricultural industry that you have in this state but I am excited as I can be to have the opportunity to dialog with farmers and ranchers from this part of the world as we prepare to write the next farm bill in 2007. I want to first of all say that I apologize significantly for a little problem that we have run into, from a time constraint standpoint. We travel back and forth for these hearings on a military aircraft and we thought we were all squared away so we wouldn't be under as bad of a time constraint as it turns out that we are but unfortunately, the plane that was coming to get us broke down this morning in Washington. Thank goodness it broke down in Washington instead of in Montana. But in any event, we have another plane that is on the West Coast that is going to stop by and pick up the staff and myself to head back to Washington and because of the down time for the pilots, this plane has to be wheels up from here in Great Falls at 12:54. So it is going to curtail us a little bit but we're going to do our best to speed things up on our end and make sure that we get into the record absolutely everything that Montana and western farmers and ranchers want to get into the record and you'll have an opportunity to add anything that you want to into the record as I will explain in just a few minutes. You know, we have a significant drought going on in Georgia and I want you all to know the sacrifice I have made to bring rain to Montana instead of directing it to my home state but I sure hope I carry some of this home with me when I get back there tomorrow. I am indeed pleased to be here with my colleagues, Senator Burns and Senator Baucus and Senator Salazar.

We are—you just don't know in Montana here how important your senators are when it comes to agriculture. They are two great men and two folks who really make sure that the agricultural interests of Montana are well preserved and well taken care of. Ken Salazar is one of our freshmen members of the senate, and freshman members of the Committee, obviously, from the great State of Colorado, and we are particularly pleased that Ken was able to come over today and join us for this hearing.

This is the seventh hearing that we have held thus far outside of Washington. We have held hearings in Georgia, Missouri, Pennsylvania, Iowa, Oregon and Nebraska, and our final field hearing will be in Texas on September the 8th. With the 2002 Farm Bill expiring in 2007, the Committee has the responsibility of writing the farm bill next year. A number of factors influence the development of a farm bill. And one of the most important of those is the input we receive from farmers and ranchers in these regional field hearings. This testimony will establish a record of the regional variations and the operations and use of farm programs which will greatly assist us in the development of a farm bill that will work for all of us in American agriculture. We appreciate the information received and testimony delivered in our hearings so far, and we look forward to hearing from our witnesses today.

For those of you who are not witnesses, but are interested in submitting comments to the Committee related to the farm bill, our website has guidelines for providing written statements for the record and a web form for informal comments. Comments received during the re-authorization process will be considered as well. I appreciate the University of Great Falls and President Eugene McAllister for hosting us today, and what a beautiful campus you've got here, and this is a certainly a great facility in which to hold this hearing. His staff has been particularly helpful to us and I also want to thank my colleagues from Montana, Senator Burns, Senator Baucus and their staffs for providing great support for the Committee for this hearing. We have got a lot of ground to cover today in a relatively short amount of time. So I will now recognize my senate colleagues for brief opening remarks. I will turn to Senator Baucus first as a member of the Senate Ag Committee. Max?

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

Senator BAUCUS. Thank you very much, Mr. Chairman On behalf of all of us in Montana, we very much appreciate your accepting my invitation for you to come to Montana for an Ag Committee field hearing. We did not do that in the last farm bill, we are now leading up to this farm bill, we deeply appreciate, Mr. Chairman, your holding a hearing here. This is an opportunity for everybody to kind of tell-it-like-it-is-for-Montana perspective. You know, don't pull any punches, it's a—this is real, this has got real bullets here, as we write a new farm bill. As the only member of the Montana congressional delegation on the Agricultural Committee in the Congress, it's an opportunity for you to let me know what you think, and the Chairman to know what he thinks, and so we can get this thing written. So thank you very much, Mr. Chairman, for holding this hearing.

I also want to thank my good friend from Colorado, Senator Salazar. He is a rancher, he is a farmer on the Committee, and also my good friend from—my colleague, Conrad, even though he is not a member of the Committee, he has taken the time out to be here, and work in a bipartisan way, which is really very helpful. I see the Governor here, and that's great, too. A couple of just main points, to be very quick here. I have had a lot of listening sessions around the state in the last week, about a thousand miles traveling around our state and a couple things that have come up, one is keep a strong safety net. We got to have that strong safety net, and that, to a large degree, means a good countercyclical program.

There is some concern that wheat doesn't get quite as good a break, Mr. Chairman, as, say, corn or some other commodities, when it comes to countercyclical, that we in Montana need a strong countercyclical program, because of the vagaries of prices and production and so forth. And the second main point is there is a great opportunity here, because so much has changed in the last four or 5 years. And the opportunity for change is energy. Energy prices are so high now, it's making a huge problem for our producers, clearly, fertilizing costs, et cetera.

But also it's an opportunity for oil seed crops for energy crops, for camolina, for example, which is becoming very popular in Montana, as well as cellulosic ethanol. We just need to help wean ourselves away from OPEC as a country. A good way to do that is to give more impetus in the next farm program, to the crops—to alternative crops to help us accomplish that objective. And I think we will hear a lot from our producers about that as this hearing goes along. Again thanks for having this hearing here, it makes a big difference.

The CHAIRMAN. Thanks, Max. Senator Salazar.

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

Senator SALAZAR. Thank you very much, Chairman Chambliss, for holding this hearing, and Senator Baucus, my good friend, thank you so much for inviting the Senate Agricultural Committee to come here to Montana to hold this hearing, and to my colleague Senator Burns, thank you for joining us. Governor Schweitzer, we appreciate your leadership especially on the whole arena of alternative fuels, and the whole set of energy issues that I know are going to be part of this farm bill as well. Let me make just two quick comments: First, the importance of this bill is cannot be understated for rural America. There are some that will criticize this farm bill for its expense, and yet when you look at what we have spent on the farm programs out of this—out of the farm bill, we spend less than 1 percent of the entire Federal budget. And it's my view that those of us in Washington ought not to forget, but some people have forgotten, that is forgotten America, and what it is that rural America contributes to our national security.

In my time as attorney general in Colorado, I had a sign, No Farms, No Food, and I have that same sign on my desk in Washington DC. It's something we need to continuously remind the Nation about.

Second, there has been some positions already taken by some agricultural organizations that we simply ought to extend the farm bill. Maybe that will happen, as we wait until we see what the outcomes are of the WTO negotiations.

But at the end of the day, I think it's important for us to have these hearings, so that we can figure out what's working, what could be working better, how we can fix the problems that we currently have. And when we talk, for example, about the CRP Program, I know that both here in Montana as well as in Colorado, I hear many concerns from rural communities about how we might be able to do this CRP Program differently. Well, if we can do it better, we ought to do it better. I think that's one of the opportunities we have in this Committee, see how we can do things better.

The energy title of this bill, which was put into the bill in 2002, I think creates great opportunities, we see more energy and more ideas on energy in Washington D.C. and in our capitols across this country than we ever have before. So I think alternative fuels is going to be one of the key components we can work on. We cannot wait to work two or 3 years to work on that particular title. So, Mr. Chairman, thank you again for coming here to this wonderful state, to Great Falls, and holding the hearing here.

The CHAIRMAN. Thank you. Senator Burns.

STATEMENT OF HON. CONRAD BURNS, A U.S. SENATOR FROM MONTANA

Senator BURNS. Thank you very much. I want to thank the Chairman and members of the Committee for allowing me to join them. I am not a member of the Committee, but I appreciate your courtesy, and when you go on the Commerce Committee, I will return the favor, if you ever have to come over there.

I just want to mention, or throw some questions out today. The improvement in the safety net, I think that's very important, because that's what I hear too as I drive across the State of Montana, how energy will play a role in our farms and our ranches, and how we can play a role in the energy crisis that we find ourselves in today. And are we willing to go through the pains of changing our transportation fuels. Young farmer programs, think about those, if we decide to rewrite the farm bill or extend, and at new approaches to how we regionalize some of the benefits that we—that the farm bill is supposed to provide for us farmers and ranchers. You know there are new—we know more about our planet earth now than ever before. When I was chairman of the Science Technology in Space on the Commerce Committee, we started the low orbit programs, looking at our earth.

And now—and with those came programs that we could tell a lot of things about where we farm and where we ranch, measured accuracy down to a meter. And that allowed us now, I think, and when we fashion this farm legislation, to regionalize more than we ever have before. The biggest problem in agriculture and food policy is that we write one, and one size is supposed to fit all.

And it just does not serve agriculture very good, because we are regionalized. We are different than South Georgia, below the gnat line. And we have different challenges and different problems, different crops. But now with data bases, and new science, and new technologies, we can start to look at a regionally focused kind of farm policy that will serve our producers better. So I just want you to think about those, because I come today to listen, and I know that's what the chairman has done, and it's very, very important that we take all the information that we gather now, and it will be a part of how we'll face the challenge of the future.

Agriculture does have a bright future. There is new elements moving in every day, and the way we take advantage of those, it is very important that we hear some of that from you. And thank you, Mr. Chairman, for allowing me to join this Committee today.

The CHAIRMAN. Thank you. And while Conrad is not a member of the Committee, he is what we call the sheriff of the posse, which is a group of senators that are non-Ag committee members that meet on a regular basis, and Senator Roberts suggested this idea, and Conrad has done a great job of chairing that group, and Roberts and I meet with them regularly to make sure that they understand what's happening within the Committee and to get the ideas from folks from other parts of the country that are interested in agriculture that aren't on the Committee. So thanks, Conrad.

We, as is our practice, invite all of our Governors of the states that we go to, and I can't tell you how pleased I am today to have a chance, first of all, to meet Governor Schweitzer, but most importantly to have him come be with us today, and share a few thoughts with us. So Governor Brian Schweitzer, welcome very much to the Ag Committee hearing, and we look forward to hearing some comments from you.

STATEMENT OF HON. BRIAN SCHWEITZER, GOVERNOR OF THE STATE OF MONTANA

Governor SCHWEITZER. Well, thank you and thank you for coming up here and thank you for taking the time, and, of course, Senator Salazar, my good friend, thanks for coming up from Colorado. We share a lot of concerns, we have a lot of the same crops, and our producers are facing many of the same challenges.

And I want to thank Senator Baucus for being a leader for farmers and ranchers in Montana for 30 years. And Senator Burns, Senator Chambliss when he mentioned that you were the sheriff of the posse, he probably doesn't know the story about the Plummer Gang and the Vigilantes here in Montana. Things didn't end well in Montana for the sheriff. So we don't want to bring up the posse in Montana, the Vigilantes actually won that one.

Senator BURNS. Just be aware of it, though, just be aware of it.

Governor SCHWEITZER. Well again, welcome to Montana, and, of course, in Montana we face a lot of challenges. And one of them that I would like to address is in the cattle industry, is that we are faced with the largest border in America with Alberta and the challenges that Alberta has had as a center of BSE, and this border that is open some days and partially open other days, and the concerns that our cattle industry has commingling that Alberta beef with our beef.

So we are going to need a little help in managing disease. Of course, in northern Alberta, their buffalo have brucellosis, and in the Yellowstone Park area, there is brucellosis as well, and so we are trying to manage not one just one disease, brucellosis, but two, BSE. So please pay attention to our cattle industry in Montana.

We in Montana recognize our opportunities. Our opportunities are that we are a long ways away from the ocean, but we are also a long ways away from imported oil. It's kind of perverse, because Montana farmers work for 364 days a year, and they load their crop on a railroad on 1 day and they give 35 percent of the value of that crop to the railroad.

Now that grain is shipped to the port, put on ships, and it's sent over high seas, all the way over to some place in the Third World. At the same time, in the Third World, they are loading a boat full of oil, and out on the high seas, that big ship loaded with grain coming from Montana meets a big ship with oil that comes to our ports and then refines the product and ships that fuel inland where we use that diesel to produce the crop. And the farmers, by the way, pay the freight both ways. It is time that we take a proactive stand in producing our biofuels in this country. Just to give you a little example about mixed signals that we get out here in the country, the National Governors Association meetings over the last year, we have had folks come and speak to us from the major oil companies, and they showed us the charts, they say that 30 years from now, 1 percent of our fuel portfolio will be alternative fuels, all alternative fuels, 1 percent. At the last National Governors Association, a member of the Bush Administration came from the Department of Energy, and said, by the year 2030, 30 percent of our portfolio will be ethanol.

So these are mixed signals that we are getting, we are getting industry saying it's going to be one percent, and the administration says it's going to be 30 percent. Let's focus on what's realistic. If we converted all 58 percent of the bushels of wheat that we export from this country, and all 34 percent of the soy beans and all 18 percent of the corn to biofuels, we get to maybe 20 percent. So we have to be realistic on what we can do. And if we are going to do it, first off, we have to go out to farmers and say, you are growing wheat right now, we'd like you to produce a biofuel, then we'd better have an insurance program that makes sure that they are protected, so that when they go to their bank, and that's what we do in the spring, we go to our bank and we say, now we want to borrow our production costs, and the bank says, we will loan to you what the Federal crop insurance is.

Farmers are faced with that every day. The farmers say I would like to try some biofuels, and the banker says you better stick with wheat. So we need to have a safety net that sends direction to our farmers to produce biofuels. We need to say to our farmers that we are going go change our price stability system, not just for the crop that you grow, but the fuel that you produce. We have had a price stability system for our major crops in this country for 50 years. If we want these farmers to be partners in producing the fuel, and we need them to be partners, because that's where the value of this crop is, in the fuel, not the crop itself, then we need to say to them, we will have loan guarantees for producing the plants, and we will have loan guarantees for you on the production end of that fuel.

We have opportunities, we talked about camolina in Montana, this is just one of our crops, this is a biodiesel we produce in Montana. We need to be realistic, but we need to send signals to the market that we are serious about biofuels. Once again, thank you for coming to Montana.

The CHAIRMAN. Thank you very much, Governor. At this time I am going to call our first panel up. We have Mr. Dave McClure from Bozeman, Montana representing the Montana Farm Bureau, Mr. Eric Doheny from Dutton, Montana, representing the National Farmers Union, Mr. Tony Belcourt from Box Elder, Montana, representing the Intertribal Agricultural Council, Mr. Dale Schuler from Carter, Montana, representing the National Association of Wheat Growers, Mr. Dave Henderson from Cut Bank, Montana, representing the National Barley Growers, Mr. Paul Tyler from Moore, Montana, representing the U.S. Canola Association. Gentlemen, thank you all very much for being here today. We have your prepared statements which will be submitted in full for the record. We are going to limit—we are going to be very strict in this—your opening comments to three minutes each, but we look forward to hearing your comments, and then to hearing your responses to the questions.

So, Mr. McClure, we will start with you, and Mr. Doheny, we will go right down the line. Mr. McClure?

STATEMENT OF DAVE McCLURE, MONTANA FARM BUREAU, BOZEMAN, MONTANA

Mr. MCCLURE. Yes, thank you, Mr. Chairman, and also I would like to thank you for sharing your thoughts with the Council of Farm Bureau Presidents just last month in Washington, D.C., I appreciate you sharing that with us.

I am Dave McClure, president of the Montana Farm Bureau Federation, and a farmer from Lewistown, Montana. Our state office is in Bozeman. Thank you for this opportunity to testify concerning the upcoming farm bill debate. On behalf of our members, board of directors and staff, the Montana Farm Bureau welcomes the Senate Ag Committee to the Big Sky State and is pleased to be able to make these comments. Two major factors influencing the farm bill discussions are the Federal budget deficit and the stalled WTO talks. These factors make it difficult to justify major changes in U.S. farm policy at this time. Farm Bureau supports an extension of the current farm bill until a new WTO agreement is reached or at least extending concepts of the Farm Security and Rural Investment Act of 2002 in the next farm bill.

It's vital that we do not reduce domestic farm support so that our trade negotiators have the leverage necessary to improve world trading rules, reduce foreign import tariffs that limit our ability to export, and stopping the unfair export subsidies by our competitors is a worthy cause.

We applaud the aggressive efforts to create opportunities for our producers. Our present farm policies evolve from earlier efforts to set aside and limit production to set aside—and divert acres. It became apparent in the 80's, as we cut back, our competitors worldwide increased their production and our price support programs gave them a safety net and the opportunity to take away our markets.

As a member and chairman of the Montana ASC State Committee in the mid 70's, I became acutely aware of the inefficiency of the supply management programs. It took at least 20 percent set-aside to achieve 11 percent reduction in production. We must not return to supply management programs or attempt to store our way to prosperity. I commend the Congress and the senate for their recognition of this fact, and that those programs of the past were not working and for crafting recent laws that increase producer reliance on the market place rather than fixed price supports.

The producers of program crops generally liked the 2002 Farm Bill because it works and they have the flexibility to decide on their own what crops to grow. And certainly the discussion on ethanol and biodiesel, we need to have that opportunity to change grounds.

It's vitally important we maintain the safety net of deficiency payments and countercyclical compensation, although some tweaking may be needed. The increased cost of fuel and fertilizer is ample evidence that funding for commodity programs should not be reduced but should be increased. Those costs are eating our lunch and limiting our ability to pay debts and replace equipment. It's in the national interest to keep our food production sector competitive and profitable. More importantly, a case can be made that farm bill benefits outweigh the costs. While spending on non-farm programs in the farm bill, about two-thirds of the funding, is costing what was projected, spending on the three farm program components, commodities, conservation and export programs is well below the estimates made in 2002; in fact, 19 billion less than projected over the first four years of the farm bill.

How many farm programs stay below budget at that expense? So we think that the current farm bill has proven to be a good investment for America. Farm Bureau opposes any changes in the current farm bill payment limitations. One of the primary objectives of the 2000 Farm Bill was to improve the financial safety net available to farmers.

If limitation and benefits are made more restrictive, a significant number of farmers would not benefit from the improved safety net. Simply stated, payment limitations bite hardest when commodity prices are lowest. Our Federal crop program is based on production. Time and time again, this has proven to be the best manner for distributing assistance to families most responsible for producing this nation's food and fiber. Thank you for the opportunity.

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

The CHAIRMAN. Yes, sir. OK. Guys, here is our rule. This light right here means you have gone two minutes; this yellow light means you have got one minute left. When the red light goes off, that's it. That's the way we operate in the senate. Mr. Doheny——

Senator BAUCUS. Sometimes.

The CHAIRMAN. We are pleased to have you with us, we look forward to your testimony.

STATEMENT OF ERIC DOHENY, MONTANA FARMERS UNION, DUTTON, MONTANA

Mr. DOHENY. Thank you. My name is Eric Doheny, and I am a fourth generation producer from Dutton, Montana.

I am a member of the Montana Farmers Union, and believe that family farmers and ranchers at a critical juncture in our existence. State and Federal programs need to be structured to benefit and protect the family farm.

That being said, I want to reiterate what Senator Baucus has said, and if we had a higher price for our wheat, a lot of this would be moot. We have got the tightest world stocks of wheat known to man, and we are at upper to middle three- dollar wheat, and now I will proceed on, but holding no punches, I wanted to put that out there. Farmers Union believes the 2007 Farm Bill should include a permanent weather-related disaster assistance program.

A plausible funding solution for offering a permanent disaster program would be to replace decoupled payments to producers with permanent nationwide disaster assistance. In the current farm bill, the countercyclical safety net and direct payment works and should be continued. We support the full funding of CSP. Continuing CRP only on the most environmentally sensitive lands and offering shorter-term CRP contracts for specific conservation needs. Enrollment of whole farm CRP contracts should be prohibited due to the detrimental effects on rural communities.

Free trade and fair trade are incongruent terms in today's world. Trade negotiations must include labor and environmental standards as well as currency manipulation. Free trade establishes a race to the bottom. Fair trade ensures an adequate, high quality, safe and affordable food supply. We call for a thorough analysis of current agricultural trade agreements to determine their success at meeting their stated goals before any new bilateral or regional trade agreements are negotiated. The measure of the success of a trade agreement has to be its benefit to agriculture and producers' net income. Mandatory COOL was to be enacted in 2004, but as yet to be implemented. We support and are working toward a new sustainable economy that would rely increasingly on renewable sources of energy, such as wind, solar, biomass, anaerobic digesters, ethanol and cellulosic ethanol and biodiesel. We need that renewable fuel standard.

The measure of success of any farm bill has to be the level of net income for producers. Farm policy should not be developed for multinational corporations, processors, exporters, integrated livestock producers, and firms who profit from low commodity prices. Farm policy should not be developed for multinational corporations, processors, exporters, integrated livestock producers, and firms who profit from low commodity prices. We expect higher loan rates, better targeting and oversight of farm program payments to family farms, Federal agricultural policy with strong conservation and energy components that prioritizes the interests of independent family farmers and ranchers. It is not vital just to the people on the land, but to our country.

It is our hope that the Committee will keep this mind as it works to prepare future policy. I wish to thank the Committee for this opportunity to testify.

[The prepared statement of Mr. Doheny can be found in the appendix on page 62.]

The CHAIRMAN. Thank you. Mr. Belcourt.

STATEMENT OF TONY BELCOURT, INTERTRIBAL AGRICULTURE COUNCIL, BOX ELDER, MONTANA

Mr. BELCOURT. Thank your, Mr. Chairman. I am here on behalf of the Intertribal Agricultural Council. We are an organization that represents Indian tribes across the country. And I guess with our unique government status as tribes across the country, it also creates unique disadvantages and advantages in relation to the farm bill.

There is a lot of mention of farm programs and safety nets and whatnot, but if you don't have an Indian farmer or rancher, them are all fruitless. So, you know, we got to create some direction for the Bureau of Indian Affairs, they are a trustee of ours that signs off on all these things that we do on trust land. When is the last time we ever seen the Bureau of Indian Affairs sign off on a contract guaranteeing production in agriculture. I think the farm bill needs to be rewritten, but I think we need some help in rewriting that with the Intertribal Agricultural Council, we need to be given direction on things that work for Indian country, it ain't working right now.

I think the biggest factor we have is educating our producers. We have a 20 billion dollar Indian gaming industry, but if we can't get that product to them, it is fruitless. We are still sitting here struggling trying to get our youth established, trying to get farmers to be farmers.

As an affiliate member of R-CALF U.S.A, we appreciate pushing on for the country of original labeling. Indian casinos are demanding Indian products, but we can't deliver. So with that, I thank you, and I'd be happy to answer any questions.

[The prepared statement of Mr. Belcourt can be found in the appendix on page 46.]

The CHAIRMAN. You are under the clock, so we appreciate you very much. Dale, it's good to see you again. I look forward to your testimony.

STATEMENT OF DALE SCHULER, PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS, CARTER, MONTANA

Mr. SCHULER. Thank you, Mr. Chairman, members of the Committee. My name is Dale Schuler. I am a wheat farmer from Carter, Montana, and I'm currently serving as president of the National Association of Wheat Growers.

I thank you for this opportunity to discuss our members' concerns about the current and future farm programs. Effective farm legislation is essential, not only for wheat growers, but also our rural economies, and also the American consumers.

Farm programs were designed to cushion the boom and bust cycles that are inherent to agricultural production and to ensure a consistently safe, affordable and abundant food supply for the American people. The 2002 Farm Bill has strong points, and the wheat growers that I represent here today believe that the next farm bill should build on these strengths. But while wheat growers generally support the current policy, much of the safety net provided in the 2002 bill has not been effective for wheat producers.

Since 2002, wheat growers have received little or no benefit from the two key components of the current bill. The countercyclical program and the loan deficiency payment program for two main reasons. The loan program and the LDP are useless when producers suffer crop failures, and second the target price on the countercyclical program was set too low. As a result, there has been very little support in the form of countercyclical payments or loan deficiency payments. The support level for wheat compared to some of the other commodities for the 2002 to 2005 crop years as a percentage of production cost is relatively low. We believe that wheat producers deserve to have a viable safety net also.

There is no doubt that American farmers would rather depend on the market place than the government for their livelihoods, but the current economic and trade environments do not offer a level playing field in the global marketplace. Many of our trading partners support their farmers at a much higher level than we do here in the United States. At the same time, we face continually increasing production and transportation costs. Fuel and fertilizer prices are estimated to increase 24 to 27 percent for wheat growers just from last year, as estimated by a recent FAPRI report. These issues, along with potential changes in the WTO rules must dictate that we look at different options in the 2007 Farm Bill.

Also our members would like to see conservation programs continue as presently authorized, but funding should allow all of our producers the opportunity to participate in these valuable programs. We also believe strongly in the pursuit of renewable energy from agricultural sources and support additional incentives for further research and development of renewable energy initiatives, specifically cellulosic ethanol. In closing, I must state that we firmly are committed to developing an effective 2007 Farm Bill, and welcome the opportunity to work with you to do so. Thank you for this opportunity.

[The prepared statement of Mr. Schuler can be found in the appendix on page 96.]

The CHAIRMAN. Thank you. Mr. Henderson.

STATEMENT OF DAVE HENDERSON, NATIONAL BARLEY GROWERS ASSOCIATION, CUT BANK, MONTANA

Mr. HENDERSON. Mr. Chairman, members of the Committee, thank you for the opportunity to appear before you today. My name is Dave Henderson and I farm near Cut Bank, Montana, where we grow irrigated barley, spring wheat, and alfalfa. I have been a director on the National Barley Growers Association board since 2003. NBGA has serious concerns regarding the level of support barley receives, relative to other crops in the current farm program.

We believe barley has lost significant competitiveness in its traditional growing regions, due in part to distortions and Federal farm support levels. Acreage trends certainly underscore our concerns. The NASS June 2006 acreage report barley seeded at 3.5 million acres, a 10–percent decline from 2005, and the lowest planting since estimates began in 1926. I want to thank the Committee for its support in honoring our request for FAPRI analysis, to look into the root cause for our barley acreage decline, specifically if the farm bill might be contributing to it.

According to preliminary findings, marketing loan benefits have clearly favored corn and soy beans over barley and wheat. In the northern plains, marketing loan benefits the last 5 years averaged $4 per acre for wheat, $8 for barley, $12 for soy beans and $21 for corn. At the national level, the combination of marketing loan benefits and market returns explained the increase in national corn and soy bean acreage and the decline of small grain production.

However NBGA does support the continuation of the marketing loan program, at equitable levels amongst the program crops. If the marketing loan were diminished or eliminated due to WTO concerns, a similar provision, such as the Viable Revenue Assurance Program would need to be developed to take its place to continue providing a viable safety net for producers during downturns in prices or production. We also support continuation of the Direct

Payment Program, which is the best means to get much needed operating money into the hands of producers. We also support continuation of the planting flexibility provisions that have been in place since 1996. NBGA believes better risk management programs are also needed that will adequately address multiyear losses, as well as provide a safety net for the high deductibles we face under current crop insurance policies.

We currently have a barley risk management task force working hand in hand with RMA on innovative ways to address these challenges. With regards to the ongoing drought in much of the country, we support disaster assistance for the 2005–06 crop losses and encourage debate for a permanent disaster provision in the next farm bill. Thank you again for the opportunity to testify.

NBGA fully understands the challenges you face as you write the next farm bill, however, farmers must continue to be offered a viable safety net if the United States is to maintain a safe, homegrown supply of food. We are ready and willing to work with the

Committee in the coming years to develop provisions to address these needs. Thank you.

[The prepared statement of Mr. Henderson can be found in the appendix on page 76.]

The CHAIRMAN. Thank you. Mr. Tyler.

STATEMENT OF PAUL TYLER, U.S. CANOLA ASSOCIATION, MOORE, MONTANA

Mr. TYLER. Mr. Chairman, members of the

Committee, my name is Paul Tyler, I'm a third generation plow horse from Moore, Montana. I raise wheat, barley, hay, kids, cows and canola, and sometimes beef if the antelope are in a good mood.

I have been a producer board member on the U.S. Canola Association since 1999, and thank you for allowing me to speak on their behalf. I would also like to thank our representatives for a chance to host a meeting of this importance in our own state.

Canola is the healthiest vegetable oil produced today. It's got a saturated fat content of only seven percent, along with a total oil content of 43 percent, which in turn also qualifies it as an excellent feedstock for biodiesel and bio-oils.

The U.S. grows about a million acres of canola today, which isn't enough to supply our needs. We import twice as much as we produce.

The USCA urges the Committee to work toward preserving the budgetary baseline for the farm bill. A viable safety net for producers will not be able to be provided by the next farm bill if further funding cuts take place. The USCA urges the Committee to construct the supports provided by the next farm bill in a manner that is equitable amongst the eligible crops to insure that farmers receive their planting signals from the marketplace, and not the FSA office.

We also support continuing the full planting flexibility that was introduced in the 1996 Farm Bill.

The 2002 Farm Bill supports canola and other oil seeds, primarily through the marketing loan program, which we strongly support and also the direct payments, of course, understanding the restraints of the WTO concerns, and the planting restrictions for fruits and vegetables, which will have to be dealt with. At this time the USCA does not have a formal position regarding the revenue-based program options that are being bandied about, but we are certainly willing to take a look at them. And as a producer, I am especially interested in the concept of that, because for the first time it brings an input cost to the equation.

The USCA does support the development of a permanent disaster provision in the next farm bill, and to help the U.S. decrease its energy dependence on imported crude oil, the USCA also supports a stronger energy title in the next farm bill, maybe even a consideration of an energy incentive for planting a biofuel crop.

In closing, I would like to say USCA understands with the WTO negotiations and budget deficits that we to have deal with, it's going to be a tough, tough battle, but we are prepared to work with Congress and you as the Committee, and look forward to the challenge. Thank you.

The CHAIRMAN. Thank you very much to all of you.

We have a couple of questions that we have asked to each of our commodity panels, as we travel around the country, and I would like to start with you, Mr. McClure, and have you give us a very quick answer to a couple of questions. First of all, how would you prioritize the programs of the farm bill generally, and the commodity titles specifically; how would you rank the relative importance of the direct payment program, the marketing loan program and the countercyclical payment program.

Mr. MCCLURE. These are important comments, but some statements have been made here, we may not be on an equal basis with some other crops. We think that tweaking on those adjustments within the program are necessary. It's important to have the countercyclical program so that when prices are low, then the payments kick in. We have had a pretty good 4 years, as I mentioned, with less expenditures than what the Congress anticipated.

[The prepared statement of Mr. Tyler can be found in the appendix on page 103.]

The CHAIRMAN. So how would you rank those programs?

Mr. MCCLURE. Well, I think direct payment and countercyclical are probably at the top of the list. But because of the 7 years or so of drought in Montana, our average yields are lowering and we are suffering because of that. So we need to work on that area, as well as the Federal crop insurance, so that we can insure for our total costs that we have put into the crop.

The CHAIRMAN. Mr. Doheny?

Mr. DOHENY. I would have to agree with Mr. McClure, I think the direct payment and the countercyclical are right up there at the top of the heap, we need to make sure we have assurance, if we have bad years and drought and low prices that we can sustain for those hopeful bust years.

Mr. BELCOURT. I guess mine would probably be the conservation programs, I think they would probably be the top of our list. You know, getting back to direct and countercyclical payments, without those histories and basis and stuff, tribes are at a disadvantage, because we haven't been participating in farm programs. So we don't even have a basis, and that is what puts us at a disadvantage in getting into those payments and stuff he was talking about. So conservation programs is No. 1 priority.

Mr. SCHULER. Mr. Chairman, all the programs under the farm bill, we think are very essential. Commodity, conservation, energy and also the nutrition programs we think serve a vital role to our society. But for our members, the commodity title is of course of most importance. And of the components of the commodity title, we would rank those as being the direct payment being most important, the countercyclical being second, and the marketing loan, LDP programs, as our third priority.

The CHAIRMAN. Mr. Henderson.

Mr. HENDERSON. A survey of barley growers, the direct payment is definitely the most important of the three. It's reliable, it's budgetable, you can take it to the bank, and it's non-trade distorting. Second most important was our marketing loan program, and the third the countercyclical.

Mr. TYLER. I guess I would basically echo what these folks have said. Commodity title is very important, we don't want to lose that, and to rank them, it's really hard to do, but probably direct payments, and similar to what these guys have said.

The CHAIRMAN. We talked a lot about energy, and we are definitely going to expand the energy title in the next farm bill, we don't know to what extent and just how we are going to do it yet, but should any expansion of the energy title or the conservation title come at the expense of the commodity title. Mr. McClure.

Mr. MCCLURE. No, I don't believe so. But times are changing, I think the fact that we are having production of ethanol and biodiesel is helping Montana, even though it's not occurring here. The conversion of sugar cane in some South American countries, for instance, is taking some of that sugar off the market, and our sugar producers in Montana are enjoying an increase in cost.

So as we convert some of these crops that are in surplus into energy production, that's going to help all of us. I think the next farm bill should encourage that, but not take away from the present commodity programs.

Mr. DOHENY. I would like to correct myself from that last statement, for those boom years, not those hopeful bust years, sorry.

But, no, I don't believe that we should cut commodity programs, in the effort of energy programs either. But I think the energy programs have the most—they are most optimistic for the State of Montana. I think the energy renewable resources has potentially the best economic benefit this state has ever seen, if we can get it up and running. We need help to get it up and running.

We need those people, just as Schweitzer was saying, to allow farmers and ranchers to take a chance when their banker right now won't allow them to. We need some incentives and some loan programs to help us to get our feet off the ground. Mr. Belcourt?

Mr. BELCOURT. I agree. I think one of the ways we can do that is the value added component of the farm bill. You know, we grow these crops, if we can get another value out of them, such as ethanol or wheat gluten. I think that would just further enhance our productivity and give us another safety net to fall back onto. So—I guess I go back to tribal governments, and how they utilize the farm bill, that language is not available at this present time to get into those markets.

Mr. SCHULER. We don't think that the commodity program should be compromised to fund energy or conservation programs, although we are very interested in the possibilities under an energy title of the farm bill that would help wheat growers contribute both grain products and biomass to meet our nation's growing demands for renewable energy. These issues I think are of a national priority, and new funding should be provided to them, and not take funding away from the commodity programs. We encourage programs that help us produce more of our energy domestically, but we don't feel that we should sacrifice food security for energy independence.

Mr. HENDERSON. We encourage properly implementing the CSP program, and being an FSA committeeman, I am aware that there is a tremendous backlog of conservation programs that are sitting idle, they don't have the money to begin them. So there is a tremendous amount of importance for conservation, and the demand that's coming for ethanol, very important. But if these energy programs are successful, we believe that they will support the decoupled payments—the coupled payments.

Mr. TYLER. We're of course extremely interested in any energy incentives, but I think the main concern here is that if the commodity title was sent to another title, that it not get diluted amongst other appropriators, and just kind of get lost in the shuffle. So I think it's pretty important that we maintain the commodity title.

The CHAIRMAN. Senator Baucus.

Senator BAUCUS. Thank you, Mr. Chairman. As we pursue ways to boost renewable energy crops, and so forth, this Committee, the farm bill this Committee writes has a lot to say about that.

But there are also a lot of other provisions of the law which are not privy to this Committee, and one is tax incentives. Currently the law, the provisions in the last couple years, there is a fifty cent per gallon tax credit for the production of ethanol.

There is also currently in law a one dollar tax credit per gallon for the production of biodiesel fuel. Now, I am asking the general question, in addition to that, or whatnot, what is the best way in your judgment here in this farm bill to give the real boost to alternative energy crops. You know, some don't have the protection of insurance, crop insurance, some do have the protection, but just if you were to kind of sit back a little bit and say, OK, we in Montana, and as a nation, but right now we are in Montana, want to give a real boost to production of these biodiesel and ethanol, and all these crops, what changes would you make in the current farm bill to help that happen anybody? Let's go the other way, we will go down this way this time.

Mr. TYLER. I think that——

Senator BAUCUS. Well, let's start the other way then. Anybody that wants to, raise his hand.

Mr. DOHENY. I think that if we had a loan rate for these——

Senator BAUCUS. I am sorry?

Mr. DOHENY. A loan rate, if we had a loan rate for your camolinas, and maybe a higher loan rate for your canola, to get biodiesel out of that, et cetera, et cetera, these crops that we have unforeseen, if we can get a loan rate and get assurance that I can go to my banker and say you know what, I don't want to spend all my money on fertilizer, and the input cost that I've been putting in the last 30 years ago, and I don't want to give $50 or this year, 70, $80 an acre to BNSF to get it to the port. And to go to my banker and say I want to spend this money and try to help the whole nation, help our county, our state, I think if I can go to my banker and say, I am not going to put in wheat, I am going to put in camolina, and we have some assurance that I can cover my loan.

Senator BAUCUS. It's a loan rate you want.

Mr. DOHENY. Yes, I am referring to my banker's operating note as well. I think we need that to be able to go in and actually put it in and say I'm not going to.

Senator BAUCUS. Any other?

Mr. BELCOURT. New market tax credits, I know incentives out there right now, but when you get to tribal governments, they don't apply to—we are doing an ethanol project right up here, and we are working with new market tax credits with a company out of Minneapolis, when there's one that's got some go-zone tax credits 90 miles away. So expanding that a little bit and allowing tribal governments to participate would be a big help in our area.

Mr. SCHULER. I think that tax credits are an excellent idea to help a developing ethanol industry get started, especially new technology, like cellulosic ethanol. There also needs to be some research dollars directed toward developing new technologies for processing biomass, whether it be wheat straw, barley straw or switch grass, other types of crops we can grow here in Montana, to get those to where they are profitable for these entities that might be developing these plants.

Senator BAUCUS. Other thoughts?

Mr. MCCLURE. Well, I agree with your other comments on tax incentives and research and probably demonstrating projects are essential, but it has to make economic sense. And if you can't attract outside private investments, then might be questionable. I think we ought to do everything we can to produce our own energy in this country, and hopefully some of that will be in Montana.

Mr. TYLER. I know some of the struggles we have, the U.S. Canola Association is a little bit unique, because it's not just producers, every facet of the industry sits at the table. And one of the things we go around about is, of course, for the guys with producers hats on, it all starts right there, if the producers don't make any money, nobody else can add value down the road.

And so we struggle with how do we do that. And I think there has to be some kind of an incentive, a grower incentive or some such thing that entices growers to try it, and there is a lot of interest in the biofuels, and the bio-based crops, but it's got to start at the producer level.

Senator BAUCUS. I would like to ask a question about trade. As you know, we Americans our average import duty on agricultural products coming into the United States is quite low; I think it's around 12 percent. In Japan, I think it's 60 percent, something like that, and Korea, it's like 50, in the European Union, the average is about 35 percent, India is about 112 percent. So as we look toward the future, and get better, you know, revenue for our crops, clearly we have got to sell more, and knock down those trade barriers, because the Doha Round, it's all hung up now and nothing is happening, it kind of ties into the next question when we extend or rewrite the farm bill, I am curious, the thoughts you have on what we should do about the imbalance in trade, that is with other countries is so unfair, how aggressively should we do something about that interim.

And the second is, looking down the road, should we write the farm bill, do we just pretend like coupled programs are just as good as decoupled programs, that is WTO, you know, inconsistent programs are just as good as consistent programs? Your thoughts, anybody on that one.

Mr. MCCLURE. Thank you, Senator. And I think you're pointing out something important here. The farm bill and farm policy is important, but just as important is trade agreements, energy policy and tax policy; we need to work on all those. But on the trade agreements, in my view, the only reason to oppose negotiations is if everything is perfect. And it's not. So it's a valuable exercise to pursue these agreements that will knock down some of these trade barriers and give us opportunities.

We'd also request the senate to move quickly to reinstate the trade promotion authority which expires next year. At some point, WTO talks will resume, we are assuming, and for our negotiators to have credibility, they need to have that trade promotion.

Mr. SCHULER. Trade is very important to us; 50 percent of the wheat that's produced in this country is exported, and from Montana somewhere around 80 percent. And since the vast majority of the world's population lives outside of this country, that offers the greatest growth potential for our market. Just because the Doha Round has stalled does not insulate us from litigation from trading partners, as you well know. So we need to design a farm program, even in the absence of the Doha agreement that takes into consideration some of these restrictions on trade-distorting program payments.

So we think that going with a decoupled direct payment would be the best option for that, while still utilizing some of those amber box or minimally trade distorting subsidies.

The CHAIRMAN. Senator Salazar.

Senator SALAZAR. Thank you very much, Mr. Chairman Let me just put a major underscore on the question that Senator Baucus asked, and that is to start getting specific on what kinds of energy ideas we should include in this new energy title of the farm bill. It's the talk of the town, it's the talk of the nation, it's a national imperative. But we need to get down to the conceptual ideas that we are talking about figuring out how we are going to make it work on the ground.

I heard you talk about tax credits and incentives, research dollars for cellulosic ethanol and the like demonstration projects, grower own concepts, to make sure that it benefits the growers. But I think as we move forward, not only this Committee, but also the Energy Committee that I sit on and other committees, it's going to be something that's going to be very important to the country, so the more specific you can get on those kinds of ideas in response to Senator Baucus's questions, it will be very important.

Let me ask a question relating to the Conservation Reserve Program. I know there is a lot of acreage we have in CRP, right here in Colorado from some of our producers fear that they're concerned that much of the money that is going into CRP is actually going to New York, Dallas, Fort Worth and other places, and that it is having a negative impact on rural communities, and part of what I think we are trying to do in this farm bill is making sure that we have the rural landscape rural communities on the radar screen.

Mr. Doheny, you talked a little bit about the whole farm concept. Are there changes that we have to be looking at with respect to CRP so we don't have a negative impact for that program on rural communities.

Mr. DOHENY. I believe National Farmers Union has in their resolution that they would like to see 25 percent of a farm rather than 25 percent of a county. If you could do that, then the rest of that 75 percent of a farm or a farmer that wanted to retire and go to Fort Worth, that money stays, and the rest of that land be can be leased out, it can be sold to younger producers, it has opportunity to stay and generate money in the local community, I think that would be great. Twenty-five percent of the county can really devastate one small four or 500 population town within a county, if the location is correct.

Senator SALAZAR. Do some of the rest of you have suggestions on how we might be able to revise the CRP Program to address that issue?

Mr. SCHULER. I agree with Eric on his comments about limiting the participation per farm, but also I believe that CRP rental rates should never exceed what typical cash rental rates for farm ground are in a particular area. Farmers should not have to compete against the government to expand their operations, or for young producers to get in involving in farming should not have to compete against the government for payment.

Senator SALAZAR. Mr. McClure does the Farm Bureau have a position on this issue?

Mr. MCCLURE. Well, we do, but if I could back up a little, you know, we are talking about 25 percent limitation, but I think the major problem sometimes in Montana is that those counties, and their local FSC requested extensions to go beyond the 25 percent limit.

And they were granted those, especially Daniels and Sheridan County, I think they are in the, you know, 40 or 50 or more percent. So we didn't stick with the 25 percent limitation, it went beyond it when it was requested. So I think if we had stuck with that, it may well have—not be such a problem today. Now, there is a problem with taking 25 percent of a productive farm. You need to utilize all of your base to have an efficient operation.

So there are farms, I guess, where if you've got some land that is highly erodible or subject—might be put in for a payment, but to take part of a productive unit out, you have a problem then in being an efficient operation. So I think there is going to be a lot of discussion on this, but I would like to emphasize that one of the big problems is we didn't stick with the original intent of 25 percent per county, went beyond that it would cause problems.

Senator SALAZAR. I appreciate those responses. For me, in Colorado, it will be a major issue, because I keep hearing about it so much from not only from farmers and ranchers that want to bring up the next generation, but also school boards and county commissioners are very concerned.

Let me ask just another quick question. Some of you in your testimony referred to the need for having some kind of program within the new farm bill that deals with disaster emergency payments for the—a more permanent way than we have in the last several years.

Many of us here around this table join in trying to get ag disaster emergency money made available to be the last emergency supplemental. We did not succeed. Many of us are going to fight back, to do the same thing when we get back in September. But what is your concept on how we ought to deal with this issue going forward with the new farm bill?

Mr. BELCOURT. I guess on our behalf, I don't think you need to have a disaster, I think it should be a continuous sign-up. I mean every time you go sign up for a disaster, it's 2 years down the road.

And like in our case, in tribal governments, we are not even eligible for disaster assistance, because we are a tribal entity. So I mean, you're—it's a fruitless effort to go sign up, because you are not eligible anyway. So that eliminates the thing. But I think you need to have it year around. Nobody knows when somebody is going to get a fire or disaster, or, you know, I think it should be a year-round sign-up, instead of as disaster strikes, because it takes a year to get their program running.

Senator SALAZAR. A couple of other of quick thoughts before my time runs out.

Mr. SCHULER. It's a complicated issue, and some permanent mechanism would certainly be helpful. Crop insurance improvements have helped, but there still needs to be more to our crop insurance programs. If they were more effective, we would not need disaster assistance as frequently. Also if we could set up something like a farm revenue savings account, where agricultural producers could put away money when they did have good years to cover losses when they had bad years.

If we could do that on a tax-deferred basis, that would be helpful, and if the government would participate in a program that would encourage that type of farm savings account, I think that would be helpful also.

Senator SALAZAR. Thank you very much. Thank you,

The CHAIRMAN. Senator Burns.

Senator BURNS. With regard to crop insurance,

Dale, you bring up a good point. Should crop insurance be mandatory in your operation?

Mr. SCHULER. I think it should be, because many times we have seen disaster programs where producers who do not buy crop insurance come in and get equal or greater benefits from those disaster programs than producers who spent their own money to buy crop insurance to cover their risk. So I think for producers that participate in government programs, they should be required to buy crop insurance.

Senator BURNS. Would you—would you also—and anybody else that wants to comment on this—support the idea that the government participation in that premium, that be increased in order to make that happen?

Mr. SCHULER. For producers to afford the higher levels of coverage that are required to cover our increasing operating expenses, coverage levels typically above 70 percent right now are not affordable. The premiums just get too high. So increased participation of the government in those higher coverage levels would be useful.

Senator BURNS. Anyone else have a comment on that?

Mr. DOHENY. I agree with Dale.

Mr. BELCOURT. Agreed.

Senator BURNS. That's the only question I have.

Everybody else asked my questions awhile ago. But I think, you know, if we approach the new risk management sort of in three different directions as your cost of production, factoring in energy costs and everything else, I think we can come up—I think we can underwrite, and write our policies, and our—a little more refined now than we ever could before, because I think we've got a better handle on the cost of production now than we've ever had before. So—and I thank you for your comments on that.

The CHAIRMAN. Well, I thought somebody else would ask this, but since they didn't, I've got one other question. Should payment limits be changed?

Mr. HENDERSON. Yes, sir, they should; they really should. They haven't been changed in a number of years and with inflation and the cost of living the way it is, there is a room for a definite increase. They do have to be looked at.

Mr. MCCLURE. Sir, I would have to disagree. I think that those larger operations also have larger expenses and larger risks, and Farm Bureau is opposed to raising those, or changing those payment limitations.

The CHAIRMAN. Even increasing them?

Senator BAUCUS. He's wants to increase. You don't want an increase?

Mr. MCCLURE. Yes, we are against reductions. Then I don't disagree.

The CHAIRMAN. Anybody else want to respond?

Senator BURNS. I hadn't heard that before.

The CHAIRMAN. I knew Montana was different, but

I didn't understand—I understand you didn't hear him correctly, but Dale?

Mr. SCHULER. Yes, Mr. Chairman, I think they need to be modified, I think they need to be increased, because of the increase in cost of production, especially because of energy-related expenses, I think we need to increase or at least restructure the payment limitation. As they are now, we have seen the largest payment limitations under the loan programs, the next highest payment limitation is under countercyclical. The smallest payment limitation is for direct, and that's the only program that wheat producers have been able to participate in. If we work toward a more direct payment-oriented farm program, we need to increase that payment limitation.

Mr. DOHENY. I would have to agree with Dale

Schuler on that, as well as let's know who we're giving the money to. There's a lot of your Tysons, and those kind of people that aren't your family farms that are getting the huge monies that are—I think we need to be more specific on who we are giving the money to.

Mr. BELCOURT. I agree with that, because we need to get the future farmers. I mean I am a younger gentleman, I guess, and I'm probably the oldest one on the reservation that's farming. And we need to get the kids farming, and the grandpas are setting this stuff in payment limitation, and their payment limitation out, so they just get another entity and they start another corporation, and so it just gets out of hand. They are farming the program too much, I think.

Senator BAUCUS. So what about absentee owners, no limitation there either?

Mr. SCHULER. You know—that's a difficult question to answer.

Senator BAUCUS. That's why I asked it.

Mr. SCHULER. Some absentee landowners offer crop share lease agreements where they get a percentage of the farm program, other absentee landowners work on cash leases.

If they shift it to a cash lease, they typically just adjust the cash rent to account for the amount of government payments that are provided. So that's difficult to try to exclude them from the program payments. That's what makes that so difficult. But certainly, if the producer is taking the risk in producing that crop, then the program payments should go to that producer.

The CHAIRMAN. Gentlemen, that is a difficult question to always answer in every farm bill, and what we have tried to do, and Max was a member of the Conference Committee like I was last year, this was a huge argument about how we develop a policy that limits government payments to those folks who are working on the farm.

And you're exactly right, if you're going to crop share, you may have a landlord that lives in Chicago who has got risk, because of that crop share, and do you deny him the ability to participate.

So it's a difficult question to answer, and unfortunately it's one of the areas where we get highly criticized as policymakers, because of the few, and I emphasize that, few high-profile limited number of individuals who might receive a payment, but they are at risk to some extent. Well, again, thank you very much for being here today. We appreciate very much the opportunity to dialog with you, and we look forward to staying in touch. And we will call our next panel to the front, Mr. Jim Evans, Genesee, Idaho, representing the U.S.A Dry Pea and Lentil Council, Mr. Michael Beltz of Hilsboro, North Dakota, representing the U.S. Dry Bean Council, Mr. Sid Schutter, Manhattan, Montana, representing the National Potato Council, and Mr. Gary Bonestroo of Clovis, New Mexico, representing the Dairy Producers of New Mexico. Gentlemen, good morning. And we welcome you to the panel, we look forward to your testimony, we will follow the same procedures.

Mr. Evans, we will start with you, and I will remind you of the 3 minutes, and if you would just keep an eye on the light, and try and stick by the time, we'd appreciate it.

STATEMENT OF JIM EVANS, USA DRY PEA AND LENTIL COUNCIL, GENESEE, IDAHO

Mr. EVANS. Thank you, Mr. Chairman. The first thing I would like to show you is one of our new products. This is an energy bar. This one is specifically our peanut butter pretzel bar, and I guarantee you it is used with Georgia peanuts also.

The CHAIRMAN. There you go. This is one of the best pieces of edible product I've ever eaten, I promise you.

Senator SALAZAR. Does it work on an airplane?

Mr. EVANS. I know all you guys have eaten at fine restaurants back in Washington, so we would really encourage you to have a bite of these and we will take a poll of you guys after the hearing to see how good you think they are. My name is Jim Evans, I am chairman of the U.S.A Dry Pea & Lentils Council, farmer from Genesee, also in the audience joining me today is vice chair of the council, Greg Johnson, who owns a large pulse processing facility in Minot, North Dakota.

If U.S. farmers are to compete against subsidized competition, high tariffs and phyto-sanitary barriers and government intervention, the following farm programs must be included in the next farm bill. Title I, commodity programs, marketing loan, LDP programs. The Marketing Loan Program is the single most important farm program tool used on farms. This program provides some protection when prices go in the tank and pays us nothing when prices are good.

The program allows producers to take advantage of market opportunities and satisfies the banker's need for some downside risk protection. We believe the marketing loan program should be made a key component in the 2007 Farm Bill. Direct and countercyclical payments. We totally support the continuation of the direct and countercyclical payments, and we would like to have in the 2000 Farm Bill, peas and lentils, chickpeas included in the direct and countercyclical payment. Planting flexibility. Planting flexibility must be continued and expanded in the next farm bill.

Chickpeas, for example, are currently considered a vegetable crop. They are not the eligible to be planted under farm program rules. We support including chickpeas as an eligible farm program crop in the 2007 Farm Bill. CRP, we support CRP, but it needs to have some changes. It hurts rural America, it hurts young farmers, it just needs to be changed. CSP needs to be fully funded and we support the program to be fully funded. WTO, we support the WTO program, but want an equal playing field for all commodities. We can't have an unequal advantage from one country to another.

We support the extension of the 2000 Farm Bill until a fair WTO agreement is reached. Cuba, Cuba imports over 200,000 metric tons of peas a year, mostly from Canada. A year ago our industry shipped over 50,000 metric tons of peas to Cuba, mostly from Montana and North Dakota. This year the administration modified the rules of payment and dry sales have plummeted. I would like, in closing, we support food aid, MAP and FMD, the phyto-sanitary barriers are one of the worst with India, we're also having problems with selenium in China.

These things need to be addressed on the WTO playing field, so we don't have these other trade restrictions coming into play. We support research and our land grant colleges, we support an energy program, but we also think that peas and lentils, because they are a natural nitrogen fixing plant, they put nitrogen back into the soil, that we should get a benefit, a payment of some kind for growing those energy saving commodities, transportation, rail issues, port issues, barge issues are all to our things. I will answer any question now. I appreciate the opportunity to testify in front of you today.

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

The CHAIRMAN. Thank you. Mr. Beltz.

STATEMENT OF MICHAEL BELTZ, U.S. DRY BEAN COUNCIL, HILLSBORO, NORTH DAKOTA

Mr. BELTZ. Good morning, Mr. Chairman, members of the Committee. My name is Mike Beltz, I am a farmer from Hillsboro, North Dakota. I am here to testify in that capacity and on behalf of the United States Dry Bean Council. I currently serve as Chairman of the North Dakota Dry Bean Council and serve as the vice chairman of the U.S. Dry Bean Council's Ag Issues/Government Affairs Committee.

Mr. Chairman, I am pleased to have this opportunity to present views on the upcoming farm bill as it relates to our domestic dry bean industry, both from the perspective of a grower and on behalf of the domestic dry bean industry as represented by U.S.DBC.

By way of background, U.S.DBC is a trade association representing farmers, processors, canners, dealers, distributors, and others involved in the U.S. dry bean industry. Nearly 20 different classes of dry beans are grown in the U.S., including pinto, navy, kidneys, blacks, 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 1.57 million acres, and that production was about 1.37 million metric short tons. 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. 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. ag. 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 support program in previous farm bills. And we remain opposed to loans and LDPs. We strongly support the maintaining of status quo for dry bean growers, which includes retention of planting restrictions of non-program crops, non-program crop acres for producers, who receive program payments on those acres.

Because of the unique situation of growing dry beans, any change in the present status quo will require establishing offsetting direct economic compensation to historical dry bean producers to maintain fairness and equity. We support the farm bill and believe it should provide adequate mandatory annual funding for existing programs that benefit fruit and vegetable producers, and 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 sustain the vitality of ag generally and dry beans specifically.

My time is out, so I am going to wrap this up real quick. The upshot of the deal is we want to maintain the planting restriction on fruits and vegetables, and if that's not possible due to WTO or other pressures, we just think that something needs to be done on our behalf and for us if such case arises. We also support maintaining the market access program and FMD, food aid programs are also very important to us, the funding and establishing of Specialty Crop Competitiveness Act of 2004.

In summary, Mr. Chairman, the dry bean industry and 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. And I apologize for going over time.

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

The CHAIRMAN. That's all right. We will excuse you. Mr. Schutter—excuse me, Mr. Bonestroo.

STATEMENT OF GARY BONESTROO, DAIRY PRODUCERS OF NEW MEXICO, CLOVIS, NEW MEXICO

Mr. BONESTROO. Thank you, Chairman Chambliss, and members of the Committee. My name is Gary Bonestroo and I'm a dairyman from Portales, New Mexico. My wife and I own and operate the dairy. I am president of Dairy Producers of New Mexico.

Dairy Producers of New Mexico is a voluntary organization of New Mexico and West Texas; we represent 80 percent of the region's producers. Dairy Producers of New Mexico has been very active in the debate of national dairy policy, especially on the matters which impact prices via dairy farmers.

If I could define two central realities our members want Congress to consider as they examine the dairy programs they are that we operate in a national, not regional, market. And the protection that the dairy farmers need from the government in 2006 is vastly different from the protection that dairy farmers needed in 1936. The role of Federal Government will have included providing government oversight through ensuring all producers receive a fair price for their milk. Audits and inspections to ensure that all pricing is done in accordance with contracts empowering the USDA to participate in quick, early and effective negotiations, mediations and binding reparations of producer's disputes. Sorry, I scratched some out, so I got lost.

Government policy should be used to encourage and support the development of cooperative agencies such as greater southwest milk marketing agency to allow negotiations—negotiate a price between that agency and its markets become the basis for any government role in the terms of enforcement, prices and fairness. We have demonstrated that producers and processors can bargain without intensive government intervention.

What dairy farmers need are markets, not government payments. These markets are not just Class I markets that have driven our industry for nearly a century, but all markets of all kinds of dairy products, and products that use dairy—that use ingredients that come from milk. We need markets in both the United States and internationally. We need markets for traditional dairy products and markets for our ingredients. Some of these new products, are nutritional bars, power drinks and other products. Producers should have a greater role in establishing the way milk is marketed. The greater southwest market needs to use one such producer-driven practice that has been beneficial to the producers and processors.

National Milk Producers Federation CWT program is another producer-funded and run program that reduced production and opened up international markets. Dairy producers have been a strong supporter of the Federal order system and has actively participated in the hearings regarding pricing issues and the order program, but because of the market conditions that existed during the Great Depression do not exist today, unless they are changed, the Federal order risks hamstringing future producer success.

Currently there is a fight over the Class III and Class IV make allowance. The Secretary properly found that those wanting higher make allowances, which means lower producer price, failed to provide evidence in support of the program. All of the milk in the southwest is priced on that index of those prices. Every penny that the Class III or Class IV price drops, we would see a penny drop in our price. The proposed regulations, if adopted, would reduce producer income in our region alone by over five million dollars a month. With rising energy costs and low milk prices and other stress-related reductions in production, we are already in a tight economic situation. Our experience would have been shared the same way throughout the Nation by all producers. Thank you.

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

The CHAIRMAN. Mr. Schutter?

STATEMENT OF SID SCHUTTER, NATIONAL POTATO COUNCIL, MANHATTAN, MONTANA

Mr. SCHUTTER. Mr. Chairman, welcome to Montana.

I appreciate the opportunity to provide input to your Committee.

My name is Sid Schutter. I am a potato grower from Manhattan, Montana. I also grow rotational crops, such as wheat, barley, edible peas and alfalfa.

My family is committed to agriculture, and providing the opportunity for our sons to continue to farm and farm profitably. Today I am representing the National Potato Council which I am a member of the board of directors.

I want to highlight the involvement of the NPC with fruit and vegetable and speciality crop growers from all areas of the country in a joint effort to develop a consensus of the needs of our varied industries. In developing our priorities for the 2007 Farm Bill, I will address these needs. I want to be perfectly clear on the type and nature of involvement of potato growers who will be looking to the Congress to provide. Potato growers do not want nor are we seeking direct payments on potato acreage. Currently the farm bill legislation contains language and creates balance, and applies a sense of fairness between those producers who receive direct program payments on acres that have a history of being planted to program crops.

It is critical that your Committee understands clearly the importance of these provisions to potato growers. The demand for potatoes is very inelastic. Small changes in supply can result in dramatic reductions in price. We believe it is a fundamental issue of fairness to preserve the restrictions that prevent the planting of fruits and vegetables on acres that are the basis for direct, indirect or countercyclical payments to growers.

We strongly support maintaining the planting flexibility provisions contained in the current farm bill. We are asking the Congress to provide indirect support to improve the combativeness of our industry by funding the following programs: Nutrition programs; we strongly support the new focus in the 2007 Farm Bill on increasing the access and availability of fruits and vegetables, particularly to children. State block grants; to wide diversity and localized needs and speciality crop production, state departments of agriculture are uniquely able to assist local growers.

Invasive pest and diseases; new investments are needed in the prevention of the unintentional introduction of plant pests and diseases. Prevention is much more cost effective than mitigation. Research; we need more research in our diseases that affect our crops, and in the breeding programs.

International trade; we need more access and more help in dealing with our trade partners, and try to get away from trade barriers based on phyto-sanitary issues. Conservation programs; we would like to see more programs such as the CSP program. Thank you for your time.

[The prepared statement of Mr. Schutter can be found in the appendix on page 99.]

The CHAIRMAN. Thank you very much. Mr. Evans, why do you believe the next farm bill should provide direct and countercyclical payments for pulse crops? I say why do you believe the next farm bill should provide direct and countercyclical payments for pulse crops?

Mr. EVANS. Right now, we are the only crop that aren't—that don't have a countercyclical and direct payment, we just have a loan program. And with the rising fuel costs, energy costs, I think it would be beneficial if we were all on the same level playing field.

The CHAIRMAN. To Mr. Beltz and Mr. Schutter, proposals have been made to provide more money to the speciality crop industry. What ideas would benefit the industry the most, and what ideas do you have for funding such proposals?

Mr. BELTZ. Do you want to start first?

Mr. SCHUTTER. Go ahead.

Mr. BELTZ. It's only fair. I threw it to him, he should throw it back. Our biggest thing right now is the nutrition side of it. The health benefits of consumers eating beans is a big deal. I mean, we have dietary guides mentioned—mentioned twice on the new food pyramid. Beans are a healthy food, and they do a lot for our producers that grow at a decent price and do a lot for consumers.

So in that aspect, you know, there is importance in developing programs for the consumer education, promotion of risk management, conservation practices, and nutrition information like I mentioned.

Sources of funding, that's a good question. I'm not here—I have a chart back here that I couldn't use because of time. But I am not here to gore anybody else's ox. I mean, I am not looking to steal from somebody else's pot. I guess it's your guys' job to weigh the benefits as opposed to the cost. If you feel it is a benefit that you can justify the cost of, you know, then it needs to be supported and funded. If you can't, then it's your job not to do that. I guess that's my case.

The CHAIRMAN. That's the best answer you could give. Mr. Schutter.

Mr. SCHUTTER. I would like to see more funding going to nutritional programs. It certainly benefits the potato grower, but it also benefits the general public, clearly the school children, go to the school, because potatoes are such a nutritious crop, vegetable. That's where I would like to see a lot more funding go to.

The CHAIRMAN. Do your schools—and I will ask this to anybody—do your local schools take advantage of the opportunity to buy local products to feed children?

Mr. SCHUTTER. I am not aware either of that, because the school I am associated with is not a public school my kids go to. I am not certain. I think that they get so much money from the state, and they get kind of told where to buy their produce from.

Mr. BELTZ. I am not aware of any funding for such—for dried beans to be procured for schools or whatnot. I shouldn't—technically I shouldn't answer that question, because I am not 100 percent sure, but my guess is they are not.

The CHAIRMAN. We have a pilot program out there that we are going to expand this year that I hope ultimately will go nationwide, where we encourage our local school systems and provide some additional funding for their use in purchasing local products. And it's working very well, but we have just got to continue down the road to get all 50 states included.

Mr. Bonestroo, the 2002 Farm Bill includes MILC income loss contract program to dairy producers when prices were low. What's your thought on the MILC program, and should we extend it?

Mr. BONESTROO. I believe we should not extend it, because when the milk price goes down, obviously there is too much milk in the nation. So when you guys give these payments out, this enables the producers to buy more cows, and expands production. So it actually extends the low milk price for a longer period of time, which we are into right now, and that is how it was back 2 years ago when we had low milk prices for over 18 months.

That's the whole thing, and, you know, I milk 3,000 cows, so I've got limitations on payments, so it's like a day and a half of money for me, where the hundred-cow dairyman, it's a whole 13th check, a whole month. That's a big difference. For me, I buy a couple loads of grain with it, you never know it came. I mean, yeah, it's still like $30,000, but it doesn't work. It's not fair for us, and it's not fair—it's not a market-driven—it hurts the market, because it allows people to—you know, we have to be efficient in the western states.

And, you know, it's spreading all over. Indiana has got bigger dairies. You see it all across the nation, people are having bigger dairies, they are coming in. We have to have bigger dairies to be more efficient, because we are getting paid the same now——I am getting paid—netting under ten bucks a hundredweight.

It was that way 30 years ago, when I was 10 years ago, ask my dad, you know. That's the problem, that's why we have to milk more cows, because the price of milk is the same—well, in the stores it's a little more, but for us, it's the same as it's been for the last three decades.

The CHAIRMAN. What about forward contracting, should that be available to individual farmers rather than having to go through a cooperative as is currently the law?

Mr. BONESTROO. Well, it is available, but I am a producer of Dairy Farmers of America, so we have a thing called price differential, and producer paid price differential, and it's always negative. It's the cost—you have so much money, you know, you sell all your different products, butter, powdered cheese, bottled milk, so all that money gets put into a pool and distributed to the dairyman, right.

And so not all the milk is sold on Class I or on cheese, of course, powdered milk is less, so that's how you come up with the price differential, which is less. So you contract that for $13 on the future board. So you think, well, that's pretty good, and then all of a sudden you get your check, they still take that $1.50 or $2 or $1 minus the differential off of there, and all of a sudden you are looking at 11 bucks or 11.50, basically 11 bucks is break even. Right now I'm losing money every day.

The CHAIRMAN. OK. Senator Baucus.

Senator BAUCUS. Thank you, Chairman. Obviously, there are a couple, three basic components in profitability; one is your cost, and there is your revenues, your sales, and volume of sales, and another is productivity.

And I frankly believe very strongly, not only in agriculture, but most every other arena, we in America don't spend enough time on research and development compared with other countries.

Other countries, China, India, spend much more on R and D, Canada, European countries do, I think the time has come, we have got to step up and spend a lot more on research to boost our productivity, and find new ways to add value to products generally. In agriculture, research has been—there's been no increase in real terms since the 70's. We keep up with inflation, that's all, we don't spend anymore on research. My question to you, if we were to raise more, spend more money on research, what—where would you advise we spend it, how, where?

I know you talk about disease, I know if we spend a little bit more on—control our disease a little bit more we'd have more disease- resistant crops, there is value added, lots of other ways to increase the productivity. So I am just giving you an open-ended opportunity to indicate to us how much more could reasonably be spent on research and where might it be directed?

Mr. BONESTROO. Well, we already have our 15–cent checkoff that goes to advertisement, you know, there is some money there already. And on our Greater Southwest Milk Marketing

Agency, mainly Select milk producers cooperative, they have been doing research and development just on their own, and it's really, you know, been beneficial. We are actually making products, and it's in—you can read through the whole statement thing, and you will see it, but the old-fashioned way, as far as making the products, a lot of these processors were producing—manufacturing products that they can sell to CCC, but that's just the wrong way to look at it.

We want to look at products we can sell overseas, proteins and stuff like that. Like China is a big market, they are trying, you know, trying to—doing really good economically, and we think there is a good market here for our product.

Senator BAUCUS. Other research opportunities, anybody?

Mr. EVANS. Research I think is the key to agriculture. It's the thing that's got us on the grain revolution, the low hybrid wheats, the hybrid corns, the stuff like that. I think we need to go into—we are involved in the pulse industry with the bean people, the potato people, and the genomics initiative.

I think we need to go into a lot more stuff—that type stuff. We need to go more into applied research on the farms and in the universities. I think it's a shame we have so many land grant universities across the country, and we are not fully using the facilities because we don't have the money for the programs. The same way with keeping good key people on board, because each year we have to go back and secure money from you guys for positions that the administration cuts out. So you have this gray cloud hanging over researchers' heads on whether they are going to be funded or not. Like the CSP program, we need to fully fund research.

Senator BAUCUS. Where is the genomic research being conducted? You mentioned some genomic research, where is that being conducted?

Mr. EVANS. It's an individual grant—I don't know if you are familiar with the Scarapini Initiative that we have. It's a joint thing with alfalfa people and us, and it's administered by a committee, and then each individual group competes for the money. We got five million dollars from the Science Foundation for that.

Senator BAUCUS. You're right about the land grant colleges.

Mr. EVANS. I think one thing specifically for pulses, beans, peas, lentils, where they fix nitrogen into the soil, if we could ever find that key and put that into other crops, think of the amount of energy savings that we could do, and help the environment.

Senator BAUCUS. Sid, where would you spend research dollars?

Mr. SCHUTTER. Historically, most of the research dollars have been spent in a reactive manner to different diseases, and with a global economy now and global trading, it's imperative that more monies get designated on the proactive side of things to prevent different diseases from coming in on that basis. In the potato industry, I think probably 90 percent of the research money is reacting to a current or a new disease.

Senator BAUCUS. Rather than proactive—get ahead of the game.

Mr. SCHUTTER. Yes.

Senator BAUCUS. My last question, too, for alternative crops, for energy crops, clearly a lot more research dollars can be spent there. That's clear to me. I think we have to figure out a way to do so.

Mr. BONESTROO. Well, we are—with the dairy industry with the biomass, that's really taken off.

We actually have a cooperative in central New Mexico in the Roswell area. And so with the tax credits for that, it would be equal to—like we are at 30 percent compared to——

Senator BAUCUS. While we are on that subject, tax credits, this is the Ag Committee, we don't have jurisdiction over taxes, however, tax credits are really important, can be very important, in various areas.

I am the senior Democrat in the Finance Committee that has jurisdiction over taxes. So I encourage you, and all the other panel up here, to be thinking about tax policy that might help agriculture too. It's not just important programs, it's also the tax policy. Financially also jurisdiction over trade, we have got trade issues, think about that, too. We are all working together here, all the committees here, there are lots of different committees that are part of the agricultural components, and I encourage you to keep that in mind.

Mr. BELTZ. If I could make a comment about the energy part of that. Dried beans really aren't involved in that whole crop—whole scheme of things, because our highest and best use is as a food.

Nutritionally we're a good product and it's good for people to eat our product. So we don't fit into an energy scheme.

What concerns us and concerns other people, I believe, at the same time, is that right now energy is the hot button issue, and there does need to be a lot of energy and time and money spent on that.

But at the same time, we are scared that we don't get overlooked, that we don't spend so much time and resources on that. That some of the——

Senator BAUCUS. That's absolutely clear, absolutely.

Mr. BELTZ. It scares some of the people that are growing food, and it's our only—you know, our biggest claim to fame is we are a good food.

Senator BAUCUS. And I hear all over in the listening sessions that I had. It's a very real concern.

The CHAIRMAN. Senator Salazar.

Senator SALAZAR. Let me ask you a question about value added initiatives with respect to the different crops you represent.

Sid, for example, you know, my native valley, the southern part of Colorado, I think it's the third or fourth largest potato producing region in the country. One of the things farmers there are always talking about how they can add value to a fresh product, potatoes they are shipping to the market.

For all of you in the industry you are in, what would you advise the Committee to be looking at in terms of producing value added initiatives to the farm bill as we look ahead?

Mr. EVANS. One of the things is, like our energy bar, I mean most small commodity organizations don't have the money, we need quality labs, so we know what the qualities of peas and lentils are for a given year. So when companies ask us for the numbers we can have them.

We need the tools for quality labs, we need some marketing experience, and some stuff, and some grant money so when we do come up with a good idea, like this particular bar, it has six grams of protein, four grams of fiber, it will go into the school lunch program. This will actually go into the school vending machines. But I mean, to get the money to get this out the door——

Senator SALAZAR. So you would say, Jim, grant programs for value added initiatives might be helpful to this.

Mr. EVANS. Something similar to our Map funding oversees, so when you do programs there that you can get—make it competitive to a certain extent, but you can come up with a good you idea, you can get the funding to carry it through.

Senator SALAZAR. Other ideas?

Mr. BELTZ. There's no doubt that product development is not a cheap process, I mean, it all comes back to funding. Lack of resources to do that kind of work, it is a very important path to the future, for any group to find new uses for their products that consumers use to benefit themselves, and our industry as well.

Senator SALAZAR. Any other ideas?

Mr. SCHUTTER. The potato industry, there has been a fair amount of work done on that, most of it being funded by the individual state check-off system.

So some of it's been done just on the fresh side of potatoes and then a lot has been done on the dehy, or the frozen, which is probably more beneficial to the industry, because of the storability.

But quite often, the industry can do it, but the grocery stores and so forth are reluctant to deal with any of this, because of floor space. So it would be rather cumbersome to include them in the farm bill. But if we can get more of a national focus on it, from the industry, instead of a segmented, either your area or the Pacific northwest would be very beneficial.

Senator SALAZAR. Just a general question to any of you with respect to this farm bill, and specialty crops, what are the specific kinds of initiatives we could take on as a committee that might be able to assist the speciality crops that aren't the program crops that take up so much of our time and our resources.

Mr. EVANS. One of the issues, I mean, which are a speciality crop, we are kind of a unique crop, it is planting flexibility.

Right now, if you grow over your limit on chickpeas, you have to pay back your direct payment. That's bad enough, but I can take that hit. But because of the legislation in the bill, the way it's written, you actually have to pay—legally pay back the value of that crop that you planted. So in Whitman County in Washington, that figure is $240 an hour. So not only do you lose your direct payment, you lose another $240. I don't think that's the way the Committee designed that part of the program.

Senator SALAZAR. Other thoughts?

Mr. BELTZ. Our biggest issue on the farm bill being a non-program crop at the present time is the planting restrictions. You know, our stance is maintaining planting restrictions. If due to outside forces we lose that or it's forced upon us that we have to give that up.

There are things in the program crops and in the fruits and vegetables that have been brought forward that are interested in taking that place. But right now, for our producers, that is one of our key elements is that planting restriction.

Senator SALAZAR. Sid, how about the potato world?

Mr. SCHUTTER. The main thing would be to continue the same language that's in the current bill and not provide direct payment to acres—not provide direct payment on acres and then have those people put in—plant potatoes if they don't have a history of it, because it would distort our market so much.

Senator SALAZAR. One final question, Mr. Evans, in your opening comments, you said that we ought to provide incentives for energy savings crops as part of our energy initiatives, as we look at that part of the farm bill. And I know you plant alfalfa or you plant peas, you don't have to go out and buy the nitrogen as you do with other kinds of crops.

But what kind of a program would you be suggesting to the Committee that would create those kind of incentives for energy savings for crops?

Mr. EVANS. I think you should get some kind of credit or some kind of payment. I mean one of the things if you grow specifically in the midwest here, Montana, North Dakota, where people are moving to direct seeding and getting—saving fuel costs and environmental costs, putting peas and lentils in your rotation, you can extend not having to use fertilizer.

You plant peas 1 year and then come back the next year, you can plant spring wheat or spring barley without having to put any fertilizer on, so you can get by 2 years without applying any fertilizer. And that's very environmental friendly, and, cost-saving-wise because every time you put fertilizer on, you are burning natural gas, I mean it's very expensive to make fertilizer. So cost wise, I think we figure in the $20 to $30 an acre range, depending on what your yield is, and what you are putting back in the soil.

Senator SALAZAR. I agree with you with that reality. The question is, how do you in a farm bill encourage those kinds of energy savings measures to take place?

Mr. EVANS. I am not——

Senator SALAZAR. If you have some ideas, we will appreciate your recommendations.

Mr. EVANS. I will get back to you on that.

Senator SALAZAR. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Burns.

Senator BURNS. Two questions, then we'll move along. Mr. Evans, if you took a look and wanted to get some kind of credit for your peas and lentils, as a legume, do you think all legume crops should be treated the same way, as far as replenishment of the nitrogen back in the soil?

Mr. EVANS. Yes, because I think we are saving energy, I think it's beneficial to the country.

Senator BURNS. We'd probably treat that the same way as carbon sequestration, you know——

Mr. EVANS. Something similar to that. I think the Dry Bean Association, didn't you have an initiative?

Mr. BELTZ. Well, the same with the soil tests, it gets back to basic, when you soil test, you've got nitrogen credit for having legumes on crops the previous year. A legume is a legume, wether—there are differences in amounts, but, you know, the same philosophy applies to all.

Senator BURNS. Okay. Now, I think all of you are in specialties, you talk about China as a market for dairy products. What do they—do they want fresh milk, powdered milk, what's the highest demand?

Mr. BONESTROO. We don't want to send fresh milk over there. We have already developed concentrated milk that we can reconstitute it, it's amazing, they have done even taste tests in San Luis Obispo, California and actually the judges picked this milk that was reconstituted.

And when he found out, he was—they were a little upset, because it wasn't part of the program, but they just stuck it in there, this reconstituted, ultra-filtrated milk, but the technology is so much better. Powdered milk back in the days, you could tell right off the bat, it was awful. But now, it's good. So those—but there are proteins in this concentrate, they are reconstituted, you can make cheese back out of it, it was just amazing. But, you know, the development is started, but it's still on a small scale. But that's where we need help, as far as R and D goes there.

Senator BURNS. That wasn't the case when I was in the Marine Corps in Okinawa.

Mr. BONESTROO. You would be amazed how it tastes now, it's just——

Senator BURNS. Now, do any of you, your association or your organization, maintain kitchens or do a lot of work in one central area on product development? Do you do—does a dairy—does the American Dairy Association or through any kind of a check-off program, do you maintain kitchens or do research on product development?

Mr. BONESTROO. They do, we do in our industry. I don't have all that information for you right now, but I can get that for you.

Mr. BELTZ. In our case, it just doesn't happen.

We're a small enough industry, the funding is the issue. There are efforts being made, but, you know, it's——

Mr. EVANS. With this energy bar, we contracted with Turro and Strause Company to develop this, the energy bar.

Senator BURNS. That was done through an outside contract.

Mr. EVANS. Yeah, we still have the contract. As

Mr. Beltz says, it's very expensive.

Senator BURNS. Mr. Schutter, about your potatoes?

Mr. SCHUTTER. Yes, the United States Potato Promotion Board does do some work on that, but it's pretty minimal.

Senator BURNS. I thank you very much, and I thank you for your information.

The CHAIRMAN. Yes. Thank you very much. We appreciate very much your input, and we look forward to continue to stay in touch as we prepare for the next farm bill. Our last panel that we would ask now to come forward is Mr. Mike Wendland of Rudyard, Montana, representing the National Association of Conservation Districts and Montana Association of Conservation Districts. Bill Donald of Melville, Montana, representing the National Cattlemen's Beef Association and Montana Stockgrowers Association.

Betty Sampsel from Stanford, Montana, representing the Montana Wool Growers Association, and Mr. Leo McDonnell of Columbus, Montana, representing R-CALF U.S.A. Miss Sampsel and gentlemen, welcome to the Committee. You have seen the process that we have been following, and Mr. Wendland, we are going to start with you, and go right down the line, and we look forward to your comments and your full statement will be inserted into the record.

STATEMENT OF MIKE WENDLAND, NATIONAL ASSOCIATION OF CONSERVATION DISTRICTS AND MONTANA CONSERVATION DISTRICT, RUDYARD, MONTANA

Mr. WENDLAND. Mr. Chairman, good morning. My name is Mike Wendland. Senator Salazar, Mr. Chairman, welcome to Montana. Senator Burns, thank you for putting this hearing together, Senator Conrad Burns, thank you.

I thank you for the opportunity to speak before you today. I am a fourth generation farmer from Rudyard. I have farmed drylands and some livestock. My comments today are my own and do not necessarily reflect all conservation concerns. I have a CSP contract, I have land in CRP, but also some of my agriculture production is at my own expense as most Montana producers would be. I have planted field wind breaks in the past, and most recently I have incorporated minimum till and no till practices in my operation. Some of these decisions have come about because of the extended drought in the area, but they have shown great benefits, most in wind erosion savings and wild life habitat. Components of the conservation title of the farm bill have been very important to me. I am a conservation district supervisor at the local level.

I am involved at the state level and at the national level. I'm part of the NACD Farm Bill Task Force, and we have some ideas that we have submitted. My submitted testimony today is too long to include here, but in the few minutes I have, I would like to highlight a couple things I believe that are important we consider in the next farm bill. Technical assistance, there is a strong demand and need for technical assistance. It's vital if the NRCS and technical service providers are to continue to work at the local level with landowners, conservation districts and other partners.

Limited staffing in local field offices is often a problem that leads to program delivery and implementation problems. Financial assistance—the financial assistance component of the working lands conservation program should be kept at the current level. It is often the incentive that brings producers into the NRCS and conservation district offices, and enables producers to make many changes on their own.

Education and outreach are, to the land owners and general public, are important for successful delivery of the conservation title of the next farm bill. Education and outreach are areas where conservation districts have been able to assist in the delivery of the farm programs. Through workshops and tours, we are able to show farm producers and operators hands-on results of the farm program.

In Montana youth education is also a very strong part of our education process. The Envirothon and the Montana Youth Range Camp are two of the examples that have been very successful in Montana. Local input, I feel local input is essential and, that local priorities be integrated into Federal conservation programs. Local work groups and state tech meetings are important in accomplishing this task.

One final concern—I see the red light is on—is noxious weeds and invasive species that threaten the production agriculture, including my operation. It is important to control them, not only on our home places, but on public lands. I thank you for your the opportunity, and would answer any questions.

[The prepared statement of Mr. Wendland can be found in the appendix on page 105.]

The CHAIRMAN. Thank you. Mr. Donald.

STATEMENT OF BILL DONALD, NATIONAL CATTLEMEN'S BEEF ASSOCIATION AND MONTANA STOCKGROWERS ASSOCIATION, MELLVILLE, MONTANA

Mr. DONALD. Mr. Chairman, members of the Committee, thank you very much for the opportunity to speak to you today. My name is Bill Donald, I'm a third generation cattle rancher from Mellville, Montana. I currently serve as the president of the Montana Stockgrowers Association for which nearly 125 years has designed policy that minimized direct Federal involvement in our operations and our ranches, and preserved our right to independent ranchers to choose the best management practices for our land, water and livestock.

The free market system is critical to the long- term sustainability of cattle ranching. Our 2007 Farm Bill testimony addresses seven areas, the next generation, marketing and competition, conservation programs, Yellowstone Park brucellosis, Montana State University Bioscience Complex, the Endangered Species Act, and noxious weeds. Today I will just touch on a couple of those issues.

One of the major challenges facing the next generation in ranching in Montana is the price of land is far valued above the production value, it is valued on recreational and scenic get-away values.

There is a couple things that could be included in the farm bill that might help alleviate this. One of them would be tax incentives to landowners or ranchers who would be willing to sell or lease to young producers, and also streamlining the process and cutting the red tape for the—required for young producers to obtain loans for the FSA would be helpful. Concerning marketing and competition, we contend that the role of the Federal Government is to provide effective oversight to ensure the true competitive market complex for cattle and beef. And this is done by strictly enforcing the Packers and Stockyards Act of 1921.

It's not the role of the Federal Government to prohibit or limit a cattleman's right to pursue markets. Marketing opportunities are designed to capture a larger portion of the beef dollar. The government's role is not to guarantee livestock producers a profit, but rather the opportunity to profit and succeed.

The best mechanism to achieve conservation and environmental goals in our mind is working landscapes. The working lands support rural communities and economies, provide food and fiber and nature, and nurture abundant wildlife habitat. The programs that have been effective maintained, like EQIP and CSP. With respect to CRP, there is some damaging, unintended consequences with young agricultural people wanting to get into business, and also the detrimental impact it has on some of the rural economies and communities.

Conservation objectives can be achieved in conjunction with economic activity of the land and should be encouraged. And we would like to see some of these lands coming out of CRP that are too fragile to farm. They would not be too fragile to be grazed. And some of the conservation ideas could be used to help develop water and fences to utilize those lands. We look forward to working with you and appreciate the opportunity to be here. Thank you.

[The prepared statement of Mr. Donald can be found in the appendix on page 67.]

The CHAIRMAN. Thank you. Miss Sampsel.

STATEMENT OF BETTY SAMPSEL, MONTANA WOOL GROWERS ASSOCIATION, STANFORD, MONTANA

Ms. SAMPSEL. On behalf of the 1,200 sheep producers in Montana, I am very appreciative of this opportunity. I am Betty Sampsel, President of the Montana Wool Growers Association. And I can report to the Committee, as well as the Chairman, that the priorities are shared by a majority of the sheep producers in Montana and the American Sheep Industry Association.

The American Wool Council launched a wool production information marketing program for the American wool in early 2001. Our national incentives 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. The Wool Loan Deficiency, the LDP program provides the only safety net for producers in our business. I encourage the Committee to reauthorize 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 $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. I urge the Committee to support reauthorization 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.

The Secretary conducted a number of field hearings last year on the farm bill. There is strong support 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 2002–2004.

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. Thank you, Senator Baucus, for extending the Wool Trust Fund.

Senator BAUCUS. You bet.

Ms. SAMPSEL. And thank you for the opportunity to provide the sheep industry priorities for the next farm bill.

[The prepared statement of Ms. Sampsel can be found in the appendix on page 94.]

The CHAIRMAN. Thank you. Mr. McDonnell.

STATEMENT OF LEO McDONNELL, R-CALF USA, COLUMBUS, MONTANA

Mr. MCDONNELL. Good morning, Chairman Chambliss,

Senator Baucus and Senator Burns and Senator Salazar.

My name is Leo McDonnell. I am a cow-calf producer, feed lot producer, and feed stock producer. And we sell bulls both domestically and into the international markets. I appreciate the opportunity to provide comments on the development on the 2007 Farm Bill.

Chairman Chambliss, you have provided great leadership on the Senate Ag Committee, thank you. Senator Baucus and Senator Burns have been champions for U.S. agriculture and Montana agriculture. And

Senator Salazar, it's good to have a ranch family on the U.S. Senate. Historically, cattle producers have not asked for price assistance, and I hope we keep it that way. But today independent cattle producers are facing significant obstacles. Barriers to our exports and mismatched import standards have created a large U.S. trade deficit in cattle and beef. Meanwhile here at home, cattle producers must negotiate in a market that is terribly distorted at times, with increase in concentrations and poor marketing practices.

And we are unable to differentiate our product even though we are in an increasing global market. It hardly makes sense. The 2007 Farm Bill does give us an opportunity to address some of these problems. First, the farm bill should offer a competition chapter that addresses price- distorting practices, such as captive supplies, non-price negotiated forward contracts, exclusive marketing and purchasing agreements, and maybe even packer ownership.

Concentration should be revisited and transparent market information should be a priority. You know, capitalism comes in many forms. A free and competitive enterprise is a founding value in this country, and that's what's made us the greatest country in the world, let's not lose it.

Second, address the impact of current U.S. trade policy. You know, we went from a 24 billion dollar trade surplus back in the 90's until last year, our trade deficit, according to the Department of Commerce, and the cattle and beef industry had over a three billion dollar trade deficit last year. USDA is involved in trade negotiations at times and they need clearer policy from the industry.

For example, we had special rules for perishable and cyclical Ag products, passed through TPA and signed into law. Yet USDA held back on getting that information, and when we finally got to the Doha——

Senator Baucus, correct me if I am wrong—I believe the special rules were tabled for agriculture, but cattle and beef were left out. So we have some real problems there. Also you might want to look, with all the distortions we have in the global and beef cattle, it is the most distorted, maybe looking at tax offsets, maybe a capital gains or maybe running a special little deal on estate tax relief until these distortions are addressed.

Third, you know, a couple years ago we put together one of the largest coalitions in the history of this country and passed county of origin labeling. It was signed into law and needs to be honored.

We have three of our extended over in Iraq and Afghanistan, fighting for democracies over there. We need to honor the ones here. So we look forward to your help. Both Senator Baucus and Senator Burns have been champions for COOL, and stay in there for us. As we found out in the fish rules, it's not all that bad.

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

The CHAIRMAN. Thank you very much. I will defer to my colleague, Senator Baucus.

Senator BAUCUS. Thank you, Mr. Chairman. I guess, the first thing that comes to my mind is briefly, over the last couple, 3 weeks, I have heard a lot of producers talk about the need for conversation—conservation programs, EQIP, but a lot about CSP. And I wonder if anybody could address the need for CSP, and how CSP is a good program, but needs a few more dollars to make it work a little bit better. If anybody wants to jump in there.

Mr. WENDLAND. Mr. Chairman, Senator Baucus. The CSP Program is probably a good program, but it is not fully funded.

Senator BAUCUS. I agree it's nearly as funded as it should be.

Mr. WENDLAND. It's a very important program, but the sign-up process for the CSP program was very cumbersome. It was a real problem, a bottleneck in the CSP program.

Mr. DONALD. I think while it has potential, there are some logistic problems, and then also the funding. I think the sign-up procedure can be streamlined, and of course if there is not funding, then it gets to the point of who qualifies and who doesn't, then that could be detrimental.

Senator BAUCUS. Do wool growers use it? Betty, do you use it?

Ms. SAMPSEL. No.

Senator BAUCUS. Not at all?

Mr. MCDONNELL. We don't use it personally. I am great believer that if you have a healthy economy, healthy market, that's kind of our responsibility, but I appreciate what conservation programs bring to us. As you are talking about that, I would like to express the concern about the Grazing Reserve Program, which was put in the last farm bill. There is a clause in there which provides for permanent GRP, and I think it's a great mistake for cattle producers to allow the government to come in and manage your business on a permanent basis.

Senator BAUCUS. While you are here, Mr. Chairman I would like to put in a plug for something else in Montana, and that's the Montana State Bioscience Complex that Bill McDonald raised. We are hoping Montana State University could be the place in the country, the center for genomic research of livestock, especially for the beef industry. For all the reasons that are apparent, and Nebraska has helped us out, the only competition we have is from Texas. So not only we here in Montana are enlisting your support in our efforts to get that passed, I think it's about 34 million is what it is.

The Senate Subcommittee—Senate Appropriations Committee I think passed 16 million, it got through the Senate floor, probably get back somewhere, somehow, there is nothing in the House side for it. But it's clear to me, as we work a lot more research, genomic research is really the key and I just want you to know about that, and thank Bill and others that help put that together.

Mr. DONALD. That has the potential to take the cattle industry in this country to the next level, and I think looking at the future my kids have, and my grandkids have, I think that's something that really has some potential to help.

The CHAIRMAN. Well, I have sampled some of your product as of last night, I think it was a whole half a cow they served me at Eddie's Supper Club, whatever you induced into it, it was very, very good.

Senator BAUCUS. So that's where you were last night. I was thinking of going out there last night, too, I was thinking of going to Eddie's. We should have gone there.

The CHAIRMAN. You should have.

Senator BAUCUS. We went someplace else.

The CHAIRMAN. It was a great steak, I'll say that.

Senator BAUCUS. Or you could have gone to Black Eagle, Borrie's.

The CHAIRMAN. I think we could have thrown darts.

Senator SALAZAR. We discovered they had pizza in Montana. We didn't know. We thought it was going to be a beef steak.

Mr. Donald, very quickly—I know the Chairman has a plane he has to catch—but on CRP and the impact that it's having on ranchers, and especially young ranchers coming in with more and more of our land being put into CRP, what would you do, Mr. Donald, you were testifying to that point, I think you were as well, Mr. McDonnell, what would you do to change the CRP Program to address the concern that you have that it is becoming one of those barriers for ranchers to continue to ranch.

Mr. DONALD. Well, one of the things that come to mind is ensuring that whole farms or ranches aren't put into the CRP Program that can have detrimental impact on communities, and without the thriving rural communities, it's that much harder to maintain and to have young people come into the program. Also that becomes the base level for leases, and it puts some of those leases out of the reach for the young producers. So I think there are two things there, limiting the number of acres is one thing, but limiting the number of acres in a community is something that maybe has been overlooked, and the whole farm process might be something to look at in that.

Senator SALAZAR. Did you have anything to add to that, Mr. McDonnell?

Mr. MCDONNELL. Well, I agree with Bill. And I would like to add, and possibly another thing to bring into it, maybe CRP payments should be made only to active producers. I mean we have people taking CRP payments that are retired and in some cases living in another country and living off these payments that are blocking our kids getting in here. You might also look at some kind of assistance for young farmers and ranchers when they have to purchase these units that definitely inflated in true value. There's a couple shots.

Senator SALAZAR. I appreciate the comments. I will tell you from my being in Colorado, when I've looked at some of the counties that have been most affected by CRP, also some of the counties that are most economically withering on the vine, and part of it the very life blood, economically those communities have been taken away to people who might happen to live in Dallas, Fort Worth, New York City, so it's an issue.

I am certain this Committee will have discussions about it. Where we go with it, I don't know, but we certainly look forward to hearing your points of view on how we ought to change it. Thank you very much.

The CHAIRMAN. Senator Burns.

Senator BURNS. Thank you very much, Mr. Chairman and I would advise Mr. McDonnell over there, that we are finally making headway, finally got the USDA by letter to revise their estimates of cost based on the seafood experiment.

Mr. MCDONNELL. Thank you.

Senator BURNS. And country of origin labeling, we are making a little headway, be it slow, but we will continue to do that. Well—I am sure this will be in the debate, whenever we go into the new farm bill, I'm sure it will be, but we've got to have better figures coming out of the USDA, and we've also got to have a USDA that's willing to follow the law; it's the law, we passed it, and to write the rules. So we are going to continue to do that. I was going to ask—I will tell you, I know there is a lot of us concerned about invasive weeds, and whenever—I will tell you whenever you go to 1Washington, D.C. and want to talk about weeds, you'll find out you're standing on the street corner yourself. There's not a lot of people in that 17 square miles of logic-free environment that are concerned about weeds. But I happen to think they are very important. And Miss Sampsel, you're an industry that probably has a secret to our weed problem, and so I would urge you to—your new program that we've—come with your new labs for the sheep industry, I think is doing very well, and we appreciate working with those folks also.

Do you have any—on conservation, and I am really glad to hear that we're starting to talk about CRP, no matter if it's range land or cropland, in probably a common sense kind of way. We have talked about this, the Chairman and I have talked about it many times, and that we should take a look at that program to make sure the government is not in competition with those young people who want to expand their operation, and also the remuneration, and also the limits that we have put on it. But in areas of conservation, we're very supportive of conservation programs and how they are implemented. We can streamline the applications and who qualifies and who does not. I am very supportive of that, as we move this legislation forward. If we could do one thing in the livestock industry, if we had one part to reform, would you say that we take a look at P and S, the Packers and Stockyards Act, or where would it be?

Mr. McDONNELL. I would the say competition is probably No. 1, but long-term trade is going to have an impact on us, I think; it's those two issues.

Mr. DONALD. Well, I guess when I look at the generations coming down the road and I look at the amount of tax planning we go through on our operation, I have two sons that are on the ranch with us, and have some grandkids, that hopefully they'll see the benefits of the ranching life-style, how we get that transferred over, we are spending a lot of money on tax accountants, insurance, and tax lawyers for planning, in order to be able to pass that ranch on to our kids.

That's money that comes out of production. We could be using that to enhance production and we're spending it on insurance companies, lawyers and accountants. As much as I like my accountant, I just as soon not give him that money. I think that's one of the things, the estate, and I really applaud Senators Baucus and Senator Burns for your work on trying to get that repeal made permanent, and I think that is something that's going to be necessary.

Senator BURNS. Miss Sampsel.

Ms. SAMPSEL. I agree with Bill. We need help on transferring our land to the next generation, because we—they can't go out and compete against investors that are coming here to buy land.

Senator BURNS. Thank you. You got another question?

Senator BAUCUS. No, I was going to say, I think we'll finally get that resolved hopefully the rest of this year, I don't know for sure, but soon. Members of the Senate and House know how important that is. They don't know as much as they should, but they still know how important it is. Sometimes things take a little while, but I think we will get that very, very soon resolved, so you don't have so much time on accountants and lawyers, and our places can be passed on to our kids. It's slow in coming, but we will get there.

Mr. WENDLAND. Mr. Chairman, one final comment on the CRP, if we were to get parity for our product, that issue would go away, I think.

Senator BAUCUS. Parity, I haven't heard that in a while.

The CHAIRMAN. Well, to each of you, thank you very much for being here. Your input into this is very valuable, and we look forward to continuing the dialog with you, as with the other witnesses that preceded you here. And to all of our witnesses for the testimony today, we say thank you for your input, and for the taking of your time to be here today. I want to thank Senators Baucus and Burns for inviting us here today, and for the great hospitality on the part of this university for hosting us. It's been our pleasure to be here.

I also want to thank Senator Craig Thomas of Wyoming and Senator Mike Crapo of Idaho for their assistance in helping provide witnesses that have given us very valuable testimony today. I again would encourage anyone interested in submitting a written statement for the record or informal or comments to visit the Committee's website, which is agriculture.senate.gov for details. We can accept written statements for up to five business days after this hearing.

Thank you for your interest in agriculture policy, and gentleman, thank you for taking your time.

Senator BAUCUS. Mr. Chairman, we appreciate it very much.

The CHAIRMAN. We're going to come back to Montana, I promise you. It's a beautiful place. Thank you very much. This hearing is adjourned.

[Whereupon, at 12:10 pm the hearing was adjourned.]

APPENDIX

August 17, 2006

Intertribal Agriculture Council
100 North 27th Street, Suite 500, Billings Montana 59101 (406) 259-3525

2007 FARM BILL
Discussion Paper
By: The Intertribal Agriculture Council

The United States Congress is expected to begin discussion this session on the 2007 Farm Bill. Every five years to seven years Congress reauthorizes present programs and enacts by law new programs of the United States Department of Agriculture. Indians have not traditionally been a part of this process until 1990, when USDA presence was mandated on Reservations. Since that time there has been considerable effort put forth by producers, Tribes, Intertribal Agriculture Council and agencies of USDA to improve services to Indian people and their land. This effort must continue and part of the process is to make sure the Indian voice is heard in the development of the 2007 Farm Bill.

Government Relationships:
Treaties, Executive Orders and numerous court decisions are the basis of the so-called Federal Trust Responsibility to Indian Tribes and their members. Presidential Orders have determined that the federal trust responsibility does not rest solely with the Secretary of the Interior, as it is sometimes believed. The United States breached its over-riding trust responsibility to Indian people and Indian Tribes through the action prescribed in the Reorganization Memorandum #IV, signed by the Secretary of Agriculture and the Secretary of the Interior in 1940. This policy agreement between the U.S. Department of Agriculture and the U.S. Department of Interior, "Reorganization Plan No. IV of 1940" transferred certain conservation functions to USDI from USDA. This transfer of function was interpreted to prohibit USDA from assisting Indian land owners or users whose land was held in trust by USDI (BIA). This prohibition has caused 96 million acres of Indian and Alaska Native lands to be devoid of the extensive conservation effort received by other lands in this Nation.

Every President since President Nixon has issued proclamations or Presidential Orders on the relationship between Tribal Nations and the United States Government. Fulfillment of these proclamations or Presidential Orders must come through a clearly defined process of the Government to Government Relationship. Development of such a definition must include both parties. In addition to bringing formality to Tribes relationship with the Federal Government, a process must be defined for the mutual development of federal regulations that impact the ability of USDA to deliver programs and services to Indian people and their lands. Regulations and policies must be developed in a manner that Tribal authorities, policies and the unique land ownership are all recognized. The Departments of the United States Government must coordinate their efforts and work to remove restrictive barriers caused by inter-departmental policy and regulation. The Department of Agriculture must work with the Department of Interior, Bureau of Indian Affairs to eliminate conflicting regulations which inhibit participation in USDA programs.

Education:
There is a need for an increased amount of outreach to Tribes on USDA programs and the Farm Bill process, funds for scholarships, internships, continuance of the Tribal Credit Outreach Program, continue present outreach programs, increase 2501 funding, and continue funding for the Extension Indian Reservation Program.

Present attempts at providing education on USDA programs are not providing the level of information necessary. These programs need to be expanded to address those regions of the country not presently being adequately served. The presently established State Outreach Committees within USDA are not providing educational benefit to the Indian communities, tribal governing bodies or producers within their respective states. The most functional programs providing this needed education are the hiring of Indian people to provide the education needed. Present local USDA staff does not have the time necessary to provide adequate outreach while they are administering programs. Most do not have the responsibility of "Outreach" in their position descriptions and it would be a lower priority if added to their already overwhelming list of present responsibilities.

The recommendation is to expand outreach programs (Individual USDA Agency Outreach, the Extension Indian Reservation Program & the 2501 Small Farmer Outreach Training and Technical Assistance Program) to a level that provides for all areas of Indian Country being provided all of these programs. The individual USDA Agency outreach is non-existent and must be mandated. This mandate should Rural Development and Agriculture Research Service. The Extension Indian Reservation Program must be implemented to its original authorization and design which was 85 extension agents and a minimum budget of 6 million dollars. Community based organizations must be utilized as the primary mechanism to increase outreach within the 2501 Program. With increased funding and agreements, the 1994 Indian Land Grant Colleges would be another mechanism to increase opportunities for local education programs.

Other educational efforts-need to be stepped up within USDA, the State Outreach Committees need to be present on Reservations more than once a year. Agencies need to increase the appointment and use of Indian Advisory Committees. Adequately staffed full-time USDA service centers placed on Reservations would increase the amount of education as well as increase the knowledge of what is necessary to provide the conservation needs of Reservations. USDA agencies need to increase their efforts at recruiting Indians to work within their agencies. This can be accomplished through scholarships, internships and cooperative work programs.

Programs:
Indian Country is at least 50 years behind, their neighbors, in conservation efforts. This void was created by wrongly addressed policies of the 1940's. Present efforts at providing programs and services by fitting "Indians" into the same mold as their off-reservation counterparts has not been successful. Factors such as land ownership, land tenure, differing tiers of government who all have a say in the administration and/or management of lands as well as differing conservation needs are all factors which hinder USDA from being as successful an need be in delivering services to Indians and Indian lands.

Flexibility needs to be built into conservation programs. Acceptable practices, length & implementation of contracts, recognition of non-traditional crops and the assurance that range lands continue to receive at least 50% of the funding for conservation are areas that need to be addressed on an individual topic basis. **USDA has classified Indians as being Socially Disadvantaged (traditionally underserved) thus a higher percentage of cost share is warranted. Additional support for this statement can be garnered from the fact that the definition of "limited resource" was developed without the inclusion of Indian demographics.**

The differing level of conservation needs between the traditional USDA participant and Indian lands have been mentioned earlier in this discussion. Special emphasis is needed to address the basic resource inventory needs on Indian lands. Large portions of Reservations are without basic soil inventories and range inventories. Those reservations fortunate enough to have such inventories are basing their data needs on inventories that are a quarter century old. This dated information limits landowners and land users ability to utilize present programs. This data also limits USDA's ability to implement or deliver programs as the local staffer has to generate this base-fine data.

The return of agriculture conservation programs would increase the level of Indian participation as it creates the necessary flexibility to deal with three governments, land ownership; limited ability to participate in long term contracts and with the fact that USDA is a relatively new participant in conservation on Indian lands. Indian lands have not received the focus on conservation as their neighbors and the need to protect primary resources are as great or greater gives justification to a special emphasis program aimed at bringing conservation implementation to an equal level. This can be done through a separate Indian Title in the Farm Bill or a special emphasis program aimed at benefiting only Indian owned lands.

Today's programs and services are designed to fit the traditional participant in USDA programs. Thus, regulations and policies are written without regard to how they impact the 2nd largest landowners in the US, Indians. An example of this is the 10 year contracts for EQIP. A majority of Indian land users do not have the benefit of long term leases or permits thus their lease term excludes them from participating in the program. Indians are held to differing requirements than their non-Indian counter part. For a reservation to qualify for the Indian Feed Program there has to be demonstration that there is a 35% reduction in available forage. For a county to qualify for the Livestock Assistance program, they have to show a 30% loss in forage availability.

The Indian Livestock Assistance Program needs to be re-authorized as well as funded on a continuing basis. The timely response to initial application, approval processes and the ultimate provision of benefit to producers must be expedited. It should not take 8 months, a year or in some cases 2 years to provide assistance to producers. This program needs to be applied to Indian owned land. If their design is to benefit Indians, then requirements insuring Indians are the primary beneficiaries need to be instilled and complied with.

One proposal that would be of benefit to Indian participants allowing some flexibility, increasing education and gathering resource inventories is spelled out as follows:

1) Only for those land owners/producer who have never participated in USDA programs, a first time enrollment would enable the land owner/producer to have a resource assessment and conservation plan developed on his holdings. The land owner/producer would have the opportunity to select no more than 3 practices from a list of practices (currently developed for the EQIP program) and apply those practices in a two year time frame. The cost share rate for this first time participant would be 80% for the three

practices selected. During the process of g^e^tting the three practices applied on the ground, a mandated educational program would take place with the participant which brings about a working understanding of the purpose of the conservation practices being applied. This first step would introduce the participant to USDA and its programs. It would create resource assessments and conservation plans on Indian land and it would begin the process of applying conservation practices on the land. Once this step is completed, the land owner/producer could only participate in one of the next two steps.

2. The second step would have a longer contract period of 3 to 5 years and would consist of the land owner/producer selecting conservation practices from the same list but again the practices selected would be limited to 3 to 5 that could be applied in the prescribed term. The educational component would continue through the term of the second step.

3. The third step would be the enrollment in the present long term programs such as EQIP and the education component would continue.

4. The on-reservation education component could be provided by the Extension Indian Reservation Program. This program is specifically designed to address agriculture education and youth programs on Reservations and is designed to provide 1864 Land Grant University Extension agents on 86 Indian Reservations. Utilization of CREES in the education component would involve the local Conservationist & Executive Director in the design of the component but would allow the Conservationist & Executive Director to focus on planning and practice implementation. This approach would insure the involvement of NRCS, FSA and CREES.

Technical Assistance:
Full implementation of the directives set out in the 1990 Farm Bill has not been attained. Implementation varies by state and to some degree by Reservation. Only one agency NRCS, has taken major steps to staff offices on Indian Reservations. What they have found in the effort is that the demand for services is overwhelming and can not be provided by one staff person. The technical assistance demands from the Indian community come in the forms of two levels: one being the Tribal Government and the other being the landowners and land users, Tribal Government demands focus on Reservation wide concerns while the landowners and users want their farms and ranches addressed. Short time frames for program implementation require USDA staff to focus on those individual Indians who the staff thinks are ready to do this quickly which leaves those with the least knowledge and least ability unable to participate.

Full-service USDA Offices would address this need. Staffing requirements for conservation professionals should be based on demand and conservation needs not on county or state lines. One USDA staff does not have the ability to meet the demands of program delivery, resource data gathering, and recruitment for programs, contract compliance and outreach.

Conservation Committees: (County FSA Committees & Soil & Water Conservation Districts)

Increased attention has been dedicated to the insurance that Indian landowners and land users are given the opportunity to vote in county elections. This needs to continue as well as insuring that local administrative areas are designed to insure Indian representation on these committees.

Soil & water conservation districts were put in place by federal law and their beginnings largely financed by the Federal Government. The establishment of these necessary components of NRCS program delivery should be supported in Indian Country.

The benefit of such organizations has proven to be invaluable to local USDA service providers. Training provided to Tribes and producers on what Districts do and how to start a district should be funded. Start-up funding for those entering the process is a component provided in the past and should be renewed to those locations entering the process. The benefits of Indian Districts include a direct correlation between those locations that have districts, and program participation levels and general community knowledge of USDA programs. Those reservations with conservation districts are much further along than those without.

Lending:

The United States Government through Farm Service Agency remains to be the largest source of lending for Indian Reservations. Farm lending programs need to increase their focus on youth lending as well as beginning farmer lending. The present beginning farmer program needs to be modified to realistically fit a beginning farmer. Present criteria limit participation to only those that have adequate capital that would allow borrowing at any commercial credit source.

Increased effort must be put forth to facilitate the insurance that trust lands stay in trust during the debt servicing process of FSA. The new administration of the Department of Interior may be receptive to the transfer of trust title between Interior and FSA. The options presented by the 98 Credit Amendments need to be utilized by FSA, BIA and Tribes.
Increased participation in FSA lending programs would take place if qualifying Tribal Credit Branches were allowed guaranteed lender status.

Marketing:

What is being produced on Indian lands is relatively unknown to the Federal Government. The commodity crops, livestock, and non-traditional commodity crops need to be inventoried and brought into the commercial market place as well as specialty markets. The livestock grown on Indian lands can be categorized as an all natural product thus capable of returning greater financial benefit to the Indian communities. Agencies such as the Agriculture Research Service should be providing guidance to bring these products into the consumer marketplace.

This Discussion paper only hits the highlights of issues needing address in the 2007 Farm Bill. Further refinement of issues and program design will be forthcoming.

Testimony of Michael R. Beltz

on behalf of the

United States Dry Bean Council

before the

United States Senate Agriculture, Nutrition, and Forestry Committee

Great Falls, Montana

August 17, 2006

Good Morning, Mr. Chairman and Members of the Committee. My name is Michael Beltz. I am a farmer from Hillsboro, North Dakota where I farm about 1000 acres. I am here to testify in that capacity and on behalf of the United States Dry Bean Council (USDBC). While I have been a farmer for the last 25 years, I have been growing dry beans for the past 13 years. I currently serve as Chairman of the North Dakota Dry Bean Council, serve as the Vice-Chairman of the US Dry Bean Council's Agricultural Issues/Government Affairs Committee, and serve on several committees of the Northarvest Bean Growers Association (grower association representing the largest single dry bean production area in the US).

Mr. Chairman, I am pleased to have this opportunity to present views on the upcoming farm bill as it relates to our domestic dry bean industry, both from the perspective of a grower and on behalf of the domestic dry bean industry as represented by USDBC. By way of background, USDBC 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 U.S. 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.

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 US 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 US. Annually, about 30 percent of dry bean production is exported with major importing countries for US 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 US 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, USDBC 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 US 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 FMP 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 US 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 US 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 US in-kind commodity donation food aid programs as they have been successfully developed and delivered for years; and to continue the dual objective of US 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, Mr. Chairman, the dry bean industry and 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 US dry bean industry and, especially its growers.

Gary Bonestroo
Clovis, New Mexico
representing the Dairy Producers of
New Mexico

I am speaking here today on behalf of Dairy Producers of New Mexico, a grassroots trade association for New Mexico and West Texas dairy farmers. DPNM represents approximately 80 percent of the dairy producers in that region. We serve as a liaison for national, state and local issues; provide educational services for our New Mexico dairy farmers; and act as a source of information for our communities, regulators, and legislators. Dairies that belong to DPNM do so on a voluntary basis and pay membership dues. As a producer-only organization, we are one of the few groups that speak on behalf of only producers.

Dairy Producers of New Mexico has been very active in the debate of national dairy policy, especially on matters which impact the prices received by dairy farmers. For example, DPNM was very active in the rule making required by the 1996 FAIR Act, particularly in the establishment of pricing formulas for Class III and Class IV milk. In 1999, DPNM lead the challenges to the USDA Final Rule regarding the make allowances and yields in those pricing formulas. Our participation resulted in legislation, another rule making hearing, and ultimately a correction in 2001. Many of DPNM's proposals were adopted by USDA to create a fair pricing scheme for producers throughout the country.

Unfortunately, since that hearing, USDA has eroded those gains. In 2003, USDA altered the pricing formulas, which increased make allowances, reduced yields, and made other changes that significantly reduced the producer share of the consumer price under the minimum pricing program.

Most recently, DPNM opposed additional reductions in make allowances at a USDA rule making hearing held in January 2006. USDA correctly decided not to make any changes based on the quality of the evidence at that hearing. We continue to be active in that arena and are seeking full consideration of all the parts of the Class III and Class IV pricing formulas.

DPNM Represents Producers Typical of the Current and Future Dairy Industry

Dairy producers in New Mexico and West Texas are unique in several ways. First, the average size of dairy farms in that region are well above the national average, as well as their production per cow. In the region which we serve, there are approximately 800 to 850 producers which deliver approximately 12 billion pounds of milk per year into the Southwest marketing area and other regions. Our average daily pickup is 40,000 pounds per pickup, second only to the much smaller Arizona Order. Our milk shed is one of the largest in the nation. I have attached a report from New Mexico State University reflecting the status of New Mexico. Many of the conclusions regarding New Mexico also apply to West Texas.

In 2001, a dairy with more than 500 cows was the exception rather than the rule. Farms of this size represented 2.9% of the producers and 39% of the milk produced in the country. Today they represent 4% of producers and 49.5% of milk production. New dairies being constructed in Eastern New Mexico and the Texas panhandle will milk 3,000 cows or more. In addition, many, if not most, of the new dairy farms being constructed in the United States are similar in size or larger than those dairies now operating in New Mexico.

We estimate that by 2017, when the full effect of the 2007 Farm Bill is felt, there will be approximately 25,000 dairy farmers in the nation and 80 to 90 percent of the milk will be produced on farms larger than the average size of farms now found typically in New Mexico and West Texas. Because of that, we suggest that our experiences of New Mexico dairy producers represent what the future holds for the entire dairy industry, and we would urge that the policies established in the 2007

Farm Bill reflect where our industry is going and not try to keep things the way they were.

New Mexico Dairy Farmers Operate Collaberatively and Rely Minimally on Government Intervention
The larger size of our farm operations has facilitated unified marketing. Virtually all of the milk produced in New Mexico, West and Central Texas as well as portions of Oklahoma and Kansas are all marketed, priced and expensed in a common pool through the Southwest Milk Marketing Agency. This common marketing approach has brought to us significant reductions in cost of marketing of milk, increased income through bargaining with plants and the ability to overcome obstacles that have long stood in the way of producers in furthering their markets. Our members also share a common position on dairy policy. We do not believe that the government can or should be the salvation of dairy farmers. Government certainly has a role, but often the "help" that has come from Washington has been our problem. Government can and does play a critical role in the stabilization of milk prices and the dairy economy. But while there have been dramatic changes in the structure of the dairy industry, federal programs remain premised on an industry and economic conditions that no longer exist.
Some of those changes are: a shift in production from the Midwestern states to Western states; Class I usage of milk declining on a per-capita basis and now representing a minority of the milk produced in the nation; the size of dairy farms has become significantly larger; the number of dairy producers has continued to decline (and will continue to decline regardless of federal action or inaction); and technological advances now permit raw milk and milk products to move easily across the country, creating a national market rather than regional markets. On any given day, milk from New Mexico and West Texas is shipped to California, Florida, Texas, and into the upper Midwest. Milk processed at those locations is marketed even further. In fact, milk products from this region are being sold throughout the nation. This is symptomatic of the reality that we truly operate in a national, not a regional, market. Conversely, the Agricultural Marketing Agreement Act, which provides the authority for the Federal Milk Marketing Orders, originated during a time when milk was considerably more perishable, milk sheds were far smaller, and the distance from farm to market rarely exceeded fifty miles. Due to these constraints, a general under-supply of milk, and the weak bargaining position of individual dairy farmers, extensive regulation of the dairy industry was required. A truly free market at that time would have ruined dairy farmers. Today, extensive regulation of economic conditions threaten to harm dairy farm families more than help them.
If I could define two cental realities our members want Congress to consider as they examine dairy programs, they are
(1) that we operate in a national, not a regional, market, and
(2) that the protection that dairy farmers need from the government in 2006 is vastly different from the protection that dairy farmers needed in 1936.

Programs Like MILC Distort Market Signals and Act to the Detriment of Producers We oppose direct farm payments to dairy farmers whether in the MILC program or under the previous DMLA programs. In the long run, these well-intentioned programs provide no financial assistance to even the smaller dairy farmers because increases in production result from the additional payments. When farmers should be decreasing production, direct payments spur expansion. Those increases, in turn, skew the balance of milk supply and milk demands and depress prices. This extends periods of low milk prices and, when milk prices are at their lowest, require the Treasury to make additional expenditures under the dairy price support program.
These programs are particularly detrimental to farmers like the members of DPNM, who exceed the arbitrary production cap. Dairy farms in New Mexico received payments on only 10% of their eligible production under the program. While these farmers did not receive payments on all of our milk, we certainly suffered through the same period of low prices as other farmers and absorbed all of the reduced prices associated with higher production.

Federal Dairy Policy Should Seek To Foster Market Growth for All US Dairy Producers

What dairy farmers need are markets, not payments. The markets that we need to have access to are not just the Class I markets that have driven our industry for nearly a century, but of all kinds. The Federal Milk Marketing Orders are designed to share Class I sales among producers. Yet, this is the only segment of the dairy industry that has shrunk over the last thirty years. Consumption of cheese and other dairy products continues to increase. These are some of the markets that federal programs should encourage. Dairy farmers have shown the ability to raise cattle, increase the efficiency of their operations, and now have the ability to rapidly expand our production capacity. We need markets to absorb that capacity. We need markets both in the United States and internationally.

We need markets for traditional dairy products and markets for our ingredients. As an industry, I believe that we are finally coming to recognize the value of products that use dairy ingredients. Some of these new products are nutrition bars, power drinks and other products.

Because trends demonstrate that economic forces are driving the dairy industry toward a future with fewer and larger producers, we need policies that do not interfere with the size of operations. MILC and its limitations are a prime example of the government trying to favor smaller producers over larger producers.

Government policies should not be designed to establish farms in any particular location. Markets should dictate the most efficient locations for farms in conjunction with the supply of water, feed, space and availability of as markets for those products. Similarly, economic forces should dictate where bottling and manufacturing plants are located, not government policy.

Currently, the Federal Order Program with its pricing differentials, pooling requirements, and other nearly incomprehensible regulations create unnecessary incentives for buyers of raw milk to locate plants in places that may no longer be efficient. At the same time Federal Order regulations allow for milk outside of those markets to improperly participate in the pricing.

DPNM has been a strong supporter of the Federal Order system and has actively participated in the hearings regarding pricing issues in the order program. But because the market conditions that existed during the Great Depression do not exist today, the Federal Orders risk hamstringing future successes. The need for regional regulations whose paramount charge is to dictate who will share in the value of fluid milk sales is a concept whose time has passed.

The Dairy Industry is a National Market, and Federal Programs Should Reflect That Fact

What we would like to see as farmers of the future is recognition that we are a national markets. This will mean the end of programs that are intended to favor one region or locality. It would mean the end of state milk marketing programs and the birth of federal assistance in transitioning to a fully national program. This national program should encourage the development of markets nationwide. As part of this national program we need to establish a pricing system that does not take local basis and make it part of a national pricing scheme, but one that instead establishes a national minimum price reflective of efficiencies and not detrimental to one region or another. We need a redefined and much more limited role of government. We see the role of the federal government more in terms of establishing fair pricing in the market; providing government oversight through audits and inspections to insure that the pricing is done in accordance with contracts; and empowering USDA to participate in early, quick, and effective negotiation, mediation and binding arbitration of producer-plant disputes. The Federal Orders should facilitate industry responses to natural economic forces rather than try to regulate by approximating how a free market would operate. In this latter scenario, our regulatory process will always lag reality and we will subject our farmers harm from the inefficiency of trying to mimic economic reactions through government. The price support program provides a necessary safety net, but it needs to not encourage the unnecessary production of product for which there is no market. The price support program needs to focus on the valuable components of milk that USDA prices (butterfat, whey, and protein) rather than on products such as butter, powder and cheese. Dairy producers in the Southwest have outgrown the price support program in the sense that we have been able to develop new products which have a market demand rather than rely on CCC to buy surplus production. It is no surprise and no coincidence that the development of a milk protein concentrate plant in Portales, New Mexico and a designer milk plant at Dexter, New Mexico, have arisen out of the Southwest Milk Marketing Agency because the producers have found a way to expand their markets and do so in a way that does not put them at a competitive disadvantage.

Government policy should be used to encourage and support the development of cooperative agencies such as the Southwest Milk Marketing Agency and to allow the negotiated prices between that agency and its markets become the basis for any government role in terms of enforcement of pricing and fairness. We have demonstrated that producers and processors can bargain without extensive government intervention. Over the last several years, we have seen the development of the new dairy industry in the Southwest, and we have outgrown old programs. We have outgrown in many ways the Federal Orders. Other federal programs need to be modified to reflect the state of the industry. It should be noted that since 2000, when the current regulations in the Southwest took effect, producers in the Southwest have not once asked for a hearing regarding provisions in their Order. Every other single Order in the system has asked for changes to its system. We have been part of national hearings regarding Class II pricing, Class I pricing and manufacturing pricing, but in terms of hearings to deal with local pooling and other pricing issues, because of our agency, we have been able to solve those problems amongst ourselves and between ourselves and the plants in a manner that is market driven. We respond in real time without government efforts. This is where the industry is going to be going.

The government should encourage and facilitate cooperation between producers and processors in the development of products, construction of plants, and operation of plants in which all parties share in the risk, the investment as well as the reward. Regulations regarding health and the environment should encourage the healthiest milk possible as well as one that encourages the highest level of environmental stewardship. While our members welcome science-based regulations to protect our natural resources, we must recognize that we operate in a world market and virtually none of our competitors have anything close to this level of regulation imposed upon them. We support standards based regulations that can be met in the most efficient way, as opposed to federal mandates in terms in the types of processes that may be used at the farm. Finally, we should establish permanent efforts to expand our international marketing, and these should not be subject to the whim of the USDA as whether or not to grant payments such as those under DEIP or other programs.

Conclusion

Once again, I thank you for your invitation to appear here today. Dairy Producers of New Mexico looks forward to the opportunity to work with both the Senate and the House as we all try to define programs and policies that ensure a bright future for all of America's dairy farmers.

COOPERATION LEGISLATION EDUCATION

Montana Farmers Union

Testimony of

Eric Doheny

on the

2007 Farm Bill

presented to

U.S. Senate Committee on Agriculture, Nutrition & Forestry Saxby Chambliss, Chairman

Great Falls, MT
August 17, 2006

Chairman Chambliss:

My name is Eric Doheny. I am a producer from Dutton, Montana, and a member of Montana Farmers Union where I am a former President's Committee member and serve on the organization's Resolutions Committee. Thank you, Chairman Chambliss and members of the committee, for holding this field hearing and providing me the opportunity to testify before your committee regarding the 2007 farm bill and future agriculture policy.

I am part of a shrinking pool of independent family farmers across America and speak with the interests of independent family farm food producers in mind. Corporate American agriculture seems to be doing quite well in terms of its economic stability. My goal today is to address the economic interests of independent family farmers and ranchers.

I believe that family farmers and ranchers are at a critical juncture in our existence. State and federal programs need to be structured to benefit and protect the family farm. On behalf of the Montana Farmers Union, I submit the following suggestions for the 2007 Farm Bill.

Disaster Assistance

Since the 2002 farm bill, natural disasters have been on the rise. Farmers and ranchers in 2005 alone faced drought, wildfires, hurricanes, and flooding with nearly 80 percent of counties in the United States receiving a disaster designation.

We believe the 2007 farm bill should include a permanent disaster assistance program. The last farm bill did not include a weather-related provision, yet disaster relief provides an economic lifeline to those who have sustained a massive economic loss from weather-related causes.

In order to fund disaster aid, we realize there must be some give and take. A plausible funding solution for offering a permanent disaster program would be to replace decoupled payments to producers with permanent nationwide disaster assistance.

Farm Payments and Programs

Farmers Union members believe farm policy should provide a meaningful measure of price protection, be targeted toward family farmers and ranchers, and ensure competition in the marketplace.

A popular urban myth is that farmers are essentially being taken care of by the federal government and are getting rich from government payments. This is not true. According to the USDA, average farm income for 2005 was more than $76,000. What wasn't considered was that 80 percent of that total was off-farm income, leaving just around $12,000 to account for actual farm income. We can do better. Farm policy should ensure that producers earn income equivalent to families in other sectors of our national economy.

In the current farm bill, the counter-cyclical safety net approach works and should be continued. A counter-cyclical mechanism is important to reducing program costs when commodity prices are high. Loan rates and Loan Deficiency Payments (LDPs) are essential to producers. Historically low commodity prices have forced producers to rely heavily on LDPs to supplement their income. According to the Center for Agricultural Policy and Trade Studies at North Dakota State University, the impact of the Loan Program is much larger than other parts of the farm program; about $9/acre for a small farm and $16/acre for a medium-sized farm. Almost as important is some sort of indexing of loan rates or payment rates to account for increasing costs of production, especially in times of high-energy costs. For example, indexed costs of 20 percent would be indexed at a higher loan rate.

In the past, loan rates were based on an average cost of past market prices. We believe this formula is out of date due to vastly higher production costs because of escalating energy prices and loan rates should be figured at a higher rate. In order to do this, we call for the loan rates to be based on cost of production in order to enhance net farm income and provide a safety net.

Farmers Union believes the conservation programs of this current farm bill should not only be continued, but also expanded. Conservation programs should be good for the environment, reward stewardship, discourage speculative development of fragile land resources, strengthen family farming and enhance rural communities. Expansion of conservation programs should include:

- Fully funding the Conservation Security Program, one of the most innovative attempts at rewarding producers for conservation practices on working lands.

- Continuing CRP only on the most environmentally sensitive lands, and offering shorter-term CRP contracts for specific conservation needs. (The enrollment of whole farm CRP should be prohibited however, due to the detrimental effects on rural communities.)

- Encouraging conservation practices that reduce greenhouse gas emissions (e.g. carbon sequestration) through conservation tillage, wetland restoration/creation and grassland management.

Trade

Free trade and fair trade are incongruent terms in today's world. Farmers Union believes that the expansion of trade, especially agricultural trade, can only be achieved by first stabilizing current trading conditions and by long-term planning and commitments toward expanding the world's economy. Our current trade agenda does nothing to level the playing field or provide opportunities for farmers to make a profit from the marketplace. Trade negotiations must include labor standards, environmental standards and currency manipulation.

Free trade establishes a "race to the bottom." Fair trade ensures an adequate, high quality, safe and affordable food supply. We call for a thorough analysis of current agricultural trade agreements to determine their success at meeting their stated goals before any new bilateral or regional trade agreements are negotiated or approved. The measure of the success of a trade agreement has to be its benefit to agriculture and producers' net income.

Country of Origin Labeling (COOL)
COOL was to be enacted by 2004, but it has yet to be implemented. 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.

We have seen the positive effects of country-of-origin labeling for diverse products, ranging from apparel to seafood. There has been much ado about the high costs of implementing this program, which have not materialized. For example, at my local grocery store, shoppers can buy seafood with the COOL label. Consumers are still buying seafood, retailers are still selling, and fishermen are still catching seafood. The process continued smoothly when COOL went into effect for seafood and consumers were given a choice.

Despite this evidence, packer and processors with deep pockets still have a larger influence on Congress even in light of surveys that show both consumers and farmers want it implemented. According to a 2004 National COOL Poll, 82 percent of consumers think food should be labeled with country-of-origin information, and 81 percent would be willing to pay a few cents more for food products grown and/or raised in the U.S.

Energy – Fuels from the Farm
Energy is vital to securing our nation's needs for food and fiber. Montana Farmers Union supports a balanced, comprehensive energy policy that seeks energy independence for the United States, protects our nation's environment and recognizes the special needs of America's agricultural sector.

Montana – and America – have been long known and respected for its contributions to the production of food and fiber. Now an emerging opportunity exists for crop, livestock and grass producers to become major producers of another essential commodity – energy.

I believe that the current fossil fuel based energy model is no longer sustainable. Our nation – and our state – is looking for new energy solutions.

Just a cursory look at current events around the globe emphasizes that our fossil fuel-based economy is subject to increasingly precarious geopolitical forces in the Middle East and elsewhere. We support and are working toward a new sustainable economy that will rely increasingly on renewable sources of energy such as wind, solar, biomass, anaerobic digesters, and especially ethanol and biodiesel based fuel programs, such as the Renewable Fuels Standard that has been promoted for years.

As I look around and visit with my neighbors and have seen what is happening in other parts of the country, it is clear that farmers and ranchers can be at the forefront of this revolution. American – and Montana – agriculture is well positioned to significantly expand its role in the development and implementation of new energy solutions. We can utilize the commodities we grow in innovative new ways to produce power, transportation fuels, and a new generation of biobased products and chemicals.

Energy, economic development, national security and environmental quality are inextricably linked. Home-grown energy solutions offer tremendous potential for farmers and ranchers to capture more income; for rural communities to prosper; and for the nation to lessen its dependence on foreign oil.

In order to reduce our dependence on fossil fuels, development of renewable sources of energy must be a priority. This should include economic technical assistance for family farmers wanting to transition into an increased application of alternative forms of energy.

Farm Policy Vision

The measure of success of any farm bill has to be the level of net income for producers. Farm policy should not be developed for multinational corporations, processors, exporters, integrated livestock producers and firms who profit from low commodity prices. We expect higher loan rates, better targeting and oversight of farm program payments to family farms, defined as a unit using land and other capital investments operated by one family who provides stewardship and management, takes economic risk, and provides the majority of the supervision and work on the farm or ranch. A vertically integrated or multinational grain and food conglomerate is not a family farm.

The family farm is the keystone of a free, progressive, democratic national society, as well as a strong America. Farm policy needs to recognize and build on the strength of our nation's agriculture, not jeopardize it through globalization and trade agreements that put our producers at an economic disadvantage.

My goal today is to highlight the economic interest of independent family farmers and ranchers. Every politician, voter, taxpayer, environmentalist, and consumer needs to realize independent family farmers are by far the best stewards of the land and animals. The independent, localized family farm structure has a proven track record of success in America. Straying from this proven structure jeopardizes the United States' national strategic security, homeland security, the environment, rural economic development, food safety and food quality and now energy independence. Federal agricultural policy, with a strong conservation and energy component, that prioritizes the interests of independent family farmers and ranchers, is not vital just to the people on the land, but to our country. It is my hope that the committee will keep this in mind as it works to prepare future farm policy.

I wish to thank the committee for this opportunity to testify.

Testimony

on behalf of the

Montana Stockgrowers Association

with regard to

the 2007 Farm Bill

submitted to the

United States Senate - Committee on Agriculture, Nutrition, and Forestry

The Honorable Saxby Chambliss, Chairman

submitted by

Bill Donald

President
Montana Stockgrowers Association

August 17^{th}, 2006
Great Falls, Montana

Mr. Chairman, and Members of the Committee. Thank you for the opportunity to speak to you on behalf of the members of the Montana Stockgrowers Association (MSGA) regarding our point of view on the upcoming 2007 Farm Bill. My name is Bill Donald, and I am a third generation cattle rancher from Melville, Montana. I currently serve as the president of the Montana Stockgrowers Association, one of the oldest livestock organizations in the United States established in 1884.

For nearly 125 years MSGA members have labored to develop association policy that strives to minimize direct federal involvement in our ranches. As well as policy that preserves our rights as independent stockmen to choose the best management practices for our land, livestock and water. We have remained steadfast in that the free market system has been crucial to the long-term sustainability of the livestock industry in Montana. We sometimes experience dramatic cyclical market ups and downs but we contend that true price discovery in a free, competitive market place works. It is not in the best interest of Montana's stockmen to become suppliant at the door of the federal government.

As Congress begins crafting the 2007 Farm Bill, MSGA would like to address a few critical points that we feel can be best addressed through an effective Farm Bill.

The Next Generation
We address this issue with a burdensome amount of worry and uncertainty for what the future holds for Montana's young and aspiring ranchers. Today, Montana's ranches are appraised and valued above and beyond anything we have ever seen. Their values don't reflect agriculture production values. Instead, ranch values reflect recreational and scenic getaway values. Many, in close proximity to urban areas are highly valued for development purposes that are purchased and are being developed into country subdivisions. This combination of rapidly escalating land costs, equipment, fuel and supplies, make it at or near impossible for young beginning ranchers to establish a viable business. The average age of a rancher in Montana is now 60 years old. Ranch families all across Montana are fiercely challenged by the aforementioned dynamics that limit opportunity for the ranch to grow and expand and for their kids to come back and work the ranch. It's imperative we continue the productivity and economic viability of the family ranch within Montana to entice our young folks back.
Provisions that could offer tax incentives to landowners or retiring ranchers who would be willing to sell to young producers is something we would like to explore. Provisions that make the process, qualifications and the red tape less burdensome for young producers to receive production loans through Farm Service Agency (FSA) is something that needs to be reformed.

Marketing and Competition
As we did in 2002 we fully expect there to be a number of cattle and beef marketing issues brought forth to debate during the 2007 Farm Bill. Montana's ranchers have little tolerance for those individuals or firms who attempt price fixing maneuvers and market place manipulation. Therefore MSGA contends that the role of the federal government in these matters is to provide effective oversight that ensures a true and competitive market

complex for cattle and beef. That is done by strongly enforcing the Packers and Stockyards Act of 1921 to reconcile these issues. It is not the role of the federal government to prohibit or limit a cattleman's right to pursue new marketing opportunities that work towards capturing a larger portion of the consumer's expenditures for beef. In an effort to enhance the marketplace for Montana's ranchers, we support legislation that allows interstate shipment of meat inspected by our state department of livestock. State processing plants across the country follow the same food safety techniques, and our state inspectors are skillfully trained. 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. The government's role is not to guarantee profit to livestock producers.

Conservation Programs
How can the 2007 Farm Bill best achieve conservation and environmental goals? My short answer to this is "working lands." "Working lands" support rural communities and economies, provide food and fiber for the world and supply abundant habitat for just about every wildlife species in existence. So, how do we meet the task of combining "working lands" and conservation for the 2007 Farm Bill? We start by continuing the programs that have proven to be effective in the past. One of the most widely used programs amongst Montana ranchers is the Environmental Quality Incentive Program (EQIP). In 2005, Montana's EQIP had a list of 86 eligible practices, from crop rotation to filter strips to water well developments. These practices are on a cost share basis of between 50 % and 75%. This list provides a range of practices that are available to the range of different operations that are in existence in Montana. By implementing one or all of these practices, ranchers are working toward the goals of this program, which is taking care, and improving soil and water conditions. EQIP is a program that has helped tremendously in developing and improving the resources of our ranches. Ranchers across Montana have participated in this program to better develop water resources, land utilization and wildlife habitat. However, developing guidelines that render some producers eligible and others ineligible limits the success of EQIP. All ranchers in Montana have the responsibility to take care of the environment and their land, and should have the ability to participate in programs like EQIP to assist them in reaching attainable environmental goals. This Farm Bill should focus on assuring that ranchers be afforded equal access to cost share dollars under EQIP.

Another program that we feel falls right in line with the "working lands" concept is the Conservation Security Program (CSP). This program has rewarded ranchers for the level of conservation practices they have implemented on their operations. The program will have great potential, but it will take time and effort to make it as successful as some of the other conservation programs. I have mentioned just two programs, but there are other programs that have also been successful, such as the Wetlands Reserve Program and the Wildlife Habitat Incentives Program. These programs have played a smaller role in the past, but they still fulfill a role that has been useful to landowners.

With respect to the Conservation Reserve Program (CRP) MSGA has contended that there are damaging effects from completely halting the productive economic activity on the land enrolled in CRP. We contend that conservation objectives can be achieved in conjunction with economic activity on land. Currently, the way the program is designed now; MSGA accepts emergency haying and grazing of CRP under extreme conditions. Extreme conditions of course need to be determined by county Farm Service Agency (FSA) committees. If haying or grazing is authorized, the CRP payment should be forfeited in direct proportion to the contract acres used.

Yellowstone Park Brucellosis

The elk and bison herds of the Greater Yellowstone Area (GYA) contain the last reservoir of *Brucella abortus* in the United States. The control of this disease has cost the U.S. taxpayers and ranchers millions of dollars. MSGA fully supports the signing of a Memorandum of Understanding by the United States Departments of Agriculture (USDA) and the Department of Interior that directs USDA's Animal Plant Health Inspection Service (APHIS) being the lead agency in the development and implementation of a Brucellosis elimination plan for the GYA. This is the necessary next step in the elimination of this devastating disease.

Montana State University Bio Science Complex

Montana State University (MSU) and the USDA – Department of Animal and Range Sciences have developed a partnership that will advance new research related to the USDA's multi-million dollar Beef Cattle Functional Genomic Research Initiative with the construction of a state of the art Bio Science Complex on the campus of MSU. The research that will be undertaken in this facility has the potential to advance the U.S. cattle industry to new heights by insuring its success and competitiveness for future generations. MSGA supports the funding for this important facility.

Endangered Species Act

MSGA believes there is real opportunity to include provisions in the 2007 Farm Bill that will help Montana ranchers comply with the Endangered Species Act (ESA). There have been some efforts at the congressional level to improve ESA, but it would appear that it will be a long process before there are any significant changes. In Montana, we have 14 animals and 2 plant species listed as endangered or threatened. Along with that, the state also has 656 species listed as "species of concern". Ranchers need some assurances these species, endangered, threatened or "species of concern" do not put them out of business. The Farm Bill can provide some assistance or cost share programs that would make it a benefit to have these species on our ranches instead of them being a threat. In Montana, the EQIP program has addressed some of these concerns dealing with the arctic grayling and large predators, such as wolves. Montana's ranchers are true conservationists, the ones that actually provided for these species and in turn, they should be rewarded for their efforts.

Noxious Weeds

Rangeland, pastureland, cropland, forests and wild lands comprise of 92 million acres, or 98% of the total land area in Montana. These lands are vital for livestock and agriculture production. Currently 27 noxious weeds infest about 8.2 million acres in Montana. These non-native species are affecting the economic stability of the state and severely impact the ecological integrity of Montana's lands and waters. It is calculated that approximately $47 million (2.5 times the current budget) is needed to implement a balanced weed management program that slows weed spread and reduces current infestations by 5% per year. This Farm Bill needs provisions that address the range war on noxious weeds.

Conclusion

We work hard to create value, growth, sustainability and opportunity for our ranches and our ranching heritage in Montana. We appreciate the opportunity that we have been granted to present our comments today and we look forward to working with you throughout the course of this 2007 Farm Bill Process.

USA Dry Pea
& Lentil Council

Senate Agriculture Committee
Chairman Saxby Chambliss
Great Falls, Montana
August 17, 2006

Introduction.

My name is Jim Evans. I am a farmer of dry peas, lentils, chickpeas, wheat and barley near Genesee, Idaho. I am also the Chairman of the USA Dry Pea and Lentil Council, a national organization representing producers, processors and exporters of dry peas, lentils and chickpeas across the northern tier of the United States. In the audience today is the Vice Chairman of our Council, Greg Johnson. Greg owns and operates Premier Pulses International in Minot, ND. Premier Pulses International is a large processor of peas, lentils, and chickpeas from Montana and both North & South Dakota.

Good farm policy should encourage farmers to take advantage of market opportunities and reward them for crop diversity and management practices that help the environment. Every country protects their agricultural base in some form or fashion. The recently failed WTO negotiations prove that most countries are unwilling to leave their farmers unprotected. If U.S. farmers are to compete against subsidized competition, high tariffs and phyto-sanitary barriers the following elements of the farm programs must be included in the next farm bill:

Title I – Commodity Programs

1. **Marketing Loan Program/LDP-** The Marketing Loan Program is the single most important farm program tool used on my farm. This program provides some protection when prices go in the tank and pays me nothing when prices are good. I like this program because it allows me to take advantage of market opportunities and satisfies my banker's need for some downside risk coverage. This useful program needs to continue because it allows me to include environmentally sound crops with targeted market opportunities.

2. **Direct & Counter Cyclical Program-** I fully support the continuation of the direct and counter cyclical program payments that have sustained my farming operation and the local businesses that support my farm. Farmers do not have

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3. the opportunity to set market prices, so Direct and Counter Cyclical Payments provide financial security against things which I cannot control like political decisions blocking access to lucrative markets or like Hurricane Katrina which unexpectedly increased costs of fuel and fertilizer. Direct and counter cyclical payments are a good form of Rural Development because the dollars go directly to rural enterprises that support farming and provide commerce throughout our small communities. The Farm Bill 2007 should include Direct and Counter Cyclical Payments for Pulse crops.

4. **Planting Flexibility**- The best part of the 1996 farm bill was the freedom to plant a crop based on market signals instead of base acres. Planting flexibility must be continued and expanded in the next farm bill. Chickpeas (Garbanzo beans), for example, are currently considered a vegetable crop and are not an eligible crop to be planted under farm program rules. Chickpeas are an important crop to my farm operation and I want the flexibility to grow them as an eligible farm program crop when market signals warrant.

Title II - Conservation Programs

The USADPLC believes that our farm policy should reward producers for managing their soils based on long term environmental sustainability on working lands.

1. **CRP**- The Conservation Reserve Program (CRP) has had many environmental benefits but the way it has been managed has been devastating to rural communities. In the next farm bill, CRP should be limited to only the most fragile lands and whole farm bids should be difficult to obtain.

2. **CSP**- In order to achieve the environmental and conservation goals of this great country, we need to fully fund the Conservation Security Program (CSP) and make it available to all producers at the same time. Sign up for the current CSP program is time consuming, complicated, and it often fails to recognize accepted conservation practices in a local area. The program should reward producers for achieving conservation goals based on systems that are economically sustainable and result in significant improvement in soil, air, and water quality. The CSP should be modified to reward producers for addressing conservation goals in their local watersheds and should encourage farmers to diversify their crop portfolios.

Title III - Trade

1. **WTO**- In a perfect world there should be no agricultural subsidies, tariff barriers, phytosanitary restrictions, and currency manipulation. Unfortunately,

we do not live in a perfect world. The USADPLC supports the current WTO negotiations if the result is an agreement that puts U.S. agriculture on an **EQUAL** playing field with all other countries. WTO negotiations are on the rocks. Congress needs to write a farm bill that protects U.S. agriculture in the current trading environment. We support an extension of the 2002 Farm Bill until a fair WTO agreement is reached.

2. **Cuba-**When people ask me why U.S. farm programs are still needed to protect farmers I tell them we live in an imperfect world and sometimes my own government is working hard against me. Cuba imports over 200,000 MT of pulses each year, mostly from Canada. In the year 2000, Congress passed legislation allowing sales of agriculture commodities to Cuba. A year ago, our industry shipped over 50,000 MT of dry peas to Cuba mostly from Montana and North Dakota. This year the Administration modified the rules of payment from Cuba and dry pea sales have plummeted. Our government has cost the pea and lentil trade millions of dollars in lost sales to Cuba and other countries. We hope the next farm bill will eliminate all trade restrictions with Cuba and other countries.

3. **Food Aid-W**e have a responsibility as a nation to share our abundance with those in need. We support the continuation of all food aid programs in the next farm bill. In order to address the increasing need for food aid in developing countries, P.L. 480 Title II funding should be $2.0 billion per year. Our organization does not support cash donations in lieu of purchasing U.S. commodities within the food aid title.

4. **MAP & FMD-** The Market Access Program and Foreign Market Development Program have allowed our industry to penetrate new markets around the world. This program should be enhanced in the upcoming farm bill.

5. **Phyto-Sanitary Barriers-** The pea and lentil industry continues to battle phyto-sanitary barriers around the world. We have been battling fumigation requirements in India for the past two years. In March, China banned all imports of U.S. dry peas claiming excessive selenium levels in our peas. Sound science is not the basis for either of these restrictions. However, access to major markets is restricted with our harvest just around the corner. The new farm bill needs to beef up U.S. enforcement of phyto-sanitary barriers.

Title VII – Research

To compete successfully in the global economy we need to increase our investment in agricultural research. The USDA Agriculture Research Service and our Land Grant Universities have faced flat or decreasing budgets for years. We support increasing agricultural research budgets in the next farm bill.

Title IX – Energy

Energy Conservation Program- We fully support programs in the next farm bill to enhance the development of biobased fuels. We are investigating the fit pulse crops will have in the ethanol production market. Farm Bill policy should not just consider energy products. Rewards for energy conservation should also be included. Legume crops like dry peas, lentils, and chickpeas do not require fertilizer because they fix their own nitrogen in the soil. If the farm bill rewards farmers for planting "energy crops", then it should also reward them for planting crops that conserve energy.

Title X – Miscellaneous

Transportation- Cost effective and adequate transportation of our crops to market has emerged as one of our biggest limiting factors during the growth of our industry in the past few years. Most of the pulse processors in our industry are captive shippers on a short line railroad. They provide rural jobs in places like Ray, North Dakota and Chinook, Montana. Competitive rail rates and adequate service is critical to the long-term health of our industry. The BNSF railroad services a large pea and lentil processing facility in the small town of Ray, North Dakota that is about 100 miles from the Canadian border. To ship a box car from Ray to the west coast costs $3,463. The same boxcar on the Canadian Pacific Railroad to the west coast carrying Canadian pulses costs $2,463. It is currently $1,000 cheaper per car to ship Canadian pulses to either west or east ports. Our industry supports the captive rail legislation sponsored by Senator Burns, Dorgan and others. We ask Congress to address the issue of transportation by both rail and water in the next farm bill.

Summary

I would like to thank you for allowing the USA Dry Pea & Lentil Council to provide this testimony and for coming to the great state of Montana. Part of my extended testimony is a printed power point presentation with information about our industry and our farm bill policy positions.

I would be happy to answer any questions at this time.

National Barley Growers Association

Testimony Submitted by Dave Henderson

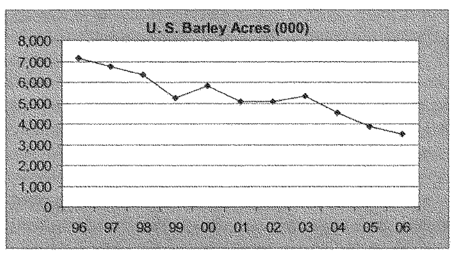
Before a Hearing of the U. S. Senate Committee on Agriculture, Nutrition, and Forestry

August 17, 2006

Mr. Chairman and Members of Committee, thank you for the opportunity to testify before you today regarding policies we believe Congress should consider when writing the next farm bill. I am a Director on the National Barley Growers Association (NBGA) Board and am here today on behalf of the Association. I farm near Cut Bank, Montana where we grow irrigated barley, spring wheat and alfalfa.

NBGA has serious concerns regarding the equity of program crop support levels in the current farm bill, and in particular, the level of barley support relative to other crops. NBGA believes that the U.S. barley industry has lost significant competitiveness in its traditional Northern Tier growing region due, in part, to distortions in federal farm program supports. Acreage trends certainly underscore our concerns. The National Agricultural Statistics Service June 30, 2006 Acreage Report repeatedly used the terms "lowest level," "new low," and "record lows" when reporting barley seeded acreage:

> *"Growers (barley) seeded 3.5 million acres for 2006, down 10 percent from the 3.88 million acres seeded a year ago, and the lowest since barley planted acreage estimates began in 1926. Acres for harvest, at 2.99 million... the lowest since records began in 1926. North Dakota growers planted 1.05 million acres, a new low since records began in 1926... In Montana, planted area is down 100,000 acres from last year to the lowest level since 1953, while Idaho's 560,000 planted acres is the lowest since 1967. California, Colorado, Minnesota, and South Dakota... set new record lows for planted acreage, with records going back to the 1920s."*



We appreciate the support we received from this Committee in our request for analysis by FAPRI on whether or not the U.S. Farm Bill is contributing to declining barley acres and identify modifications that could be made in future agriculture policy that would put barley in a more equitable position relative to other program crops. According to FAPRI's preliminary findings, marketing loan benefits under the 2002 Farm Bill have clearly favored corn and soybeans over barley and wheat. In the Northern Plains, the average annual marketing loan benefit between 2000 and 2005 was $4 per acre for wheat, $8 for barley, $12 for soybeans and $21 for corn. At the national level, the combination of marketing loan benefits and market returns can help explain the increase in national soybean and corn acreage since the early 1990s and the decline in small grain production.

NBGA supports the continuation of the Marketing Loan Program at equitable levels amongst program crops. If the Marketing Loan were to be diminished or eliminated due to WTO concerns, a similar provision, such as a viable revenue assurance program, would need to be developed to take its place to continue providing a viable safety net for producers during downturns in prices or production. We also support continuation of the Direct Payment program, which is the best means to get much needed operating money into the hands of producers. We also support continuation of the planting flexibility provisions that have been in place since 1996.

NBGA believes better risk management programs are needed that will adequately address multi-year losses as well as provide a safety net for the high deductibles we face under current federal crop insurance policies. We have a Barley Risk Management Task Force working hand in hand with the Risk Management Agency right now on innovative ways to address these challenges. With regards to the ongoing drought in much of the country, the NBGA supports disaster assistance for 2005 and 2006 crop losses and a vigorous debate on a permanent disaster provision in the next farm bill.

I am sure the Members of this Committee are aware of the rising fuel and fertilizer costs that farmers must fit into already tight budgets. Producers have seen a 70% increase in fertilizer costs, 30% to 50% increase in farm fuel costs, and a nearly 90% increase in diesel costs. These rapidly escalating costs will likely not be compensated for by the prices farmers receive for their crops. For these reasons, the NBGA supports a flexible safety net that will help offset sharply rising input costs that cannot be passed along to the marketplace. We encourage the Committee to explore ways to address rising energy costs, such as an energy tax credit.

The NBGA supports the Conservation Security Program (CSP) as authorized in the last farm bill. However, the CSP has not been implemented as intended by Congress, and we urge the Committee to work towards full implementation.

NBGA also believes that the Committee should be aware of the transportation problems much of the nation's farmers face. More than half of the U.S. barley crop moves to marketing positions by rail. The majority of our barley production region is now captive to one railroad and we pay freight rates well above those rates paid by other grain suppliers who have competitive transportation options. For example, rail rates in North Dakota (largest barley producer) and Montana (third largest producer) are between 250 to 450 percent of the railroad's variable cost – far in excess of the Surface Transportation Board's threshold of unreasonableness of 180%. Because of these higher rates that are accompanied by often unreliable service, it is very difficult for barley from our traditional production areas to compete with other suppliers in both domestic and foreign markets. This "captive shipper" situation does undermine the positive effects that any farm bill hopes to provide our producers. We urge the Members of this Committee to support legislation that would rectify these problems.

I want to again thank the Committee for the opportunity to testify. NBGA fully understands that the challenges you face – budget deficits and the WTO negotiations – as you write the next farm bill. But if the United States is to maintain a viable domestically grown food supply, farmers must continue to be offered some semblance of protection from collapsed markets and/or adverse weather. NBGA is ready and willing to work with the Committee in the coming year to develop sensible provisions to address these needs. If you have any questions, I will be happy to address them.

David L. Henderson

David L. Henderson
Director, National Barley Growers Association

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Chairman Chambliss, and members of the Committee: My name is David L. McClure, President of Montana Farm Bureau Federation, and a rancher from Lewistown, Montana. Thank you for this opportunity to testify concerning the upcoming Farm Bill debate. On behalf of our members, board of directors, and staff, Montana Farm Bureau Federation welcomes the Senate Agriculture Committee to the Big Sky State, and is pleased to be able to make official comments on the upcoming farm bill process, with special emphasis toward Western agriculture practices.

We live in an increasingly complicated and intertwined world. The reality this creates for agriculture is that the future of our farm bill and trade negotiations by necessity goes hand in hand. We can not discuss one with out the other.

American Farm Bureau Federation policy states:
"We support an extension of the current farm bill until a new World Trade Organization (WTO) agreement is reached. We support extending concepts of the Farm Security and Rural Investment Act of 2002 in the next farm bill."

With the suspension of trade talks on agriculture in the Doha Round of WTO the end of July, the time has come for American agriculture to clearly focus on the need to extend our farm program for at least one year. The results of the WTO negotiations – in particular the results on domestic support commitments – must be known and taken into account before we begin making public declarations about changes to the current farm bill. Any attempt to modify the current farm bill prior to completion of the round will place U.S. farmers and ranchers at a serious competitive disadvantage.

Farm Bureau strongly believes by extending the current farm program we will be able to move forward with the kind of policy that helps ensure U.S. farmers have the support they need to survive in today's contentious global trading environment. We encourage leaders from both houses of Congress to work together toward an extension of our farm law. Our farmers and ranchers generally like the 2002 Farm Bill, because it has worked. When commodity prices are high, producers receive their income from the market. When commodity prices are low, a safety net is in place to assists farmers and ranchers during those times of difficulty and uncertainty.

Furthermore, the current Farm Bill was enacted under the current structure of WTO trade rules. If Congress were to go in another direction and write a completely new

Farm Bill that reduces domestic supports while WTO talks remain suspended, then we reduce our negotiators' ability to get trading partners to make concessions of their own. These concessions should include lower tariffs, the removal of export subsidies, and fewer market access barriers that block our farmers' ability to compete fairly.

We also strongly believe that the economic health of American agriculture relies in large part on Congress approving an immediate extension of Trade Promotion Authority for the current administration. Extending TPA will allow U.S. trade negotiators to aggressively pursue regional and bilateral trade opportunities, which will secure market access for our farm goods that the Doha Round has not offered.

Having stated clearly our position on extending the current farm bill, we also 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 the sector will need to help ensure its vital economic performance. Agriculture will need these economic policies in place to help make the United States a place where producers want to establish and expand their operations. This only comes about through the right kinds of tax policies, labor laws that provide the flexibility needed while rewarding productivity, health care systems that continue to provide some of the best medical service in the world, infrastructure that allows ideas as well as product to flow and a regulatory environment that is responsible, commonsense and flexible. In short, we need to ensure that the competitive advantage provided to us by our soils, our climate and our productive capacity is not thwarted by inappropriate government restraints.

Knowing that the appropriate time to write another farm bill will arrive, it is important to discuss the good and bad surrounding the history of the current and past farm bills. The 2002 Farm Bill is very popular with producers across the country and Montana. The next Farm Bill should continue the structure and funding provided by the 2002 Farm Bill. The 2002 Farm Bill provided a long-term commitment to U.S. producers and it would be wrong to shift policy drastically after it has worked so well. The bill has provided a safety net for producers, will provide leverage for international trade negotiators, and provides a needed foundation for future conservation program support.

We must not forget the lessons we've learned from the past. In the 1980s, 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.

Some have argued 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: planting 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 provided a strong measure of progress on the environmental front. It is the "greenest" farm bill in history in terms of authorized conservation funding. 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. If consumers think they're getting a good deal by spending less than 12 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.

We must also focus on ensuring our future, the next generation in agriculture producers. How do we ensure the next generation of producers makes the decision to provide the food and fiber for our nation?

1. Education: A key factor in determining success in any future business is the education and experience base of the individual starting the new enterprise. While the United States has a world-class higher education system in agriculture, agribusiness and other specialty areas, other countries take different approaches. The agricultural education program in several European countries focuses more on the junior college or technical training program level than we do in the U.S. If European students complete their training, they are eligible for higher payments or they have access to programs that would otherwise not be available.

2. Relief aid programs: European countries offer relief services for farm operators. The relief usually comes in the form of younger certified farm workers, who want to get into farming, but lack capital. These relief or aid programs allow the farmer some time off for emergencies, while granting the younger worker more hands-on experience and ultimately revenue. The younger worker has gone through training including on-farm work and certification before being allowed to work on their own. This program allows them real-world experience without all of the real-world risk. This is not a recommendation or endorsement, but is an example of the kind of new thinking that needs to be brought to the table to encourage, and properly equip, young producers to join the industry.

3. Opportunity: The best way to create opportunities is to make agriculture profitable. Many young couples hoping to become involved in agriculture are dependent on outside sources of income to pay bills. This may make it difficult to transfer into fulltime producers unless a stable flow of income is established quickly. Ensuring consistent pricing that is profitable will help create more economic opportunities for young producers to make this transition. The most effective plan for improved rural economic development is a profitable and productive agriculture.

Payment Limits:

Farm Bureau continues to oppose any changes in current farm bill payment limitations. One of the primary objectives of the 2002 Farm Bill was to improve the financial safety net available to farmers and to eliminate the need for annual emergency assistance packages. If limitations on benefits are made more restrictive, a significant number of farmers would not benefit from the improved safety net. Simply stated, payment limits bite hardest when commodity prices are lowest. Proponents of tighter, more restrictive limitations argue that farm programs cause farmers to enlarge their operations. They also argue that a few producers are receiving most of the benefits. This oversimplifies farm economics. Farmers expand in order to achieve economy of scale and to be competitive in domestic and international markets. Randomly established limitations and increased regulatory burdens do not promote efficiency or competitiveness, but they do increase costs and increase the workload for USDA employees.

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, fuel 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.

CONSERVATION

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. Market forces can be used to enhance these environmental objectives. U.S. farmers have historically shown that if the market provides sufficient incentives, such as $3.00 per bushel of corn or $4.00 per bushel of wheat, we can produce an abundant supply of these commodities. Similarly, if a voluntary incentive is offered for a desirable environmental outcome, farmers will overwhelm America with improved soil conservation, water quality, air quality and wildlife habitats. Two current programs that embrace this and are good for production agriculture are highlighted below.

1. CSP: We expect programs like the Conservation Security Program (CSP), or programs applying conservation practices on "working lands," to become the linchpin 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.

2. EQIP: 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, and to 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. The additional resources EQIP has provided to producers over the last several years have been welcomed in terms of addressing a variety of environmental and natural resource challenges

ENERGY

A broader energy section is needed to reflect the increased cost of current energy inputs, including fertilizers and the increased interest in renewable fuels since the 2002 Farm Bill. Any ethanol projections should remember the effect increased ethanol will have on corn supplies, and thus all feed supplies, and corn payments, thus all feed payments as stated by Ross Korvis in a paper titled Farm Policy Beyond 2007.

AGRICULTURE INSURANCE

More discussion and time need to be spent on developing alternative insurance avenues as we may be looking to move away from traditional payments. These are great tools, but we must be cautious and make sure they work before putting all of our eggs in one basket.

INTERNATIONAL MARKETING

As the goals of the WTO switch to more market access, it is imperative that the United States take advantage of this opportunity to market our products to the fullest overseas. Our American Trade Office, USMEF, and USGC do a great job with extremely limited budgets. Cutting these budgets in times of money shortages might seem easier than cutting domestically, but unfortunately is very short sighted. We are competing with some countries whose promotions budgets are 80 times that of the United States. Once a market is lost, it takes 7 years to regain access. Keeping these markets and expanding them is vital to the WTO goals of the United States. It is time that our marketing budgets reflect this priority. Attending international food shows, as some of our members have and seeing first hand how the United States presence is falling behind the curve is no way for the Super Power of the World to be seen world wide. It is time to take pride in our food products and gain market access world wide by funding our trade promotion offices adequately.

Comments on Renewal of the Farm Bill
Submitted by Mr. Leo McDonnell of Columbus, MT
on Behalf of R-CALF USA
To the Senate Committee on Agriculture, Nutrition & Forestry
Regional Farm Bill Hearing
Great Falls, Montana

August 17, 2006

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

I. Introduction

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

[1] Mr. McDonnell can be contacted at 1610 Hwy 10, Columbus, MT 59019.
[2] U.S. Department of Agriculture, National Agricultural Statistics Service Agricultural Statistics Database, *U.S. and All States Data – Cattle and Calves*, 1994 – 2005.
[3] *Id.*

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

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

II. Ensure Genuine Competition in the Domestic Cattle Market

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

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

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

[5] McDonald at 7.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

III. Safeguard Health and Safety

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

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

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

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

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

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

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

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

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

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

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

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

19 USDA PSD Database.

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

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

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

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

IV. <u>Provide Information to Beef Consumers</u>

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

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

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

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

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

V. Address Global Distortions in Cattle and Beef Trade

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VII. Conclusion

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

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

Betty Sampsel
Stanford, Montana
representing the Montana Wool Growers Association

On behalf of the 1,200 sheep producers in Montana, I am very appreciative of this opportunity to discuss our nation's agricultural policy with the agriculture leadership of the United States Senate. I am Betty Sampsel, President of the Montana Wool Growers Association. I, and my husband John raise sheep and cattle on a ranch just to the east of here near Stanford, Montana. My family has a long history with the Montana sheep industry and John and I hope our children will follow working the ranch. 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 the priorities are shared by a majority of the sheep producers in the Montana Wool Growers 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 – 1988. 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 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. The sheep industry actively participates in the USDA Foreign Market Development, Market Access Program and Quality Samples Program and encourage inclusion of these in the Farm bill. 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. 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. Secretary Johanns conducted a number of field hearings last year on the Farm bill. There is strong support 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 - 2004. 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. Thank you for the opportunity to provide the sheep industry priorities for the next Farm Bill.

National Association of Wheat Growers
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Dale Schuler, President
National Association of Wheat Growers
before
the Senate Agriculture, Nutrition and Forestry Committee
Farm Bill Regional Hearing
Great Falls, Montana
August 17, 2006

Mr. Chairman and Members of the Committee, my name is Dale Schuler. I am a wheat farmer from Carter, Montana, and am currently serving as the President of the National Association of Wheat Growers (NAWG). I thank you for this opportunity to discuss our members' concerns about the current Farm Bill and our thoughts on the 2007 Farm Bill.

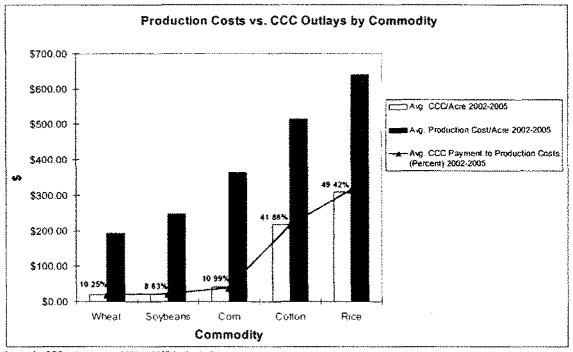
Effective farm legislation is essential, not only for wheat growers, but also for rural economies and American consumers. Farm programs were designed to cushion the boom and bust cycles that are inherent to agricultural production and to ensure a consistently safe, affordable and abundant food supply for the American people.

The 2002 Farm Bill has strong points, and the wheat growers that I represent here today believe that the next Farm Bill should build on these strengths. But, while wheat growers generally support current policy, much of the "safety net" provided by the 2002 bill has not been effective for wheat farmers.

Since 2002, wheat growers have received little or no benefit from two key components of the current bill, the counter cyclical program and loan deficiency payment program, for two main reasons. First, severe weather conditions for several consecutive years in many wheat states have led to significantly lower yields or total failure. The loan program and the LDP are useless when you have no crop. Secondly, the target price on the counter cyclical program for wheat was set considerably lower than market conditions indicated, and severe weather conditions in some areas have created a short crop, which has led to higher prices in other areas. As a result, there has been very little support in the form of counter cyclical payments.

As you can see by the chart in my testimony, the support level for wheat compared to other commodities for the 2002 to 2005 (estimated) crop years, even as a percentage of production costs, is relatively low.

	Wheat	Soybean	Corn	Cotton	Rice
AVG CCC/Acre '02-'05E	$19.71	$20.67	$40.68	$216.38	$308.87
AVG Production Costs/acre '02-'05E	$192.64	$245.25	$362.61	$513.81	$638.76
AVG CCC to Production costs (%)	10.25%	8.63%	10.99%	41.68%	49.42%



Source for CCC outlays, years 2001 to 2005 (estimated)
http://www.ers.usda.gov/publications/agoutlook/aotables/2006/03Mar/aotab35.xls
Sources for production costs/acre: http://www.ers.usda.gov/Data/CostsandReturns/testpick.htm

We are not, in any way, suggesting that other crops receive too much support – far from it, they face the same problems our growers face and rely heavily on this safety net. We are simply stating that wheat producers need a viable safety net also. There is no doubt that America's farmers would rather depend on the markets than the government for their livelihoods, but the current economic and trade environments do not offer a level playing field in the global marketplace. Many of our trading partners support their farmers at a much higher rate than in the U.S. At the same time, we face continually increasing production and transportation costs. Fuel and fertilizer prices are up an estimated 24 to 27 percent for wheat growers just from last year, as estimated in a recent FAPRI report, and the current disaster situation, including droughts, floods and fires, has been especially troubling for our members.

These issues, along with potential changes in the World Trade Organization rules, have led us to begin looking at other options for the 2007 bill. While we are not currently committed to any one proposal, we are analyzing the effects of making minor changes to program components.

For instance, we are examining the impact of increasing the direct payment. This component provides the most reliable cash flow of all program components and, as such, greatly aids in securing operating credit. We are also studying an increase in the target price to be more aligned with today's market conditions while leaving the current structure of the loan program as is. Another concept involves altering the counter cyclical program to be based on revenue rather than price alone. I expect our full board will be looking closely at the effects of these options and others in the near future and will soon be recommending specific proposals.

Also, our members would like to see the conservation programs continue as presently authorized, but with full funding, and we would like to explore opportunities to streamline program sign-up to be less time consuming and more producer friendly. We also believe strongly in the pursuit of renewable energy from agricultural sources and support additional incentives for further research and development of renewable energy initiatives, specifically cellulosic ethanol.

In closing, I must state that we are firmly committed to developing an effective 2007 farm bill and welcome the opportunity to work with you to do so.

Thank you for this opportunity. I am ready to answer any questions you may have.

STATEMENT of the NATIONAL POTATO COUNCIL on the 2007 FARM BILL for the SENATE AGRICULTURE COMMITTEE
Hearing on August 17, 2006 in Great Falls, Montana

Presented by:
Sid Schutter

Mr. Chairman, welcome to Montana. I appreciate the opportunity to provide input to your Committee as you continue the process of determining farmers needs as you begin the process of developing the policies that will be incorporated into the 2007 Farm Bill. I am a potato seed grower from Manhattan, Montana. Along with my sons I operate a 1400 acre farm where we grow 250 acres of seed potatoes and 100 acres of rotational crops including wheat, barley, edible peas and alfalfa. My family is committed to agriculture today and to providing the opportunity for my sons to continue to farm and farm profitably.

Today I am representing the National Potato Council of which I am a member of the Board of Directors. The NPC represents U.S. potato growers in Washington, D.C., on implementing pubic policy that helps to secure a healthy future for the U.S. potato industry. I want to highlight the involvement of the NPC with fruit and vegetable and specialty crop growers from all areas of the country that have joined together to develop a consensus on the needs of our varied industries and are developing our priorities for the 2007 Farm Bill that will address those needs.

As you and the other members of the Committee are aware so-called Specialty crops (fruit, vegetable and tree nuts) production in the United States accounts for $34 billion in farm gate value, or 30 percent of farm cash receipts for crops. With the addition of nursery and greenhouse production, overall specialty crops account for over 44 percent of farm gate value for crops. From a more parochial point of view potatoes account for around $3.4 billion or ten percent of that farm gate value. As the Congress develops the 2007 Farm Bill we believe it is appropriate that specialty crops, including potatoes, are included as full partners in the policy discussion.

I want to address several general issues related to the 2007 Farm Bill, then highlight some of the principles that we believe must be addressed in the 2007 legislation to allow potato growers and their counterparts growing specialty crops and fruits and vegetables to remain or in most cases to become profitable in the long term. Finally, I have included in my statement a more specific list of farm bill priorities being used by the broader industry groups to develop specific recommendations.

I want to be perfectly clear on the type and nature of involvement that potato growers and the fruit and vegetable industry will be looking to the Congress to provide. Potato growers do not want, or are we seeking direct payments of any kind. We believe those payments will only distort our markets. We are asking the Congress to help provide indirect support to improving the competitiveness of our industry by funding programs for fruits and vegetables that will help improve the quality of the infrastructure, expand use of conservation programs, improve our export possibilities, provide protection from invasive pests and expand research.

Currently, the farm bill legislation contains language that creates balance and applies a sense of fairness between those producers who receive direct program payments on acres that have a history of being planted to program crops. It is critical that your committee understand clearly the importance of these provisions to potato growers. The demand for potatoes is very inelastic. Small changes in supply can result in dramatic reductions in price and resulting collapses in producer income. We believe it is a fundamental issue of fairness to preserve the restrictions that prevent the planting of fruits and vegetables on acres that are the basis for direct, indirect or counter cyclical payments to growers. We strongly support maintaining the planting flexibility provisions contained in the current farm bill.

Currently, one in ten rows of potatoes enter export markets in a variety of forms. Our industry is supportive of trade and was hopeful that the Doha Round of trade negotiations would produce dramatic increases in market access. The collapse of the Doha round is a disappointment but it is no reason to postpone adoption of the next generation of farm policy in the United States. We urge you to continue to move forward with the goal of completing the 2007 Farm Bill for implementation for the 2008 crop year. The policy options being offered by the potato industry and our specialty crop coalition partners are a good template for the future. We should act on them now.

The following principles set forth the broad principles of the specialty crop coalition. They will provide the Committee with a solid understanding of the core concerns of the potato industry in the 2007 Farm Bill.

- 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.

- 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.

- 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.

- 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.

- 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.

The following are specific priorities developed from the principles that focus on more specific policy areas and provide the Committee with additional understanding of the potato industries goals in specific areas.

- **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 investments in prevention of the unintentional introduction of plant pests and diseases as well as an emergency response fund to effectively and immedialty deal with pest and disease outbreaks in the U.S.. 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 (EQUIP) 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.

Thank you for the opportunity to provide input. We look forward to the opportunity to work with you and the Committee to develop a farm policy that meets the needs of all agriculture producers in the United States.

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Statement by Paul Tyler
On behalf of the U.S. Canola Association

Before a Hearing of the
Committee on Agriculture, Nutrition, and Forestry
U.S. Senate

August 17, 2006

Mr. Chairman, Members of Committee: Thank you for the invitation to testify today about the policies canola producers would like to see included in the next farm bill. I am the Past-President of the U.S. Canola Association (USCA) and am here today on behalf of the Association. I farm near Moore, Montana, where we grow canola, wheat, barley, dry peas, oats, hay and we also run a cow/calf operation.

Canola is one of the "minor oilseed" program crops, known for its low saturated, but high unsaturated fat content. Canola growers pride themselves in growing the healthiest cooking oil available for human consumption in that the 7 percent saturated fat content is the lowest of any vegetable oil. However, the United States does not currently grow enough canola to meet domestic demand, since 925,000 metric tons are projected to be imported in 2006/07, up from 500,000 metric tons imported the previous year. These imports complement the current annual production of 500-600 thousand metric tons that are grown on about 1 million acres in the United States. This production comes primarily from the Northern Plains, but there is much interest in growing canola by producers in many regions of the country. Most notably, the Southern Plains Region of Oklahoma and Kansas has seen recent acreage expand from less than a thousand acres in 2002 to 60,000 acres in 2006.

The safety-net provided for canola by the 2002 Farm Bill, as with the other oilseeds, relies primarily on the Marketing Loan Program. There is strong interest among canola growers to keep a viable Marketing Loan option available in the new farm program. However, if WTO concerns were to mandate diminishing the importance of the Marketing Loan, a viable alternative would need to be developed to provide a safety net for producers. A Revenue Assurance concept has been explored by some commodity groups, and the USCA is open to looking further into the viability of this, as well as other options, should it be necessary.

USCA urges the Committee to construct the supports provided by the next farm bill in a manner that is equitable amongst the eligible crops. We continue to support planting flexibility, and with that flexibility, farmers should make their planting decisions based on market demand rather than program opportunities. The USCA also supports the continuation of Direct Payments for program crops.

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While canola producers have been faced with a drought this year, especially in the Southern Plains; in previous years, excessive rainfall has also been a problem. For this reason, the USCA supports the development and inclusion of a permanent disaster provision in the next farm bill. Such a provision would help mitigate the shallow losses producers incur when crops do not exceed the standard 30 percent loss threshold of most crop insurance policies. USCA also strongly supports current legislation now being considered by Congress to provide disaster assistance for the 2005 crop year, and would encourage Congress to include the 2006 crop year in the legislation.

To help the United Stated decrease its energy dependence on imported crude oil, the USCA also supports a stronger Energy Title in the next farm bill, perhaps even the consideration of an "energy incentive" for planting a bio-fuel crop. USCA also encourages the Committee to develop and include options to bring Conservation Reserve Program acres back into bio-energy production to help meet the country's growing energy needs.

In closing, I want to again thank the Committee for the opportunity to testify about the make-up of the next farm bill. The USCA fully understands that the WTO negotiations as well as budget deficits may complicate the Committee's work when developing the next farm bill. However, the ever-growing financial risk in today's agriculture requires that farmers be provided with some protection from collapsed markets, surging input costs and adverse weather if the United States is to maintain a viable domestically grown supply of food. USCA is prepared to work with Congress to find workable provisions for the next farm bill and look forward to working with you. I will be happy to address any questions you may have at this time.

Paul Tyler

Paul Tyler
Past President, U.S. Canola Association

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Farm Bill Hearing : Great Falls, MT August 17, 2006

Good morning, my name is Mike Wendland. Senators Salazar and Chambliss, welcome to Montana, and Thank You Senators Baucus and Burns for arranging this hearing in MT. Thank you for the opportunity to speak with you today. I am a 4th generation, dryland farmer from Rudyard, MT and I raise small grains and some livestock. My comments today are my own and do not necessarily reflect all conservation concerns.

I have a CSP contract and have land enrolled in CRP. However, most of my agricultural production is at my own expense, as it would be for most MT operators. I have planted field windbreaks and most recently have incorporated minimum till and no-till practices in the operation. Some of my decisions have come about as a result of the extended drought in our area, but they have shown great benefits both in wind erosion savings and wildlife habit. Components of the Conservation Title have been important to me.

I have been a Conservation District supervisor for 20 years and have seen the growth and transition of responsibilities for Conservation Districts over my tenure. While I represent a local Conservation District, and am a Director of the Montana Association of Conservation Districts, I also serve as a board member to the National Association of Conservation Districts, including the NACD Farm Bill Task Force. Our task force has outlined specific ways to continue what was gained in the Conservation Title of the 2002 Farm Bill.

My submitted testimony includes more than I can tell you in the few minutes we have here today, but I will highlight a few things that I <u>believe</u> are important as we consider the next Farm Bill.

Technical Assistance: There is a strong demand and need for technical assistance. It is vital if NRCS and Technical Service Providers can continue to work at the local level with landowners, Conservation Districts, and other partners. Limited staffing in local field offices often leads to problems with program delivery and implementation. Whole farm conservation planning prior to program participation would be much more effective for implementation of management and infrastructure changes. The financial assistance component of Working Lands conservation programs should absolutely be kept at current levels or increased. It is often the incentive that brings producers to NRCS and CD offices initially, and enables producers to make management changes.

Education and Outreach to landowners and the general public are important for the successful delivery of the Conservation Title of the next farm bill. Education and outreach are areas that conservation districts have been able assist with the delivery of farm programs. Through tours and workshops, we are able to help producers understand and see first hand farm program results. In Montana, Youth Education programs have also been an important part of CD's work. The Envirothon and Youth Range Camp are just a couple examples that have been very successful in Montana. As the migration from urban to some rural areas continues (like Western MT), education programs are vital for new landowners to manage their operations in a sound manner, especially when recreation activities are their priority.

Local input: It is essential that local priorities be integrated into federal conservation programs. Local work groups and State Technical Committees are important in accomplishing this task – this has been a very successful element in Montana that should be retained. Perhaps other states could model Montana means of balancing wildlife habitat and production agriculture.

And one final concern is noxious weeds or invasive species that threaten all of production agriculture, including my operation. It is important to control them not only on our home places but also on all public land, including national parks, so they don't spread any further. It breaks my heart to drive down the roads and see all of the spotted knap weed, morning glory and leafy spurge. More research is needed to prevent and control invasive species, as well as financial and technical assistance to get the job done on private and public lands.

Thank you again for the opportunity to speak today and I would try to answer any questions.

Mike Wendland
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DOCUMENTS SUBMITTED FOR THE RECORD

AUGUST 17, 2006

Statement of the
American Honey Producers Association, Inc.
for the
Committee on Committee on Agriculture, Nutrition & Forestry
United States Senate

Public Field Hearing: Great Falls, Montana

August 17, 2006

I. Introduction

Good morning. I am Steve Park of Harlowton, Montana, and I serve as President of the American Honey Producers Association ("AHPA"). AHPA is a national organization of commercial beekeepers actively engaged in honey production throughout the country. I am here today to request your assistance in continuing to support the U.S. honey bee industry as your Committee begins to craft the 2007 Farm Bill.

II. The Importance of Honey Bees to U.S. Agriculture

As you know, honey bees fill a unique position in contemporary U.S. agriculture. They pollinate more than 90 different food, fiber, and seed crops, valued at more than $20 billion a year in the United States, according to the Department of Agriculture. Honey bees are necessary for the production of such diverse crops as cotton, alfalfa, soybeans, almonds, apples, oranges, melons, apricots, vegetable seed, melons, and berries, among others.

In fact, every third bite of food we eat has been pollinated by honey bees. More than 140 billion bees (representing 2 million colonies) are transported across the country every year to pollinate crops grown in the U.S. The importance of this work is illustrated by the pollination of California's $2 billion almond crop—the state's largest agricultural export. California grows 100 percent of the nation's almond crop and supplies 80 percent of the world's almonds. Honey bees are transported from all over the nation to pollinate California's almond crop, which is the largest single crop requiring honey bees for pollination. Approximately 1.4 million honey bee hives are needed to pollinate 650 million acres of almond groves that line California's Central Valley. That means some two-thirds of the managed colonies in the U.S. are involved in pollinating almonds in California during February and early March. Having enough bees to pollinate the almond crop can mean the difference between a good crop and disaster. As one news report noted in January of this year, growing almonds without honey bees "is like sky diving without a parachute." Many other U.S. producers also rely on extensive honey bee pollination. A blueberry grower recently put it quite succinctly -- "without bees in May there are no blueberries in August."

III. Issues of Interest

First, we wish to thank the Committee for the strong support it has provided to the honey industry. The industry faces various challenges today, and, thus, we appreciate very much your assistance in addressing five key issues: (1) supporting successful efforts to stop unfair imports from China and other countries; (2) ensuring that the severely impacted honey industry is included in any drought assistance package; (3) continuing to provide an appropriate safety net for honey producers in the new Farm Bill; (4) supporting critical honey bee research conducted by the USDA Agricultural Research Service ("ARS") labs; and (5) correcting serious problems with current Postal Service policy and carrier practices regarding the shipment of queen bees and other live animals.

A. *Unfair Imports*

In recent years, the AHPA and our members have expended considerable time, effort and expense in actively pursuing our rights under U.S. law to prevent unfair "dumped" imports of foreign honey. In early 2002, our industry won an hard-fought antidumping duty ("AD") case against unfairly traded Chinese honey. In the year after the AD order was issued in that case, it had very positive effects, helping to restore fair prices and reduce imports of unfairly traded honey. However, beginning in 2003, Chinese producers began to exploit a loophole in U.S. law to evade the effect of the AD order. Under this loophole, importers from so-called "new shippers" could secure deposits of estimated AD duties by posting bonds instead of making cash deposits. Importers often closed shop and "skipped out" on these bonds, making it difficult for U.S. Customs and Border Protection ("CBP") to collect duties and severely weakening the deterrent effect of the AD order. As a result of these abuses, U.S. imports of honey from China surged from 17 million pounds in 2002 to 65 million pounds in 2005. Over the past two years, new shipper bonding abuse virtually wrecked the U.S. honey market, and prevented many hardworking U.S. producers from selling their crops. This bonding loophole caused similar problems in AD cases involving other commodities, including garlic, mushrooms and crawfish, leaving CBP unable to collect hundreds of millions in AD duties.

Fortunately, Congress has come to our aid and closed this serious loophole in the trade laws. A provision of the recently enacted pension reform bill (H.R. 4) has suspended until June 30, 2009 the option of posting bonds in new shipper cases. New shipper imports must now be covered by cash deposits, as is the rule in other types of AD cases. We are hopeful that this important change in the law will restore fair prices and allow the AD order on honey to work as the law intends.

We would like to thank the Members of this Committee for supporting elimination of the new shipper bonding loophole. This bipartisan legislation, introduced in original form by Senators Cochran and Byrd, had numerous co-sponsors, including Senator Burns and many of you on this panel. We certainly appreciate the efforts of Finance Committee Chairman Grassley and that Committee's Ranking Member, Senator Baucus, who developed and strongly supported the version of the bill that became law. U.S. agriculture sectors that depend on commercial bee pollination, such as the almond, cotton, blueberry, and seed crop sectors, also strongly supported this effort.

We understand that unscrupulous foreign honey producers will continue to try to evade the AD order and engage in other unfair trade practices. The AHPA will continue to defend our industry against these abuses and would appreciate the Committee's continued help in this effort to the extent necessary.

B. *Drought Assistance*

The current drought situation, especially throughout the Midwest which is the leading honey production area, has also had a devastating effect on our industry. It has rained so little in the past year that many of the flowers and trees that bees rely on for nectar have not bloomed. Because bees use nectar to make honey, the drought has caused a significant downturn in honey production. Midwestern producers normally harvest 100 pounds of honey from each colony; now, they are lucky to harvest 25 pounds per colony. Furthermore, the drought places severe stress on the bees, making them more susceptible to diseases and pests, thus significantly reducing their lifespan. Although honey is not currently eligible for the Federal crop insurance program, the industry is covered under USDA's noninsured assistance program ("NAP"). We ask that Congress include honey in any drought assistance provided legislatively under the NAP program, or through any *ad hoc* crop loss disaster programs for specialty crop producers. Additionally, we ask that application deadline for NAP be waived, given the severity of this situation.

C. *Farm Bill*

As your Committee begins the process of drafting the 2007 Farm Bill, AHPA hopes that the final legislative package will continue the honey industry's safety net—the honey marketing loan program. This program allows honey producers to survive in times of depressed honey prices. Although the industry so far has not needed to utilize the loan deficiency payment program for honey that was enacted as part of the last Farm Bill, we have experienced dramatic increases in loan activity, as a result of the new shipper problems I discussed earlier. However, AHPA recognizes the need to support honey prices at levels that enable honey producers to maintain viable operations. We ask that the Committee continue the honey marketing loan program while making any needed adjustments to the current loan rate based on updated production costs and other relevant factors, including higher fuel prices. Additionally, we ask that the new Farm Bill include provisions that allow the length of such loans to be extended from nine months to one year and that establish a reseal program for honey, similar to what is provided for other commodities.

D. *Research*

Fourth, we thank the Committee for its support of the four ARS Honey Bee Research Laboratories, which help assure the vitality of the American honey bee industry and U.S. agriculture. These labs provide the first line of defense against exotic parasite mites, Africanized bees, brood diseases and other new pests and pathogens that pose very serious and growing threats to the viability and productivity of honey bees and many important crops they pollinate. Since 1984, the survival of the honey bee has been threatened by continuing infestations of mites and pests for which appropriate controls are being developed by scientists at the four ARS laboratories. For example, the pinhead-sized Varroa mite is considered by many to be the most serious danger to honey bees and, as noted in a February 2005 USA Today article, has destroyed as much as sixty percent of the hives in some areas. These tiny parasites—also known as the "vampire mite"—attach themselves to the backs of adult bees and literally suck out their insides. Adequate and sustained funding of these vital ARS research efforts remains absolutely essential to the survival of our industry.

E. *Transportation of Queen Bees*

Finally, AHPA seeks your active support of S.2395, a bill sponsored by Senator Grassley and co-sponsored by Senators Harkin and Stevens, that will address problems our members are experiencing with regard to the transportation of queen bees. To provide effective pollination services for various crops, beekeepers must generally replace queen bees every two years and need queens to start new bee colonies. Mail shipments of queen bees are no longer made to many rural locations, and the use of alternative commercial carriers has led to an alarming rise in queen bee mortality rates (approaching fifty percent in recent months, versus the historical average of about one percent). This legislation would assure deliveries of live animals to rural destinations and would preclude carriers from refusing to carry live animals as air mail. Although the poultry industry was the original impetus for this legislation, this bill is also critical to ensuring that queen bees can be delivered promptly, efficiently, and safely through the mails to beekeepers throughout the U.S.

IV. Conclusion

In conclusion, on behalf of the AHPA, I wish to thank you again for your strong support of the honey bee industry and for your Committee's understanding of the critical importance of honey bees to U.S. agriculture. We look forward to continuing to work with you and your staff on issues of importance to the domestic honey industry. I would be pleased to respond to any questions that you or your colleagues may have.

Cascade County Conservation District
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Great Falls MT 59404
Telephone 406-727-3603, ext. 125
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To: Robert Strum, Chief Clerk
From: Cascade County Conservation District
Date: August 22, 2006
Re: Comments on the Great Falls Montana Field Hearing held on August 17, 2006

Conservation Districts were formed on a national level following the Dust Bowl of the 1930's, which brought attention to the need to conserve natural resources, particularly soil. The Soil Conservation Service, now the Natural Resources Conservation Service (NRCS) was created under the Soil Conservation Act of 1935 to develop and implement soil erosion control programs. In addition, a model Conservation District law for state governments was developed in 1937 under the leadership of President Roosevelt. The goal of the program was to create local leadership to coordinate the conservation efforts of the various entities and tailor them to local conditions and priorities. There are now more than 3,000 Conservation Districts nationwide.

The Cascade County Conservation District appreciates the opportunity to comment on the 2007 Farm Bill and thanks the Senate Agriculture Committee for coming to Montana to listen to our farmers and ranchers and glean input from them.

Conservation Districts share a single mission: to coordinate assistance from all available sources – public and private, local, state and federal – in an effort to develop locally driven solutions to natural resource concerns.

Due to the fact that we are charged with the protection and conservation of our natural resources, the Cascade County Conservation District is primarily concerned with the Conservation Title of the 2007 Farm Bill. A huge concern that needs to be addressed is the service in which producers receive from NRCS. The 2007 Farm Bill needs to address the continuation of staffing and adding additional staff in the Operations budget for NRCS field offices. Producers suffer because of the short staffing situations that occur around the United States. One potential solution would be to increase the funding for Technical Service Providers. Technical Service Providers can alleviate some of the workload, which enables NRCS staff to monitor and visit with the producers more about their particular concerns.

Programs like EQIP, should be given a high priority for funding. EQIP is viewed by the general public as a good assistance program because it is not a government handout, but rather a cost-share program. It is one of the best vehicles to get conservation implemented on the ground and we encourage more funding to be devoted to the EQIP program.

The Conservation Securities Program has a great concept of benefiting those who have implemented sound conservation practices in their operations. However, applications and screening tools need to be streamlined for the producers. In addition, we feel that this program should receive more funding.

We also feel that programs like the Wildlife Habitat Incentives Program (WHIP) Wetlands Reserve Program (WRP), the Farm and Ranchlands Protection Program (FRPP) and the Grasslands Reserve Program (GRP) should receive consideration of funding in the 2007 Farm Bill. These programs broaden the scope of the Farm Bill to address the increasing pressures that farmers and ranchers receive from the Endangered Species Act.

Conservation Districts work to identify local resource concerns, help prioritize funding and the focus of projects to have the greatest conservation and environmental benefit in the local community, benefits that are provided both to the landowner and the public. Everyone benefits from cleaner water, air and improved wildlife habitat and water management. We seek to coordinate the efforts of local, state and federal government programs and educate landowners and the public about the opportunities and benefits of Farm Bill Conservation programs. But more can always be done. Conservation Districts across the country have a strong conservation ethic and are committed to making these programs successful on our farms, in our community and for our environment.

Please consider the conservation of our natural resources as you write the 2007 Farm Bill. Thanks again for coming to Montana to listen to our concerns.

Sincerely,

CASCADE COUNTY CONSERVATION DISTRICT

Jill A. Lorang

Jill A. Lorang
Administrator

Recommendations for Consideration by the Senate Committee on Agriculture, Nutrition and Forestry for the 2007 Farm Bill Reauthorization.

The following recommendations are being submitted to the Committee on behalf of The Food Policy Council, Montana Food Bank Network (MFBN).

The recommendations in this paper reflect the most critical concerns of this Council as they would impact Montana. Many of the recommendations have been developed in collaboration with the Western Region Anti-Hunger Consortium (WRAHC). The Consortium includes anti-hunger representatives from Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, Oregon, Utah and Washington.

The Food Policy Council of MFBN is a member of WRAHC.

1. THE FOOD STAMP PROGRAM

INCREASE THE FOOD STAMP PROGRAM'S MINIMUM BENEFIT TO $25 PER MONTH

- **Current minimum benefit is set at $10 per month – an amount that has not been adjusted in 30 years even though food prices have increased multiple times.**
  - The very low minimum is one of the most significant reasons why many who are poor and eligible for the Food Stamp Program do not apply.
  - $10/month does not buy much food. Raising the minimum would increase participation among the low-income seniors and the disabled, who are often the recipients of this amount. This population lives on Social Security and cannot maintain their nutrition.

REDUCE MAJOR BARRIERS TO PARTICIPATION

- **Raise income eligibility thresholds to 185% 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.
- 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. We need a "Healthy Food Plan" to address reducing hunger and reducing obesity.
- Raise dependent child care deductions to $700 a month per child under age 2 and $500 per month per child age 2 and above.
- Analyze ways to address high housing costs in the program while not increasing program complexity.
- 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 it's 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."
- Eliminate work requirements for fulltime college students or allow college student school hours as countable work hours.

- Allow participants under age 18 who have children and who are living with their parents, to apply separately from their parents. (Current requirement of applying together results in undue hardship for grandparents and young military families; the only group of adults who may not apply as separate households.)
- Promote accuracy by agency staff in order to reduce the amount that clients have to pay back.
- **Rename the Food Stamp Program** to reduce stigma – a name that reflects "Family Nutrition."

MAKE FOOD STAMPS ACCESSIBLE TO ALL WHO ARE INCOME ELIGIBLE
Legal Immigrants, Able-Bodied Adults with No Dependents (ABAWDs), and Individuals with Prior Drug Felonies

- Restore eligibility for all qualified legal permanent residents.
- Restore eligibility to ABAWDs in the 2007 Farm Bill. ABAWDs were restricted to three months of food stamp eligibility in every three years if not working. The 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.
- If the ABAWD restrictions are to continue, we recommend simplifying the waiver process and basing waiver decisions on more accurate data regarding employment opportunities. The present rules do not adequately measure rates of unemployment in highly rural areas with small farmers.
- In addition, Food Stamp Employment and Training funding should be increased to allow more significant training and provide more individuals with the ability to retain access to food stamps.
- Rescind the lifetime ban on receipt of food stamps by individuals convicted of drug felonies. (MT has modified ban. Drug felons are the only ones that have to verify status.)

ACTIVELY PROMOTE 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 a combination of strategic policy change and targeted outreach.

Addition of the following changes in the activities eligible for reimbursement under the Food Stamp Outreach program federal match will greatly improve efficiency of outreach:

- Support the establishment of EBT systems at farmers' markets. Funding should support the purchasing of point of sale machines. The primary goal is to increase access fruit and vegetable consumption by food stamp participants by increasing the number of venues where food stamp recipients can purchase fruits and vegetables.
- Encourage 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.
- Allow transportation costs to the Food Stamp Office to be an acceptable outreach item-- giving out gas vouchers, or bus tickets.

- Provide enhanced outreach dollars (75% federal match) for certain outreach activities such as hotlines with live, trained staff who answer, and development of electronic application process.
- Require engagement of food retailers in outreach efforts for the Food Stamp Program as a condition of certification as a vendor.

CONTINUED SUPPORT OF THE FOOD STAMP NUTRITION EDUCATION PROGRAMS (FSNE) AND CREATE GREATER BENEFITS FOR LOCAL AGRICULTURE

- Continue supporting FSNE through continued funding.
- Continue support of partnership with Montana State University and FSNE program.

2. 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.

The Commodity Programs play key roles and are necessary to address hunger in America as the Food Stamp Program alone cannot meet all the food and nutrition needs.

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.
- Make a strong statement that all federal nutrition programs are necessary. Avoid pitting one program against another and the idea – for example, that CSFP can effectively be replaced by Food Stamps for seniors.
- Congress and USDA must 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 present our recommendations. We look forward to working with you in the future.

Minkie Medora, Chair
Montana Food Policy Council
Medora@bigsky.net

Kate Bradford, Director of Advocacy
Montana Food Bank Network
kbradford@montanafoodbanknetwork.org

Action for Healthy Kids™
Montana

August 23, 2006

Robert Sturm, Chief Clerk
U.S. Senate Committee on Agriculture, Nutrition & Forestry
Room 328-A Russell Senate Office Building
Washington, D.C. 20510-6000

Dear Mr. Sturm:

The Montana Action for Healthy Kids team operates as a committee of Eat Right Montana Coalition, a non-profit coalition with long-standing commitment to helping Montanans improve their health through nutrition and fitness. Team members includes a variety of health and education professionals at the state and local levels, Indian Tribes and Indian Health Service, chefs, parents, as well as state leaders of health and educational professional organizations. Our mission is dedicated to improving the health and wellness of our children in schools and communities through nutrition and physical activity where children learn, participate in, and enjoy healthy lifestyle behaviors.

We want to first thank Congress for making children's health a priority for schools with the recent passing of the School Wellness Policy as a result of the 2004 Child Nutrition Reauthorization Act. We are witnessing schools throughout Montana make positive changes to their school environment to provide nutrient rich, high fiber meals and snacks. However, schools need additional support to be able to adequately maintain high quality nutrition services (including capital equipment expenditures), afford more fresh fruits and vegetables, access whole grains and provide additional opportunities for physical activity for their students. We encourage Congress to find additional support for schools in implementing their wellness policies at the local level.

We want to lend our support to a stronger emphasis on child nutrition programs, and nutrition education for children and families in Montana. At the same time, we are concerned about the rise in the incidence of poverty and increased risk for food insecurity and hunger by the citizens in our state. According to recent Child Counts data, Montana's incidence of poverty is higher than the national level and has been on the rise in recent years. Child nutrition programs are vital to providing many children with up to two meals and a snack per day.

We are concerned with the current health status of children and how to help them develop healthier eating habits. According to the 2005 Youth Risk Behavior Survey, 22% of Montana teens are considered overweight or at risk for overweight. Montana is home to seven Native American reservations where these citizens are at higher risk for obesity (2002 estimates 39% of Native youth are overweight or at risk for overweight). Type 2 Diabetes is also on the rise in Americans and especially Native Americans. According to 2001 data collected from Indian Health Service, the rate of Type 2 Diabetes in children under the age of 15 has increased 25% since 1990 and has had a 106% increase in teens aged 16-19.

Numerous research studies have documented the critical link between nutrition and a child's readiness to learn. For example, children that eat school breakfast were shown to have significantly higher standardized achievement test scores than eligible non participants, (1998, Tufts School of Nutrition Sciences and Policy, 1998). School-aged children and adolescents who were iron deficient had lower standardized math scores when compared to their iron sufficient peers (Iron Deficiency and Cognitive Achievement Among School-Aged Children and Adolescents in the United States, Pediatrics S, Vol 107, No. 6, June 2001). If we expect individuals to take personal responsibility they must be adequately prepared. In order to achieve this, the government must invest in helping children and families access nutrient-rich foods at affordable prices. Schools, childcare programs and community programs need to be supported in their efforts to provide child nutrition programs as well as nutrition education in order to help teach children through healthful meals and snacks and classroom instruction.

We are seeing an increased interest from Montanans' in purchasing locally grown foods and schools starting Farm to School Programs but training, technical assistance and increased support for processing of Montana's agricultural products is needed to make Farm to School Programs a reality in Montana communities.

The time is right for stronger national support for increasing access to nutrient rich, wholesome and locally grown foods, as well as nutrition education and school wellness program.

Thank you for this opportunity to provide testimony. The health of the nation is critically linked to the Farm Bill.

Sincerely,

Katie Bark

Katie Bark, RD, LN
Chair, Montana Action for Healthy Kids
406-994-5641 or kbark@mt.gov

EAT RIGHT MONTANA

cc: Mary Hernandez, Chair Eat Right Montana
Amy Bernoski, Action for Healthy Kids

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SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY
FARM BILL REGIONAL HEARING
GREAT FALLS, MONTANA
AUGUST 17, 2006

STATEMENT OF MONTANA DIETETIC ASSOCIATION

My name is Christine Emerson and I am the President of the Montana Dietetic Association (MDA). I am representing the 230 members of the MDA and the 65,000 members of the American Dietetic Association (ADA). MDA and ADA commend the United States Senate for conducting a series of hearings as part of Farm Bill 2007 development. In addition, to the regional hearings, we ask that you hold a hearing on nutrition – in particular nutrition research, education and extension efforts – as part of the Farm Bill reauthorization process.

ADA is the largest organization of its kind and it is guided by a philosophy based on sound science and evidence-based practice. MDA and ADA members are sought-out participants in domestic and international discussions as they work on nearly every aspect of food, nutrition and health. As such, we are familiar with the importance of the Farm Bill on USDA food and nutrition resources.

The public needs an uncompromising commitment from their government to advance nutrition knowledge and to help people apply that knowledge to maintain and improve their health. Millions of Americans benefit from USDA food assistance programs, but we still see hunger in the United States. Co-existing with hunger is a national epidemic of overweight and obesity. In fact, overweight and obesity is the largest manifestation of malnutrition in the United States today. We also know that American children, who are a key recipient of USDA assistance programs, are overfed but undernourished. Studies show their physical stamina and activity have declined and their health literacy and knowledge is limited.

To address this sad commentary on the nutritional status of Americans, we recommend that the Senate address five key nutrition goals in their Farm Bill proposal.

USDA's food assistance programs must be available to those in need and adequately funded. USDA's domestic food assistance programs affect the daily lives of millions of people. About 1 in 5 Americans is estimated to participate in at least one food assistance program at some point during the year. The Food Stamp Program is a key component of the Federal food assistance programs, and provides crucial support to needy households. Food stamps reach those most in need. Most food stamp participants are children, with half of all participants under 18.[1] Households with children receive about three-quarters of all food stamp benefits. In addition, many food stamp participants are elderly or disabled.

Improving the nutritional status of Americans needs to rise in priority in food assistance programs, other food programs, and truly, for all Americans. A USDA study found a lack of several key nutrients in American diets, with nearly 93 percent of Americans having deficiencies in vitamin E.

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[1] U.S. Department of Agriculture, Food and Nutrition Service, Office of Analysis, Nutrition and Evaluation. *Characteristics of Food Stamps Households: Fiscal Year 2004,* FSP-05-CHAR, by Anni Poikolainen. Project Officer, Kate Fink. Alexandria, VA; 2005.

Americans also are not getting enough vitamin A, vitamin C or magnesium, according to the study. At the same time, consumers are eating too much of other dietary components. Almost 60 percent of the population consumes more than 10 percent of calories from saturated fat.[2] Approximately 95 percent of adult men and 75 percent of adult women exceed 2,300 mg of sodium per day.[3]

Increased investment in nutrition education and nutrition research is necessary and it must be sustained. If we expect consumers to take personal responsibility for making healthy choices, then we have a responsibility to make sure that they are adequately prepared. The government must invest in the nutrition research and nutrition education necessary to give Americans the knowledge and ability to make their own nutrition decisions. These nutrition recommendations and programs for the public must be based on sound science. Only the federal government has the public mandate and resources to carry out research on human nutrition needs and to develop dietary guidance that forms the basis for all federal nutrition programs. We believe federal research exploring the relationships between diet (particularly dietary patterns) and health is particularly important.

ADA is an advocate of grading the science behind recommended diets, nutrition guidelines and product label claims, and teaching consumers how to read, analyze and use that information. ADA has its own system of evidence grading that is serving as a model to government regulators and nutrition experts here and around the world. But information is not education.

Labels and pamphlets alone do not lead to behavior change. People have to be taught, and their educational experience needs reinforcement. Nutrition education that works is a worthwhile return on investment. Economic Research Service scientists have studied the connection between nutrition knowledge and food choices with Americans.[4] They have learned that in socio-economically matched individuals, a 1-point improvement on a nutrition knowledge scale correlates to a 7-percent improvement in diet quality. In matched households, an improvement in the primary meal preparer's knowledge translates to a 19-percent improvement in household meal quality. Clearly, nutrition education is one key to nutrition health.

Our experience has shown that registered dietitians are uniquely educated and trained to help people learn and incorporate healthful habits into their lives. ADA works continuously to make it possible for more Americans to have access to dietetic services through private sector and public program coverage.

Having up-to-date knowledge of the nutrition composition of the food supply is essential for all of work in food, nutrition and health to bear fruit. While our farmers continue to grow a wide variety of foods for consumers here and abroad, our knowledge about food composition, the foods that Americans are eating and how overall dietary patterns contribute to health have grown outdated; some data series have lapsed. Our food supply is changing in important ways over time, as are the types of diets that people eat. Farmers and consumers need to understand what those changes mean.

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[2] Briefel RR, Johnson CL. Secular trends in dietary intake in the United States. *Annu Rev Nutr.* 2004;24:401-431.
[3] Institute of Medicine. Dietary Reference Intakes for Water, Potassium, Sodium, Chloride, and Sulfate. Washington, DC: The National Academies Press; 2004.
[4] U.S. Department of Agriculture, Economic Research Service and Center for Nutrition Policy and Promotion. *USDA's Healthy Eating Index and Nutrition Information.* Technical Bulletin No. 1866, by Jayachandran N.Variyam, James Blaylock, David Smallwood, Peter Basiotis. Alexandria, VA; 1998.

Food security and food safety issues cannot be ignored. The traditional definition of food security has evolved beyond access to sufficient, healthy food and now encompasses an abundant food supply safe from intentional and unintentional contamination. Recent outbreaks of food and waterborne disease and threats of bioterrorism have focused attention on the safety of US food and water systems. The US government needs to play a proactive role in ensuring that appropriate food and water safety practices are implemented and followed and that research is conducted on possible future threats.

Conclusion

It has been more than a decade since Congress has made a comprehensive review of the nation's nutrition policies and programs. Discussions regarding USDA and nutrition typically focus on food assistance programs, but do not address the key underlying work being conducted by USDA researchers throughout the United States that forms the basis for the Federal nutrition information and education efforts affecting every American.

Clearly, there is significant potential benefit in addressing food, nutrition and health issues now, before circumstances deteriorate, and to ameliorate human as well as economic costs. There will be market needs for healthful products and services that can help the public become more involved with their health and health care management. But there are roles that currently are not being effectively addressed and may rightfully need to be addressed by public policy.

We need the U.S. Senate to address the now out-of-date perception that a safe, affordable, varied supply of food necessarily leads to a well-nourished, healthy population. It is time to shift to a new paradigm that is founded on people being able and willing to choose healthy diets for themselves and their families.

We ask the Senate Agriculture Committee hold a hearing on nutrition – in particular USDA nutrition research, education and extension efforts – as part of the Farm Bill process. We stand ready to provide recommended topics and witnesses that can help illuminate the vital role the farm bill reauthorization process plays in nutrition and the health of Americans.

Friday, August 18, 2006

Robert Sturm, Chief Clerk
U.S. Senate Committee on Agriculture, Nutrition, and Forestry
Room 328-A Russell Senate Office Building
Washington, D.C. 20510-6000

The Montana School Boards Association (MTSBA) appreciates the opportunity to provide comments on the development of the 2007 Farm Bill. The MTSBA represents over 1500 locally-elected officials – school district trustees – in over 350 school districts across the State of Montana. Agriculture is the foundation of the economy in many of these school districts and directly support providing a quality education for their students. Many locally-elected trustees, who serve as volunteers, are farmers and ranchers.

While we certainly support the testimony given by others in Montana to address the target price for wheat and the connection of agriculture to the production of renewable fuels, we would like to focus our comments on nutrition, in particular, the importance of nutrition programs for our schools and school children. We see the availability of dairy products, whole grain foods, fruits, and vegetables as key to the success of our students.

In school year 2004-2005, 272 Montana School Food Authorities participated in at least one of the U.S. Department of Agriculture programs – National School Lunch Program (NSLP), School Breakfast Program (SBP), Afterschool Snack Program, Special Milk Program, Summer Food Service Program (SFSP), the USDA Food Distribution Program (including the Fresh Fruit and Vegetable Program), Team Nutrition Program, and Montana Cooperative Bid Program. There are over 736 schools in the School Lunch Program alone. Montana school districts choose which programs, if any, they want to participate in based on local needs. MTSBA supports the vision of the Montana School Nutrition Programs that school communities provide children full access to healthful meals and snacks that nourish minds and bodies and school nutrition environments that encourage healthful lifestyles and are supported by community partnerships.

One of the key reasons we would urge the Committee to continue and expand efforts to make healthy and nutrition food options available to school-age children is because of the direct link of nutrition to student academic achievement. Without going into too much detail on studies that have been done in this area, we would ask you to consider:

- "Students who ate school breakfast often had math grades that averaged almost a letter grade higher than students who ate school breakfast rarely." – *Pediatrics*, Vol. 101 No.1, January 1998
- School breakfast resulted in significant: increases in math grades, decreases in student absences, decreases in student tardiness, and decreases in ratings of psychosocial problems. – Massachusetts General Hospital and Harvard Medical School Report
- "Children in the School Breakfast Program were shown to have significantly higher

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Lance L. Melton, Executive Director

> standardized achievement test scores than eligible non-participants." – Tufts University School of Nutrition Science and Policy, 1998

Montana is ranked 40th (of 50 states) in School Breakfast Program participation with 64% of the children who participate in the National School Lunch Program participating. This is far below the national average of 77.6%. Because of the clear evidence cited above, we would like to expand the accessibility of nutritious breakfasts to our school children and help the state better meet the needs of our low income children.

The current health statistics and trends of Montana's youth mirror that of the rest of the nation. According to the 2005 Montana Youth Risk Behavior Survey, 22% of high school teens describe themselves as being overweight or at risk for being overweight. Data collected in this survey also reports inadequate intake of nutrient rich foods such as fruits, vegetables, whole grains and dairy products among Montana's youth. Specifically, 83% of Montana teens do not consume adequate servings of fruits and vegetables, 78% report inadequate intake of milk, 72% do not participate in 30 minutes of moderate physical activity regularly and 8% report not getting any physical activity on a daily basis.

The nutritional health and lifestyle problems that face so many of the nation's youth are made even worse in the many regions of Montana recently referred to as "America's new ghetto." According to a recent article in the Economist Magazine (December 10, 2005), all 20 of the poorest counties in America may be found on the eastern flank of the Rocky Mountains or on the western Great Plains. Eight of the top ten poorest counties are located within Montana. Studies have clearly demonstrated an increased risk for nutrition and lifestyle related chronic disease among individuals living in poverty. Unfortunately, the number of these vulnerable individuals is increasing as the rural regions of the state struggle.

Montana is the fourth largest state in the nation; however, with less than one million people in the entire state, it is considered to be minimally populated. This poses unique challenges that must be overcome in order to adequately administer the School Nutrition Programs in Montana, much less provide additional technical assistance (such as nutrition education) to schools. Because of the low population density in the state, the majority of schools are very small, but still have the same administrative requirements and training needs as large schools. The U.S. Department of Agriculture (USDA) provides administrative funding for the State Agency (Montana School Nutrition Programs) based on a formula related to population size, without taking into consideration the challenges posed by the large geographical size of the state. These two issues, a significant number of small School Food Authorities and minimal administrative funding, pose a significant barrier to the State Agency in its efforts to reach all 270 participating schools; especially considering the rural, outlying location of many high risk schools.

Through work with school food service professionals, educators, school administrators, childcare professionals, Extension Service personnel, policy makers, and non-profit organizations, Montana School Nutrition Programs and Team Nutrition Program have made great strides in bettering the nutrition and physical activity environments for Montana's youth. Some examples of progress made in recent years include:

- Twenty percent of elementary schools have implemented a recess before lunch policy to offer a relaxed eating environment to encourage children to consume their meals and milk.
- Thirty-six percent of recently surveyed principals report that they are working toward policy changes that increase access to healthy food and beverage options.
- School Food Service Peer Educator Network allows school food service professionals to mentor their peers in providing training and technical assistance to other school foodservice personnel.
- School districts across the state have been made aware of the HealthierUS School Challenge program, with Lolo School receiving a Gold Award in March, 2006.
- Five schools (Whitefish Central, Bozeman, Ennis, Ronan, East Middle School in Great Falls) were recently featured in the USDA's *Sharing Your Success* Guide for their best practices in increasing access to healthy, eye-appealing meals and snacks or for limiting access to unhealthy snacks.
- Menu planning improvements in schools across Montana, but especially on Native American communities, are improving and meeting the USDA nutrient standards as a result of training and technical assistance.
- Child care providers report that the menu cycle developed by the Team Nutrition Program provide menus and recipes that are affordable, easy to implement, and popular with young children.

Plans for future training and technical assistance will be geared toward developing lifelong healthy eating and physical activity habits among youth. As a result of the 2004 Child Nutrition Reauthorization Act, schools around the state have spent the past year developing, refining and adopting individual district school wellness policies.

MTSBA encourages the Committee to consider how important efforts are to make fresh fruits and vegetables and whole grains available to school-age children. MTSBA will continue to work closely with the Montana Office of Public Instruction, the Montana Action for Healthy Kids, the Montana Healthy Schools Network, and many other concerned groups and individuals to promote the health of our children and to make sure we give them every opportunity to be ready to learn. Our efforts to address childhood obesity and the problems that arise because of it are focused on health and physical activity. The nutrition programs of the U.S. Department of Agriculture are vitally important to these efforts. We hope the Committee will support giving states, like Montana, the flexibility and the resources needed to continue these important programs.

Respectfully submitted,

Bob Vogel, MTSBA Director of Governmental Relations

SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

STATEMENT OF MONTANA SCHOOL NUTRITION ASSOCIATION

AUGUST 17, 2006

Good morning, Mr. Chairman, Senator Harkin. I am Carol Simanton, State President of the Montana School Nutrition Association and the Food Service Head Dietician at the Whitewater K-12 Schools in Whitewater, Montana. I am submitting comments today on behalf of the 258 members of the Montana 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 4th and continues to serve our country very well. If we are going to compete effectively in the world, we must educate our children. In order 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 served, in addition to the commodities for school lunch. 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. Senator Harkin has been a leader in this area and with the fruit and vegetable program, which we appreciate. Unfortunately, however, the new Wellness section of the law is leading to a patchwork quilt of different nutritional standards for the reimbursable meals program. The nutritional needs of a child in Georgia are the same as the nutritional needs in Iowa 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 and a section aimed at competitive foods is affecting the reimbursable meal as well. 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, Senator Harkin, thank you very much for holding this hearing and for allowing us to participate.

From Standley Brothers Partnership
Patrick B. Standley
@ partner

To: Robert Sturm and U.S. Senate committee on Agriculture, Nutrition and Forestry

I attended your meeting on the 2007 Farm Bill in Great Falls, Montana on August 17, 2006. I thought This was a very good idea. The panel asked important question s concerning Agriculture's future. The Energy situation in the United States and the world is having severe consequences on the BOTTOM LINE in Ag and many other industries.

Fuel to run our farm equipment, truck our products to markets, the rail rates-sometimes many miles away, have drastically increased in a mere four to five years. The diesel costs have jumped from approximately $.55 per gal. (red farm fuel) to approximately $2.90 per gal. at this time!

What has the price of product done- wheat, barley, hay? They have actually decreased, not even accounting the tremendous jump in input costs of fuel, fertilizer, steel, and labor, etc.

If you were running a business controlled by the Federal Government, ie, oil prices, import and export tariffs and quotas, and all these things are beyond our control, do you think the operation would be viable?

CRP was mentioned several times during this meeting. A panel member towards the end of the meeting was asked about CRP. He said that if the producer would get parity prices for their products, CRP would not affect small farm communities, implement dealers, and all the other dollars spent on production. Senator Max Baucus said he hadn't heard the parity word in a long time.

I guess I've discussed cost and income factors enough, so what are alternatives?

(l) to get a price for out commodities driven by production costs (PARITY)! The truckers increase rates, the airlines increase rates, businesses have to increase income to account for extra dollars spent or they can't operate! How does the farm operator increase his product price on their Government controlled commodities?

(2) to let the other counties export much more farm products to the U.S. and loose yet another industry to foreign markets????

In conclusion I hope that the 2007 Farm Bill addresses these totally inadequate farm commodities prices! Please consider the future of Agriculture in the U.S. in this Bill.

Our Family has farmed s/w of Great Falls, MT., area sine 1965 and before that my father and grandfather. We have raised irrigated and dry land barley, wheat, hay, Canola and cattle.

Your Attention to our concerns would be greatly appreciated. Thank You. Standley Brothers

Patrick B St[illegible]
Loretta M Standley
[illegible] H [illegible]

8-16-2006

Robert Sturm, Chief Clerk
U.S. Senate Committee on Agriculture,
Room 328 – Russell Senate Office Bldg.
Washington D.C. 205106000

Attn: Senator Max Baucus
Senator Conrad Burns

These comments are to be included as part of the hearing conducted in Great Falls by the U.S. Senate Agricultural Committee on August 17, 2006.

Having actively farmed small grains for now 60 years, growing up during the beginnings of the government farm programs, even attended many of the local meetings with my Dad from mid 1930s until the beginning of WWII. The only government farm payments my family received in those early days that I recall was 50 cents per acre for initiating & participating in the crop – fallow (strip farming) program, still a good practice for the Northern Great Plains.

I have two concerns the first is not what needs to be change or wiped out but what needs to be retained. The Commodity Loan Program, for small grains has served the farmer well over many years, at very little cost to the government's farm budget. In the many years that I used this program, it providing orderly marketing and only twice was it necessary for me to turn over a small portion of my crop in payment of the loan. In all other years the loan was paid in full, plus interest that was accessed by Commodity Credit Corp. Lets not hear that all government farm programs were a failure from the beginning because that is inaccurate.

Again I would reiterate, do not let foreign countries dictate how this country should treat our own farmers. In the event there are those that do not understand, the grain farmer is at the end of the chain, there is no one to pass on to, the increased production cost or dump on the back of others as in most businesses. We take what we are offered by the grain trade & the monopolistic transportation industry. Above all, save the Commodity Loan Program that provides a floor in the market.

Second point is the emphasis being place on CONSERVATION as a great benefit to farmer. The word is a wonderful warm & fuzzy one that most people think sounds great. Not many would disagree with the necessity of employing it, nor would I. But the bottom line is conservation does not help your cash flow. It may be a benefit many years down the road but perhaps too late for a 2007- 2011 farmer.

Thank you for the opportunity for allowing me to make my ideas and concerns known.

Henry L. Armstrong - 6415 Panton Rd - Geraldine, MT 59446

P. O. Box 2163
Cut Bank, Montana 59427
August 22, 2006

U.S. Senate Committee on Agriculture, Nutrition, and Forestry
Russell Senate Office Building, Room 328-A
Washington, D.C. 20510-6000

Re: Comments on Farm Bill hearing August 17, 2006, Great Falls, Montana

Dear Senate Committee on Agriculture:

The CRP has been the whipping boy of the Farm Bill. Every time a new Farm Bill comes up the CRP is chipped away at. Money is taken away from the rental rate and new restrictions are strapped on the landowner. We are subjected to the whining of special interest groups that only have profits as their objective. There is never any mention of the substantial contributions of CRP. The hearings and listening sessions are dominated by representatives of special interests. Individual farmers have lost faith in their opinion being heard. Many farmers are so disillusioned with everything they feel there isn't any point to attend meetings with their Senators. Our voices are being drowned out by special interests and big business. All I ask is that you listen to my concerns and consider them.

The special interests at the hearing in Great Falls presented some myths about CRP. I would like to add my opinion.

MYTH: CRP has devastated the rural communities. CRP did not create the drought, the Costco's, the Home Depots, the Big R's, the Sam's Clubs, the Wal-Mart's, the high gas prices, or the obscene prices of farm equipment. The reality is rural communities were changing long before the CRP was adopted. When the CRP was first implemented financial enrichment of the landowner was a factor because of this change in rural communities. Some of the businesses that have closed have been replaced with other businesses.

The businesses that have been hindered by CRP are not grass roots businesses. The fuel, chemical and fertilizer, and equipment profits go to the multinationals not to the rural communities. The CEO of Exxon or the Agribusiness conglomerates don't need a few more dollars at the expense of CRP. The equipment business has priced itself out of business in the small communities. The reality is most farmers cannot afford $250,000 for a piece of equipment.

The money farmers receive from CRP stays in the communities. It goes to the local grocer, doctor, dentist, lumberyard, office store etc.

MYTH: CRP keeps young people out of farming. Before we placed our land in CRP we contacted a dozen neighboring farmers to lease our ground. The two that were interested didn't want to pay anything for it. There are plenty farms available for sale. The beginning farmers need to read the ads and contact real estate agents if they are truly interested. The problem is not CRP it is credit. The lending institutions are hesitant to lend to a beginning farmer. This past year in Glacier County the Hutterites purchased over 20,000 acres of farm land. This is almost half of the acres of land enrolled in CRP.

When Hutterites purchase farm ground it is very unlikely that it will ever be on the market again. There is farm land available but the young farmers must take the initiative to go after it. We have seen several farms in our county change ownership in the last few years.

MYTH: The CRP participants are going on trips to Hawaii, New York, and overseas. Those making these claims should provide the facts and figures. In the twenty years of our CRP I have never met or talked to any participants that have taken such trips. I personally would love to know how they do it as they have a secret that needs sharing with others.

Our CRP payment was reduced 35% from our 1986 contract. It amounts to seven cents an acre a day. After the property taxes, insurances, fuel, utilities, and other expenses there isn't enough left over for a trip. The money just isn't there. Trips would have to be funded by another source.

MYTH: A whole farm shouldn't be in CRP. There is a cap on the amount of money received from CRP and a 25% County cap. The CRP is voluntary. The participants with assistance decided the amount of acreage to place in CRP. The CRP prevents 450 million tons of soil from eroding each year. It has restored 1.8 million acres of wetlands. It has improved the quality of soil, water, air, and wildlife habitat. By taking land out of a whole farm that is already in CRP is defeating the purpose of conservation. It reduces the wildlife and wildlife habitat and adds to the emissions.

We worked hard to get an established stand in the CRP. It took several years to get a satisfactory stand after years of drought and no rain. The wildlife is abundant and they know where to go for refuge. It would be detrimental to the wildlife to chop a portion of their habitat out. We have over 37 varies of wildlife on our CRP. It is surrounded by farming that uses chemical fallow. The wildlife tries to avoid any ground that chemicals have been used on.

The CRP has already taken hits in payment reduction. The whole farms that are in CRP are in small acreage.

SUGGESTIONS: It is my suggestion that the CRP be left alone. It has been a very successful program. Conservation is crucial to the environment.

However, if there are changes made I would suggest that the soil types be removed. Remove the cumbersome unfair political county rates. Most of the soils haven't been tested. A computer program is used for most of the typing. Chief Old Person, a well-respected elder and Chief of the Blackfoot Nation said it best. A farmer in Glacier/Pondera County whose land is broken by the imaginary county line can place one foot in Glacier County and the other in Pondera County. The land under his right foot is worth ten dollars per acre more than the land under his left foot. Every computer program, mathematical model, and complex calculation is only as good as the person implementing it. When all is said and done, every equation and calculation in the world is only a tool as good as the information put into it. And as tool, can be used in any manner its implementer chooses. To paraphrase: Even the devil can quote scripture. The wildlife doesn't know if they are on or prefer Bo or Bs soil. Looking at a stand of Smooth Brome a soil conservationist cannot identify the soil type. It all looks the same. I suggest a flat rate per State. Think of the work and bureaucracy this would save. We have a bloated bureaucracy in the FSA and NRCS offices.

CONCLUSION: Murphy's Law says "If it isn't broken, don't fix it!"
The contributions of the Conservation Reserve Program far outweigh the whims of the special interests. Every time Congress tinkers with the CRP it ends up being a detriment to the participant and the conservation of the land. There isn't anyone getting rich off the CRP. Where can you rent an acre of land for five or seven cents a day? The reenrollment offer is $19. an acre. This is a 51% reduction from the 1986 contract. We go from middle class income to borderline poverty level. Our property tax is 20% of this payment. The expenses and taxes will only increase.

Conservation is thrown out the window when every square inch of farm land is planted. The application of all the chemicals on farm lands annually has detrimental affects on wildlife and humans. CRP land is an excellent reserve because in time the chemical saturated lands will lose production and many may become stagnant all together. It may well be the only productive land left will be the CRP. Don't destroy CRP. Don't add to the global warming. Don't add to the thirst for more fuel.

There is plenty of land available for young farmers. It is the lending institutions that curtail the number of young farmers not CRP. In Glacier County there is over $25 million dollars in farm land debt this year. There will be many farms for sale. No, the sales won't be due to CRP. It is the high cost of fuel, chemicals, equipment, and taxes as well as a ten-year drought. The price of grain is low and if more acreage is added it will be even lower.

I am confident that your decisions on the Farm Bill will be beneficial to the CRP. Please base your decisions on individuals rather than special interests.

Yours truly,

Irma J. Tweedy

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