S. HRG. 107–864

THE NEW FEDERAL FARM BILL FIELD HEARING FROM WORTHINGTON, MINNESOTA

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

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THE NEW FEDERAL FARM BILL FIELD HEARING FROM WORTHINGTON, MINNESOTA

SATURDAY, AUGUST 4, 2001

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

The committee met, pursuant to notice, at 2:12 p.m., in the Fine Arts Building, Minnesota West Community and Technical College, 1450 College Way, Worthington, Minnesota, Hon. Mark Dayton presiding.

Present or submitting a statement: Senators Dayton and Wellstone.

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

Senator DAYTON. We have a great audience here, so we are going to get quickly to their testimony, and then, we are going to keep our questions very limited so that we can make sure that we have not only an opportunity to hear from all of you but also, through the open mike, give an opportunity for anyone to speak his or her mind. We are going to try to move rapidly through our panel, asking them to limit their remarks to 3 minutes apiece and asking anyone at the open mike to limit their remarks to 2 minutes apiece, and if we get through everybody, then, who wants to say something, we will have an opportunity, then, to have a dialog following that.

That is our format, and I will save any opening remarks. I will keep them concise to that point. I was going to say that Mark Kennedy, our representative from the Second District, I am really delighted that you joined with us. It makes it both bicameral and bipartisan. I have learned at least in the Senate that these issues related to agriculture are much more provincial than partisan. I find in the upper Midwest, we are gathered together and pitting ourselves against some of the Senators of the same political party from, say, the Northeast in terms of the dairy compact and the like.

I look forward to working with you this year and the years ahead on the people we all represent. Maybe you would like to make opening remarks, Mark.

STATEMENT OF HON. MARK KENNEDY, A REPRESENTATIVE IN CONGRESS FROM MINNESOTA

Mr. KENNEDY. I would just like to echo those remarks and thank you for having this hearing; thank you for inviting me, and I applaud you on moving forward on this bill.

For agriculture policy to be successful, we not only have to have the House and Senate working together; but we have to be bipartisan, just as you said. I am very pleased that on the House ag bill that we just passed out that it was introduced by not only our chairman, who is the Republican chairman, but the ranking Democratic member proposed it together, and it was voted by a voice vote, so that both Republicans and Democrats supported it.

We do not have enough of the country that really cares about agriculture to really take a chance and be fighting about ag policy. We have to be together to keep that very delicate balance that we have had for farm support. I look forward to these hearings today and to hearing from our panel, and thank you for having me.

Senator DAYTON. Now, Senator Wellstone.

STATEMENT OF HON. PAUL WELLSTONE, A U.S. SENATOR FROM MINNESOTA

Senator WELLSTONE. Thank you, Mark. Well, first of all, I want to thank the panelists, and I want to thank everyone for being here on a Saturday afternoon, a pretty hot day at that. I love the fact that we are here at just a wonderful educational institution. That always means a lot to me as a teacher. I know I see sitting down here a lot of great people, but one of the individuals who has had the greatest impact on me in my adult life when it comes to family farm part of agriculture, which is where my passion lies, is Anne Kanten. Unless—I do not have my glasses on, but Anne is sitting right there, and I am just so pleased you are here. Thank you, Anne.

[Applause.]

Senator WELLSTONE. Kent as well, but I want to just say to both Marks that I appreciate your comments. I have so much to say that I do not want to start, because we want to move it along and have a lot of people speaking. I do want to introduce Sheila, who is with me, my wife, Sheila, and the only thing I would say is maybe I am being too dramatic about it, and I will not fill in the specifics, or I will go over 2 minutes. I feel a great sense of urgency about this. This is an extremely important meeting. I do not think we have a lot of time to get it right. I do not think we can afford to have another farm bill that does not work, that does not deal with the price crisis.

[Laughter.]

Senator WELLSTONE. I really do not. We are going to have the strongest focus on conservation and land stewardship that we have ever had, and I want to bring in all the faith community and people in the metro area, seeing the connection between whether we have a family farm structure of agriculture, and they have an affordable and safe supply of food. I definitely want to have an energy section, and everybody here knows what I mean by that. We have real potential with renewable energy policy and clean fuels, and I am interested in the whole rural economic development piece,

and Mark, in the last 20 seconds, the one thing I am most interested in of all is I want, in the worst possible way, as a 5 foot 5 inches Senator to have antitrust action and take on these monopolies that have way too much control and power in this industry.

[Applause.]

Senator DAYTON. As I said, we are very fortunate to have a really top-notch panel here, and I want to thank each and every one of you for taking time from your Saturday to be here, the leaders of our major farm organizations, and we will just start here closest to me, Dave Frederickson of the Minnesota Farmers Union, and then, we will work our way just sequentially across the table.

Welcome and thank you.

STATEMENT OF DAVE FREDERICKSON, PRESIDENT, MINNESOTA FARMERS UNION

Mr. FREDERICKSON. Thank you very much, Senator Dayton, and welcome to Worthington, Senator Dayton, Senator Wellstone, Congressman Kennedy; good to see all of you.

I am Dave Frederickson, president of the Minnesota Farmers Union, and on behalf of our family farmers, it is certainly an honor to be here and participate in this hearing. Because I have already given the committee detailed written testimony with suggestions for a new farm bill, and for those of you who are interested, there are about 50 copies laying down on the front, let me just take a little time to share some philosophical or key points, and let me add that I will do this in less than 2 minutes.

The guiding principle for the Farmers Union, for us, is that farmers want and need and frankly deserve a fair price from the marketplace, not from government. The current Farm bill and the one that the House Ag Committee approved last week fails on that basis. They make farmers more dependent on government payments and, frankly, not less. In contrast, here are about four ideas that the Farmers Union believes would make a better farm bill: establish a better marketing loan structure or program that creates appropriate floor safety net; the loan should be based on the full economic cost of production. The program, certainly, should be countercyclical.

No. 2, create a limited and dedicated reserve to ensure our ability to meet new demands, such as a renewable energy production; an international school lunch program. These reserves should be released only for specific purposes such as during times of short supply. Many of us in this room have lived under the old farm program, the new farm program, and many of us have built bins, paid for bins and continue to hold grain to take advantage of a higher market opportunity. Frankly, that is not available today, and it ought to be.

Three, for dairy producers, maintain or increase the current price support structure and supplement it with a countercyclical target price mechanism based on the cost of milk production. No. 4, target farm programs to those who need it. Big agribusiness corporations do not need Congressional help; small family farms do.

[Applause.]

Mr. FREDERICKSON. There is already too much concentration in agriculture; do not make it worse.

No. 5, and this is an add-on, continue to support the biodiesel effort. All farm organizations in Minnesota stood shoulder-to-shoulder on that issue in the Minnesota Legislature, and we lost. That ought to make producers nervous.

Some of the other issues that are important to the Farmers Union such as stopping unfair trade practices, crop insurance voluntary cost containment through flex-fallow programs are covered in my written testimony. Thank you for the opportunity to appear before the committee today and to discuss these important issues. We look forward to working with all of you in the near future.

[The prepared statement of Mr. Frederickson can be found in the appendix on page 42.]

Senator DAYTON. Thank you, Dave.

Next is Bob Arndt with the National Farmers Organization, Minnesota NFO. Welcome, Bob.

STATEMENT OF BOB ARNDT, PRESIDENT, MINNESOTA NATIONAL FARMERS ORGANIZATION

Mr. ARNDT. Thank you, Senator.

Senator Wellstone, Senator Dayton, Congressman Kennedy, I am Bob Arndt. I am President of the Minnesota National Farmers Organization. I farm near Echo, Minnesota. I certainly appreciate the opportunity to testify on behalf of our fellow NFO farmer members.

America's production agriculture is an economic powerhouse. It affects the economic wellbeing of not only 2 million family farms but also the tens of millions of families that live throughout the rural communities of what we call America. I submit to you that whoever provides the risk capital to produce the next crop will control the destiny of rural America and America's food production industry for the next year.

That risk capital that we use each year will either come from the farmer owner-operator's assets, or it will come from multinational absentee investors who will fill the vacuum that low farm prices and a loss of income leaves. The next Farm bill will largely determine who will control America's food production industry in the next decade.

For too long, we have listened to the persuasion of multinational grain merchants and international trade entities, and we have ignored the fundamentals of the benefits of earned income and the actual statistics of food production versus food use, both domestic and worldwide. I farmed for 40 years, producing corn and soybeans, and I have noticed that we have only a 56-day carryover of both corn and soybeans, and we did not throw any away after 40 years.

We used it all, but at the same time, our parity price has gone from 71 percent of parity in 1959 to 30 percent of parity this past year. The following table shows a corn comparison of 10 years ago, and note the stock use ratio versus the price. I have about 50 copies of it here. I turned my statement in to you, so you can see the table. I want to point out that on this table, 10 years ago, in 1989, we exported about 2 billion bushels of corn. In the year 2000, we exported 2 billion bushels of corn. It did not increase, no matter what the price was.

Our ending stocks 10 years ago were 1.9 billion. The ending stocks in the year 2000, 1.7 billion. We have not increased our car-

ryover. The average farm price in the year 1989 was $2.64 a bushel for corn. In 1999, 10 years later, it is $1.80 a bushel. It is also worthy to note that the U.S. has had four back-to-back bumper crops, and still, the carryover is barely maintained. The U.S. has had no strategic food reserve policy in that time, even as our production struggles to keep upThe National Farmers Organization proposes establishing a food security system, which means to isolate a 6-month supply of corn, soybeans and wheat from the market until trigger levels are reached. Suggested trigger level prices would be $3.25 for corn, $6.50 for soybeans and $4 a bushel for wheat, national averages. The grain placed in the field in the food security system would be grain that had been under CCC loan for 9 months and kept on the farm. Producers would be compensated 25 cents a bushel annually for storage and quality assurance. Grain could be rotated annually.

The food security service would secure our food supply. We have assurance of that now. It would cause the markets to relate positively to the isolation from the market of the 6-month supply. It would save taxpayers billions of dollars and restore earned income to production agriculture, something you are all looking for. If we fill the reserve during the duration of the Farm bill, a flexible fallow program would take effect and allow farmers to reduce the planting of their normal acres in return for higher loan rates.

Senators I ask that you give serious consideration to this approach. It would save the taxpayer billions of dollars. It would bring earned income into agriculture that we are looking for, and it would give the American people a secure food reserve system in the future. America must answer the question: do we want American farmers producing American food, or do we want multinational corporate capital controlling the production of food on American soil for their own corporate profit?

Thank you.

[The prepared statement of Mr. Arndt can be found in the appendix on page 53.]

Senator DAYTON. Thank you, Bob.

Al, I am glad to welcome you here, Al Christopherson, the president of the Minnesota Farm Bureau. We will ask you to keep it to about 3 minutes of opening remarks, please, and then, we will give everybody a chance to be heard. We are glad to have you with us.

STATEMENT OF AL CHRISTOPHERSON, PRESIDENT, MINNESOTA FARM BUREAU

Mr. CHRISTOPHERSON. OK; thank you. I am the late Al Christopherson—[Laughter.]—president of the Minnesota Farm Bureau.

Some comments with regard to the Farm bill, the Farm bill discussion as it relates to our organization and as we see it. We certainly believe that the public's investment in agriculture is key to the industry's survival and its ultimate success. American agriculture provides food security for this nation, economic security by running a positive balance of trade and generating off-farm employment and environmental security by making use of the best management practices to conserve our natural resources.

Now, in relation to the commodity title of the new Farm bill, we support the following concepts: maintaining planting flexibility and not including mandatory supply management programs; rebalancing the loan rates to be in historical alignment with the current 526 soybean loan rate; continuing production flexibility contract payments to current contract holders and allowing oil seed production to be eligible for the same type of payment contract; not including a farmer-owned reserve or any federally controlled grain reserve with the exception of the existing Capped Emergency Commodity Reserve; extending the dairy price support program at $9.90 a hundred; allowing producers to lock in published loan deficiency payment at any time after a crop is planted, with payment being made only after harvest and a yield determination.

The intent of the new Farm bill should be to design an agricultural program that provides a solid agricultural base for America. Payment limits and targeting of benefits will cause a segmentation of the industry, causing us to be less competitive.

In relation to the trade title, the Farm Bureau believes that it is extremely important for the new Farm bill to stay within the World Trade Organization amber box commitment, which is $19.1 billion. While it may be easy to demagogue the issue of global trade commitments as being innately unfair to farmers and to forego our prior commitments and appropriate dollars over $19 billion, the effect will be a long-term lack of credibility in our negotiating position with foreign countries, and it will ultimately injure the long-term success of American agriculture.

Turning our backs on global trade and going back to protectionist policies will not improve our bottom line, neither in the short or the long-term. Whether we like it or not, we are still faced with finding a market for over 30 percent of our product. Global trade should not be seen as a hindrance but as an opportunity. I might also add that we have a number of trade agreements which are not working all that great. However, to fix them does require continued work, continued discussion and that type of thing.

In relation to the conservation title, the Farm Bureau supports a reformed equipped program and a compensation incentive payment program. Money should be allocated equally between livestock and crops. Given the limited amount of funds available for conservation available and the need to fund other programs, we do not support expansion of the current Conservation Reserve Program.

We believe—the Farm Bureau has a vision of a growing industry that depends less on government payments and more on returns from the marketplace, but we must implement policies that will grow our markets. These investments in research, export promotion activities and technologies to derive energy from farm-grown commodities help bridge the gap between where agriculture is today and where we want it to be in the future.

I would certainly like to thank you for holding this meeting and dealing with the upcoming Farm bill. I look forward to working with you on this, and I would be glad to respond to any questions at a later point.

[The prepared statement of Mr. Christopherson can be found in the appendix on page 55.]

Senator DAYTON. Thank you very much, Al.

Next, we have Mr. Loren Tusa, who is the president of the Minnesota Corn Growers Association. Loren, welcome, and I guess we have a traveling microphone here.

STATEMENT OF LOREN TUSA, PRESIDENT, MINNESOTA CORN GROWERS ASSOCIATION

Mr. TUSA. That is just fine.

Thank you for coming and holding this hearing here in rural Minnesota. I live just down the road in Jackson, so I am only about 40 miles away, so it is not a whole killed afternoon for me.

Nearly every commodity group has suggested some countercyclical-type components in the next Farm bill, and each group defines these countercyclical payments as different options, but really, the desire for the basic safety net for the farm production is clear in each proposal. We have other common concerns about maintaining planting flexibility; to continue basic support programs; conservation incentives and support for value-added agriculture.

The National Corn Growers came with a proposal for decoupling payments for production flexibility and their countercyclical program. This was addressed somewhat in the House Ag Committee. It was named a little bit differently but almost ended up accomplishing the same things. The LDP program for Minnesota farmers has been an important contributor to farm income in the recent years. We would like to see this program continued but do suggest two changes to address important issues for Midwest farmers: First, the late harvest season for the northwest states, our producers often miss out on some of the better LDP payments, and if we could have an LDP payment or at least lock in any time during the crop year, that could be a value to Minnesota agriculture.

The payment itself would not be made until after the production could be proven, but we would like to be able to lock in that LDP at any time.

Another problem that has occurred with LDPs is that they sometimes vary drastically across our state or even county lines, and you have to remember that LDP is calculated off the lower of the two terminal prices or, I mean, the higher of the two terminal prices for a geographical area plus giving us a lower LDP. If those two terminal prices could at least be averaged, it would give us a little more realistic LDP.

You have to remember for Minnesota, my terminal delivery points would be Minneapolis-St.Paul and Portland, Oregon, 1,700 miles apart.

The Minnesota Corn Growers also recommends an increase for farmer-owned processing. The support there, like the support that the USDA has given for Minnesota soybean processors; those types of grants and loan guarantees are very important for the future of agriculture. It is clear that this country is beginning to realize the need for agriculture and renewable energy plan to play an integral role together for our nation's energy policy.

Ethanol, e-diesel, biodiesel, they are fuels of the future, and it is important for farm policy to consider this market opportunity. The key for farm profitability in the future will be effective utilization

and processing of a crop that will continue to grow in size. Viewing farmers as energy providers in additional to their traditional roles as providers of food will create opportunities for Minnesota's farmers, strengthen the environment and revitalize our communities.

Thank you very much.

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

Senator DAYTON. Thank you, Loren, for very excellent testimony. Thank you.

Next is Ed Hegland, who is the president of the Minnesota Soybean Growers Association; Ed, thank you for being here.

STATEMENT OF ED HEGLAND, PRESIDENT, MINNESOTA SOYBEAN GROWERS ASSOCIATION

Mr. HEGLAND. Good afternoon; thank you. My name is Ed Hegland, and I am a soybean and corn farmer from Appleton, Minnesota. I am proud to be serving as the current president of the Minnesota Soybean Growers Association. I would like to express my appreciation to you for conducting this agricultural hearing today. The Minnesota Soybean Growers Association looks forward to working closely with you in developing effective ag legislation.

I would like to address my verbal comments regarding the U.S. energy policy legislation now being developed by Congress but have included in the written testimony MSGA's comments and recommendations on the upcoming Farm bill. Personally, as a soybean farmer, I am extremely optimistic about the role biodiesel can plan in a national energy plan. MSGA is very optimistic that the energy policy should and will include plant-based alternative fuels, including biodiesel. Biodiesel is environmentally friendly and a renewable alternative to petroleum-based diesel fuel. It can be made from soybean oil, recycled fats and other vegetable oils.

Biodiesel should be produced in Minnesota, where agricultural commodities are at the end of the export pipeline and at the end of the petroleum oil import pipeline.

Minnesota led the way in the development of ethanol, a corn-based alternative fuel for gasoline engines. Once again, Minnesota hopes to lead the way in the promotion and production of biodiesel, designed to clean up the harmful emissions from diesel engines. When it convenes next February, the Minnesota Legislature will be reconsidering legislation that would require the inclusion of 2 percent biodiesel in the state's diesel fuel supply.

MSGA strongly supports and much appreciates Senator Dayton's recently introduced bipartisan legislation designed to prompt and encourage the increased use of biodiesel nationally. We believe that Senator Dayton's national legislation will complement our pending state legislation and positively influence the Minnesota State Legislature to pass the 2 percent biodiesel requirement in February.

I also want to express appreciation for the efforts of Senator Paul Wellstone and Representatives Gil Gutknecht, Collin Peterson and Mark Kennedy for their commitment to biodiesel, ethanol and other plant-based alternative fuels. Working together, with each day, more of our energy will come from the Midwest and not the Mideast.

That concludes my statement, Chairman Dayton. I want to thank you for convening this important hearing and for inviting us all to testify. I will be glad to respond to questions at a later time. Thank you.

Senator DAYTON. Thank you, Ed. I have never in my career been able to influence the Minnesota Legislature to do anything, but I hope this will be the first.

[Laughter.]

Senator DAYTON. Next is Larry Liepold, who is the president of the Minnesota Pork Producers Association. Larry, welcome.

LARRY LIEPOLD, PRESIDENT, MINNESOTA PORK PRODUCERS ASSOCIATION

Mr. LIEPOLD. Thank you. In the interests of time, I will abbreviate some of the things I read. I will read the total titles. You do have the full copy in front of you.

My name is Larry Liepold. I am a pork producers with a 120-sow farrow-to-finish operation in Jackson County, Minnesota, about 20 miles from here. I am the current president of the Minnesota Pork Producers Association. I am pleased to discuss with you this afternoon the critical issue of agriculture concentration and its impact on pork producers and consumers.

Agricultural concentration is a difficult and emotionally charged issue. Many pork producers are concerned about their ability to continue to compete and maintain market access in a hog market experiencing increasing levels of concentration. Until information systems that can help pork producers compete in the marketplace are developed, and producers such as myself have the ability and access to use this information, I am concerned the concentration and its potential to create noncompetitive business practices will remain.

Concerns such as these led producer delegates to the National Pork Industry Forum to consider several agricultural concentration resolutions from member states and pork producers. After considerable discussion and debate, producer delegates agreed to support the following positions on agricultural concentration and market regulation issues: USDA hog market structure and competitiveness study: the U.S. Department of Agriculture should conduct studies on hog market structure and competitiveness issues within the pork industry, outlining present realities, future scenarios and the implications for producers' economic wellbeing on our nation's food supply.

Price discrimination: the definition of price discrimination should be clarified. A prohibition on price discrimination should be established, and the Secretary of Agriculture's authority to challenge price discrimination should be strengthened. The USDA study of justifiable price differentials: the Department of Agriculture should study the factors that comprise economically justifiable price differentials, including factors such as volume, time of delivery and carcass specifications. A study of the Department of Justice concentration threshold levels: adherence to antitrust laws; continued scrutiny of the packing and processing industry on the national level to assure adherence to Federal antitrust laws; new antitrust

laws should be considered that assure opportunities for independent hog producers.

The USDA merger-acquisitions review: the Department of Ag should be given new authority to recommend to the Department of Justice approval or disapproval of agricultural mergers, acquisitions and consolidation of agricultural input suppliers and processors. The USDA corporate structure report: a deputy attorney general for agriculture; a deputy attorney general for agriculture position should be created at the Department of Justice. Packers and Stockyards Act enforcement; packer ownership; the National Pork Producers Council is neutral on the issue of packer ownership. However, the Minnesota Pork Producers Association does not share in that same view. We are supportive of a ban or, more practically, a limit on packer ownership. I do urge you to be careful, though, not to infringe on the ability of Minnesota pork-producing families to move further up the pork chain.

Producer bargaining rights: endorse the concept of legislation that requires processors to bargain with producer cooperatives. Finally, the new Farm bill should help address some of these issues through aggressive funding. Under the rural development section of the Farm bill, there is an opportunity to assist producers by providing grants to startup farmer-owned value-added processing facilities. During the past few years, economists of all stripes have pointed to the need for farmers to become more than commodity producers and capture more of the consumer dollar. Value-added enterprises may provide an exciting alternative for those producers willing to pursue them. In order to accomplish this, we recommend increasing this funding to $370 million over 10 years.

Thank you.

[The prepared statement of Mr. Liepold can be found in the appendix on page 63.]

Senator DAYTON. Thank you, Larry.

Our next panelist is Monica Kahout, who is here representing the Land Stewardship Project. Welcome, Monica.

STATEMENT OF MONICA KAHOUT, LAND STEWARDSHIP PROJECT

Ms. KAHOUT. My name is Monica Kahout. My husband and I and our children farm near Olivia, Minnesota area, and as Senator Dayton said, I am representing the Land Stewardship Project.

I would like to make three basic points: first, we are on a terrible path in American agriculture. For too long, too many farms and too many elected officials have followed the lead of the checkoff-funded commodity groups and corporate agribusiness. These groups gave us the terrible freedom to farm policy, helping to drive prices down for most of us farmers while shelling out major payments of our tax money to the largest producers.

Earlier this year, the president of the National Pork Producers Council testified in Washington for a 20 percent reduction in the soybean loan rate. That means lower soybean prices; cheaper feed for the largest hog factories; and ultimately, fewer farmers on the land and further extraction of wealth from rural communities. We must change policies, and we must reject the self-appointed leadership of the commodity groups.

As a hog farmer, I am proud to day that I am part of the majority in the swine industry that has rejected the NPPC and the mandatory pork checkoff, and as a farmer, I say now for many of us in this crowd is that you do not speak for us.

We believe in democracy, and we, the family farmers and prosperous rural communities and healthy environment, so we want our vote back, and honor our votes.

Second, we must recognize that farming America's land is about more than maximizing production of raw materials for corporate America. Farming in a free and strong country is about producing feed, feed and fiber, yes, but it is also about caring for the land, contributing to the community with time and money and holding our nation's most precious asset, our land, in trust for future farmers.

There is no better way than to help sustain the family farmer. We need policies that recognize all the benefits—all the benefits—that farm families bring to their communities and the nation. We cannot continue our current policies that feed the expansion of agribusiness and consolidate factory farms.

My last key point is that many of our forebearers settled in this land in the 1800's under the Homestead Act to help promote the passing on of the farm and to homestead it; the Packers and Stockyards Act; helping farmers to have a higher price. What has happened? Tiger Woods gets 10 cents for every box of Wheaties with his picture on it, and the farmer gets three and a half cents for the wheat in the same box. Something is seriously wrong.

When Smithfield can buy up John Murrell, then Dakota Pork and proceed to shut it down; then, buy the services of the head of the antitrust division of the United States Department of Justice just weeks after he stepped down, something is drastically wrong in rural America.

First and foremost, we need a moratorium on large corporate mergers and acquisitions in agriculture, whether it is at Smithfield, Land'o'Lakes, Monsanto.

We need it now. Thank you very much.

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

Senator DAYTON. I want to thank all of our panelists for excellent presentations, and I want to see, since we are running in good shape on time; you all were very succinct, if any of our members here want to have a question of any one of the panel or all of the panel.

Congressman Kennedy.

Mr. KENNEDY. Thank you for all your good testimony, and it is always great to hear the perspective straight from Minnesota, because as it has been pointed out, sometimes the national organizations do not always have the same point of view as the local organizations, and I am very happy not only to hear your views but very happy that the Second District, that every member of the panel has Second District roots, recognizing the importance of agriculture here in the Second District of Minnesota.

One of the things I would like maybe to have a couple of you comment on is many of you talked about the importance of value-added production and keeping more of the earnings and the dollars

with the farmer, and we have a perfect example of that right next door here with Brewster, with the Minnesota Soybean Processors moving forward on a plant, and I was happy to be able to be there when we awarded a USDA grant of a half a million dollars to them. Several of you have mentioned those in your testimony.

We, in the House agriculture bill that we just passed, have $500 million over the next 10 years, $50 million a year, to work with continuing those types of grants. Maybe if I could get a couple of you—I know Bob, this was something you mentioned and whoever else might want to talk about some of the things that that could mean and where that could maybe take agriculture.

Senator DAYTON. Bob or anyone?

Mr. TUSA. On behalf of the Minnesota Corn Growers, we see the potential for ethanol as a national market, and if I need to point out what work you three have done on energy; Senator Wellstone, we nagged on you long and hard to help us when President Clinton was in, and you came through for us. Senator Dayton, we and the soybean growers have worked on your biodiesel thing, and it is like ooh, you are bringing that forward.

Senator Kennedy--or Congressman Kennedy; I guess I did not want to promote you today——

[Laughter.]

Mr. TUSA [continuing]. The work you have done on value-added agriculture for Minnesota has been important. I know you helped secure two grants for us.

We see somebody going to make money on ethanol and renewable fuels, and we want it to be farmers. That is why it is going to take some help in helping us get those set up. It is not only in the energy of ethanol and biodiesel and e-diesel but the wind energy that we could be harvesting and the methane gas down the road here, when we can join that from the livestock energy; and also, livestock itself is another basic, value-added opportunity for farmers, and we just do not want to slam the door on any of those.

Aanything that you can do to help on those types of programs would be very much appreciated.

Senator DAYTON. Well-said; well-said; thank you.

Anybody else want to comment on that?

Mr. ARNDT. Only one comment I want to make for the same of time: I agree.

Mr. FREDERICKSON. Well, on the issue, Congressman Kennedy, of value-added, Representative Doug Peterson is in the room and kind of wrote the book on ethanol development in Minnesota. I had a small amount to do with that back in the mideighties, and I believe that we have the model here in the nation. We made some mistakes as we went through that process in that we did not ensure that every farmer had an equal chance, and you may say, well, they did; they could write the check to join the value-added cooperative or the closed cooperative, and in many cases, they could not.

If we move ahead, we need to remember that every farmer or farm family should have an equal opportunity to participate in this new wonderful concept of value-added agriculture, and you might be able to do that through the U.S. Department of Agriculture through rural development to assist in those producers who choose—actually encourage them to participate.

Senator DAYTON. Thank you.

Senator Wellstone, do you want to say anything or ask anything?

Senator WELLSTONE. No, Mr. Chairman, I will just—there are so many people I know are going to want to speak, so I will hold until a little bit later on.

Senator DAYTON. OK; let us open it up, then, to anyone in the audience. We have two microphones, one on each side there. Would you like to make a statement? Again, we would ask if you could limit your remarks to 2 minutes, please, so we give a chance for everybody to be heard. We will just go from one side to the other. We are going to start with you, sir.

The panelists are welcome to stay and listen and respond with us. You are welcome to leave, too. If you have other appointments on your schedule, please leave.

Let us give our panel one more round of applause for everybody.

[Applause.]

Senator DAYTON. You are welcome to stay, and if you need to leave, please, now or at any point, please.

Mr. FREDERICKSON. If we leave, can we come back?

Senator DAYTON. Well, that is twice the admission.

[Laughter.]

STATEMENT OF TIMOTHY A. HENNING, LISMORE, MINNESOTA

Mr. HENNING. Senator Dayton, Senator Wellstone, Congressman Kennedy: Senator Wellstone, you have referred to freedom to farm as freedom to fail. I could not disagree with you. However, freedom to farm has worked perfectly, just the way it was designed. It took the money from the government; gave it to the farmer; allowed the processors, be it meat, grain, to steal our product and make us look like the welfare leeches to the rest of society.

When you are writing this next Farm bill, you must first realize who is representing who. These commodity groups think they represent us. The only way that that can be proven is by a vote on their checkoffs. These gentlemen up here should be either—resign and say——

Senator DAYTON. OK; sir, I am going to intervene here. You are welcome to state your views, but I do not think we are going to get into attacking people who are here participating. I am going to ask that you refrain from doing so. Thank you.

Mr. HENNING. We need to have a vote on the checkoffs. It must be done.

Second, the farmer wants price. He does not want government payments. If we look at the 1995 prices that farmers received, corn of $3.14; today, I get $1.61. The rest has to come from the government. The LDP program has not worked, and we must have payment limitations in order to keep the expansion of large-scale farms from going wild.

Supply management: General Motors does not produce all the cars in the world. We have a Wal-Mart approach here. We are going to produce slightly over wholesale and try to do it on volume. Nobody else in business does that, so why should the farmer be asked to?

Senator DAYTON. Thank you.

Could I ask each of you, when you start, to state your name for the record.

STATEMENT OF HON. DOUG PETERSON, MEMBER OF THE MINNESOTA HOUSE OF REPRESENTATIVES, MADISON, MINNESOTA

Mr. PETERSON. Thank you, Senator Dayton. I am Representative Doug Peterson from Madison, Minnesota. I also represent the western counties in rural Minnesota. I want to thank Senator Wellstone, Senator Dayton for doing the work here today to bring forth some of the testimony.

The work that you gentlemen and your colleagues are going to do on the next Farm bill is really about managing change. The structure of agriculture is going to change. The question is how we shape that, or do we just let it happen? Do we just simply let it happen? I am going to outline a voluntary proposal hopefully that will let us direct some of the change. First, before I do that, I want to say that I strongly support the major overhaul that exists in freedom to farm. Freedom to farm has clearly failed. We need to raise all of the commodity loan rates; restore the on-farm storage program. You have to have a stronger conservation reserve; increase dairy price supports, and we also have to have an increase and a new direction in agrienergy development and also open new markets.

Collin Peterson has some pretty good proposals in front of Congress, and I wholeheartedly support that. Those reforms are essential to our food production system, and that has been developed over the last 100 years, and it does not mean that we cannot think in a new direction in a new market and new options for farmers. What I want to do to talk to you today: when I talk to farmers, many of them want to get off this financial merry-go-round of capital-intensive farming. They do not want the headaches, and they do not want the hassles of running huge farms with mounting debts, mental anxiety and also keeping up with the corporate concentration and the competition from the mega-corporate farms.

Our next Farm bill should provide producers with a voluntary opportunity, and I want to stress voluntary. Let us give farmers a new market agriculture. Let them choose the tools they need to practice a different kind of agriculture. This simply may be specialty crops, specialty crops that are targeted for consumers, and in conjunction with these crops, we also want to target the markets to help these people market directly to consumers and retailers; give them access to experts and connect them to state, local and worldwide markets. This is an essential element of also probably bringing high-speed access to rural Minnesota on the Internet.

In my proposal, I would let farmers get off the Federal commodity programs, and I would give them 3 years of payments to allow them to find their own way on a new alternative path for agreement. We can set the payments at the same traditional—I understand that. We can set the payments at the levels that they have received if they stayed in the traditional farm program, and instead of moving 10 to 20 farmers, to 10 to 20 farmers per county, we will hopefully see more successful family farms producing for international markets.

Now, this program is not for everybody. Many will choose to stay on their own program, something they have been successful with, traditional programs, but that is fine, and we need those kinds of farmers. We need to give the opportunity and availability for other farmers to have a real choice.

Senator DAYTON. You are out of time.

Mr. PETERSON. I will try to sum up.

Senator DAYTON. We have your materials here. We asked everybody to stay to 2 minutes. We have so many people lined up.

Mr. PETERSON. OK; I will just leave it. Thank you very much.

Senator DAYTON. Sum up, then; sum up.

Mr. PETERSON. Thank you very much. What I am saying is simply, if we go to alternative markets and give people a transition away from the capital-intensive farming that they have been told that agribusiness and the corporate concentration is hitting us in the head, we are not going to have any success; we are going to fail.

I am saying there should be a voluntary program to already use the existing implemented programs that we have out there, extension, those people, the marketing, and move those people who voluntarily choose a new path. Let us give them the tools to do it. Let us keep people in rural Minnesota while they are doing it, and let us pay them to do it.

Thank you.

Senator DAYTON. Thank you.

There are 24 people waiting to speak, and so, at 2 minutes apiece, that is 48 minutes. I would ask you to keep your remarks to 2 minutes, please.

Sir.

STATEMENT OF CHRIS C. PETERSEN, VICE PRESIDENT, IOWA FARMERS UNION, CLEAR LAKE, IOWA

Mr. PETERSEN. Good afternoon. My name is Chris Petersen. I am vice-president of the Iowa Farmers Union, and I am not too happy about much of anything to do in agriculture. With freedom to farm, it is called freedom to fail in a lot of circles. With their low darn prices and their limited death payments; we should do away with the LDPs; get rid of them; raise the loan rate to cost of production or close to it. Let us make corporate America pay for our price and these darn animal factories pay for their price to feed their junk which they are feeding this country. Family farmers can raise it a lot better and more efficiently, and it is more quality food.

A couple of other things: the EQUIP program; I understand there is a lot of talk going on to open this up to large-scale animal factories. This needs to go to small livestock producers. We need to keep that money funneled to the small family farms. We need farm policy based on and targeted to the family farm based around conservation, period. The corporations, I am sure they will find a way to make money.

My last comment is about commodity groups. I am waiting for the day when we have some testimony like this; every person up there will be a family farmer. Let us put the commodity groups out here; let us make them defend themselves for a change. I am tired of their garbage. Most of them do not represent us.

Senator DAYTON. Thank you.
Thank you very much, sir.
Mr. PETERSEN. Thank you.
Senator DAYTON. Yes, sir?

STATEMENT OF DENNIS BOTTEM, PRESIDENT-ELECT, MINNESOTA STATE CATTLEMEN'S ASSOCIATION, ST. JAMES, MINNESOTA

Mr. BOTTEM. I am Dennis Bottem, president of the Minnesota Cattlemen, another one of them darn commodity groups, I guess.

Senator DAYTON. Welcome.

Mr. BOTTEM. By the way, our particular group does not get one penny of checkoff funds, so do not pick on us for the checkoff problems.

It is a real illustration of democracy in action here today: people lined up; anybody who wants to come and speak can talk to our two Senators and our local Representative, and I do not know how you can get more democratic than that.

Minnesota cattlemen or cattlemen in general, I have always been an independent group, and maybe we still are today, and that is why I am glad to associate with them. We do not ask the government for a whole lot of help, but we are coming to a point where we have such different rules in this country than so many of our competitors that the day when we could be completely independent is probably gone. From the livestock perspective, I would especially encourage that the EQUIP program be funded. Contrary to what was mentioned earlier, it should be a certain payment level, and every producer should be eligible for a small amount. Just because you are large; because you are three brothers, two brothers and their kids farm, should not rule you out for these programs.

As far as the present farm program, three things that I would certainly like to see kept: the marketing loan LDP concept provides a price to the growers; moves the product into consumption, be it for ethanol, for feed production or whatever. We as an industry do not like to see setasides. When there have to be setasides for conservation uses, I would argue that these uses, this land could be better used for grazing. We hear people, county commissioners and so on in this area complaining our tax base is going, and then, we constantly add programs to take more land out of production. If we would just allow grazing, for example, on these lands, we would at least keep some production on these lands and at virtually no cost to our Federal Government.

Thank you.

Senator DAYTON. Thank you for your excellent comments. Thank you.

Senator WELLSTONE. Could I just a quick interruption, just a point of quick privilege for a second? I just wanted to, because I will forget at the end, Chairman Dayton, I wanted to thank the two signers that have been here. I notice how hard you all are working as everybody is speaking. I am glad you are here. Thank you very much.

Senator DAYTON. Thank you.
Yes, sir.

STATEMENT OF BOB KIRCHNER, FARMER, BREWSTER, MINNESOTA

Mr. KIRCHNER. My name is Bob Kirchner. I am a soybean and corn farmer from Brewster, Minnesota. Good afternoon, Senator Dayton, Senator Wellstone and Congressman Kennedy and other panel members. I am currently serving as president of the Board of Directors of the Minnesota Soybean Processor Cooperative. This is a farmer-owned, closed cooperative. At the present time, we have 1,100 farmer members, and we have gained just under $13 million in equity commitment toward building a soybean processing facility near Brewster, Minnesota.

The present plans are to include biodiesel when we have a viable market. I appreciate the opportunity to give testimony here today and have input in the formation of the new Federal farm bill, especially in the role that biodiesel can play in a national energy plan. Besides submitting written testimony, I would like to verbally highlight the role biodiesel and the Minnesota soybean processors can play in giving farmers a better economic future.

Minnesota soybean processors support and appreciate Senator Dayton's recently introduced legislation to promote and encourage the increased use of biodiesel nationally. We believe that Senator Dayton's bill will complement our pending Minnesota 2 percent biodiesel bill, and the two bills working together will have a dramatic impact on farmer profitability.

Here are just a few of the facts to emphasize the impact that biodiesel can have on our farmer profitability. In the United States, soybean oil has been the oil of choice, representing over 80 percent of our vegetable oil market. At present, two and a half billion pounds of soybean oil are in storage in the U.S., resulting in historic low soybean prices and depressing the soybean market for the last 2 years. The U.S. consumes approximately 30 billion gallons of diesel fuel annually. A 2-percent biodiesel requirement would use 4.4 billion pounds of vegetable oil. If a majority of this could come from domestic soybean oil, it would virtually eliminate the 2.5 billion pounds of soybean oil that is presently in storage.

With that, I would like to thank you for the opportunity to give testimony here, and I appreciate—thank you.

Senator DAYTON. Thank you.

Thank you very much.

I just want to say if anyone has additional written testimony, give it to one of our associates here. We will make it part of the hearing record.

Yes.

STATEMENT OF AARON KUEHL, PHEASANTS FOREVER, JANESVILLE, MINNESOTA

Mr. KUEHL. Mr. Chairman, members of the committee, my name is Aaron Kuehl. I am a regional wildlife biologist for Pheasants Forever, living in Janesville, Minnesota. Thank you for the opportunity to come here today and discuss with you the conservation title of the 2002 Farm bill.

Pheasants Forever was founded in 1982 here in Minnesota. We have grown to a national organization with 90,000 members. In Minnesota, we have 57 chapters working hand-in-hand with land-

owners and farmers to get wildlife benefits on the land. Last year alone, we completed 874 projects on 7,000 acres in the state and over 32 projects nationally. Many of our projects are completed in association with Federal farm conservation programs, and we believe the cornerstone of the new Farm bill conservation title should be based upon improving successful programs.

At Pheasants Forever, we support the expansion of CRP to the initial 45 million acres based on soil, water and wildlife conservation objectives. If new program objectives are added, they should be authorized on acreage above the 45 million acre level. Expansion of the Wetland Reserve Program to accommodate 250,000 acres of enrollment per year; expansion of the Wildlife Habitat Incentives Program to 100 million in expenditures annually; and establishment of a new grassland protection program of at least 1 million acres.

Here in Minnesota, we are working to implement the CRP buffer initiative and the newly available Wetlands Pilot Program. We would encourage you to make the Wetlands Pilot permanent in the next Farm bill. This practice is proving to be a win-win situation for both farmers and for wildlife. Farmers benefit from a non-regulatory, voluntary, incentive-based way to deal with the problems associated with farming in and around small wetlands. Pheasants and other wildlife benefit from the habitat provided by this program. We are strong supporters of the Minnesota Conservation Reserve Enhancement Program Project and support continued authority for CREPS nationwide.

Mr. Chairman, at Pheasants Forever, we look forward to working with you in the coming months to craft a strong conservation title for the 2002 Farm bill. Thank you for the opportunity to appear here today.

Senator DAYTON. Thank you, Aaron.

Thank you.

Welcome.

STATEMENT OF LAURA RAEDEKE, NISSWA, MINNESOTA

Ms. RAEDEKE. Hi; my name is Laura Raedeke. I am from Nisswa, Minnesota, formerly of Worthington.

The current emphasis on large-scale industrialized agriculture not only siphons wealth away from most farms and rural communities, but it also results in serious food safety issues that affect every American. Many of these issues center around gigantic confined animal feeding operations which generate huge amounts of waste that are filling our lakes, our rivers, our groundwater. The heavy use of antibiotics, of growth hormones; the fact that we use 500 different pesticides in our chemical-intensive grain production are indicated as factors in cancer formations; in degenerative brain and nerve tissue diseases; in immune system dysfunctions; in Parkinson's Disease; and it creates antibiotic resistance in foodborne bacteria.

In the genetic engineering debate, we find that multinational biotechnology corporations, backed by predatory intellectual property laws, are hopelessly polluting the global food supply with crosspollination and contamination with their transgenic seeds.

This results in permanently altered genetic codes. It creates new traits that have results that are unforeseeable and unknowable.

Yet, at the same time, the fastest-growing sector in agriculture are the organic, sustainable ecofarming models; thus, a truly beneficial and visionary farm bill would assist farmers and consumers in unhooking from corporate control, moving to local control with locally available food supplies by supporting farms and businesses that rely on local support. This could be done, for example, by promoting marketing cooperatives that link consumers with farmers who can provide them with the products that they want.

We should insist that all genetically modified seeds, feed, food, fibers be—there should be a moratorium on it.

[Laughter.]

Ms. RAEDEKE. I have more, but thank you very much.

Senator DAYTON. Thank you.

Senator DAYTON. Welcome.

STATEMENT OF ROLF MAHLBERG, MINNESOTA WEST COMMUNITY AND TECHNICAL COLLEGE, WORTHINGTON, MINNESOTA

Mr. MAHLBERG. My name is Rolf Mahlberg. I am the ag teacher here at Minnesota West Community and Technical College.

You know, I was not going to admit that if the temperature was 85 or higher in here.

[Laughter.]

Mr. MAHLBERG. I am pleased that we could host this forum, and it is just a wonderful tribute to our society when we can come forward like this.

One of the concerns, and I have delivered written testimony is I have not heard the word youth mentioned one time. I guess I have a concern because as I go out and recruit young operators, I literally have to sell through their grandparents. I brought my father here today, and he is sitting here at 80 years old, and he has passed on the 240 acres that I currently farm. It is a tragedy that I have to sit here and defend this industry as an ag teacher, because we cannot sustain a price that will allow the parent to even support that young person to come forward.

As you draft a farm bill, I hope that you consider the sustainability of not only the earth and enhanced CRPs. We have plenty of corn and bean acres. Let us pass on a stewardship of the soil, the water, the land but also the stewardship of the family farm. Let these kids go forward with productive careers in agriculture.

Thank you.

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

Senator DAYTON. Welcome, Anne.

STATEMENT OF ANNE KANTEN, HAWICK, MINNESOTA

Ms. KANTEN. I am Anne Kanten. I am from that family farm at Milan, Minnesota, and I have my son with me today who is that farmer. I am very proud of him, but the tragedy is, relating to the last speaker, that his son, James, who we always thought would be the next generation is walking away, and that is hard to deal with.

Thank you, Senators and Representative Kennedy for being here today. Certainly, Senator, I am old. I am tired. I am angry. I have been angry for a long time. Monica, you raised that up in this crowd. We all need to be angry.

I have two suggestions today, quickies, I hope. One is a farm bill that, Paul, is everything that we ever wanted in a piece of legislation. It comes from farmers, farmers from Montana to Indiana have written this farm bill. They say price first and foremost, but they also talk about conservation, dairy, livestock, credit, marketing concentration, food security. It is an all-inclusive farm bill.

My son, who has to crunch the numbers on that farm, is going to relate to the numbers.

STATEMENT OF KENT KANTEN, MILAN, MINNESOTA

Mr. KANTEN. Well, what that does is economically will put me on the same footing as my friends who are not involved in agriculture, and that would take on about the same financial risks. It is not the barefoot hillbilly bill that we see too many of that if I had 40 acres and a mule, it might fit. This is modern agriculture, and it takes more than that to make a living for a family.

One thing quickly: I am a member of the Farm Service Agency state committee, and whatever shape the new Farm bill takes, we have to quit some of these drop-dead penalties that we are looking at right now. A farm family from northern Minnesota is not in agriculture anymore because they had an $80,000 penalty for growing edible beans. It was simply a mistake of not combining two farms together. I can go through a long, long list of many people that have lost thousands and thousands of dollars because of simple paper-pushing mistakes at the FSA office, and the new Farm bill needs some relief granted through state committees, county committees, whatever, thank you.

Senator DAYTON. Since there are two of them, we can give—Tom, if we can give them another 2 minutes here.

Ms. KANTEN. Another 30 seconds, maybe. The second idea that I would like to bring forth today relates to the power of our church; that we ought to get rid of some of the labels that we carry as NFO and Farm Union, Farm Bureau and come together in those church basements—that is why God created them—to debate and work out what we need to have.

The way we are going to help do that is that we are organizing bishops, ecumenical bishops: five Lutherans, five Episcopalians, five Roman Catholics, five Presbyterians, Methodists, evangelicals or whatever to stand in front of that Senate committee and say we need justice. We need some morality in what we are doing with people not only in this country but people all over the world. With the Farm bill, that basically is almost evil; and the church has a responsibility to also address that.

Thank you for your hard work.

Senator DAYTON. Thank you.

Ms. KANTEN. We will keep you on task.

Senator WELLSTONE. Just a point of personal privilege, and I will do it in only 20 seconds, I promise you all.

Anne, one of the small—I have two dreams, a little dream and a big dream. The little dream is that we have this hearing; this is

a formal Ag Committee hearing here in Worthington, and we have another one in Stuartville. We should have a third one, and the third one should be right in the heart of the metro area. The faith community should be there. We should bring farmers and rural people in there, but we should have all the people who live in the metro area, and we should say this is not just for us; this is for you as well. I really believe we ought to have one of those in the metro area.

The second thing is, and then, from there, I would like to see a whole lot of people involved in this process this coming fall, because this is going to be—probably what would you say, Mark?—over the next 5 months or 4 months, and we really need to figure out a way of having the voice of a lot of people directly linked to what we do. All of us would agree with that. We can.

Senator DAYTON. Yes, sir. Welcome.

STATEMENT OF LINDEN OLSON, WORTHINGTON, MINNESOTA

Mr. OLSON. My name is Linden Olson. I farm just three miles exactly straight south of here, and with all due respect to the people that are here before me, I represent no particular group today, and probably, that is one of the few.

What I would ask you gentlemen this afternoon is to be very careful not to get caught up in the emotionalism of short-term solutions to a long-term problem. I have heard here repeatedly this afternoon we need a higher price, a higher LDP. The only thing that higher prices and higher LDPs does is benefit the landowner. The landowner gets so he can get loans on a higher value piece of property, or he can charge higher rents to the people he rents it to.

The beginning farmer must rent to start out. They get caught up in the higher rents, and they wind up catching with the higher end. If we do any setaside in the higher loan LDPs, we wind up asking the farmers in South America to put more land into production to go on the world market to compete against us. Let us be very careful about these short-term solutions to long-term problems. We have proved that it has not worked in the past to do those kinds of things.

The one thing that has some merit, and several of you have mentioned it, Senator Wellstone, Dayton and Representative, is the value added. Within the next 30 to 40 years in this country, we are going to have to replace and add a large amount of infrastructure in the food system. For another 25 percent investment of what a farmer already owns, he can control and own that whole chain from the farm to the market. With the value added in loan guarantees and low-interest loans that this infrastructure can be owned and controlled by farmers for consumers and the feedback down the chain.

That is the type of farm program that we need to provide long-term sustainability to these particular entities in the local areas.

Thank you.

Senator DAYTON. Thank you very much.

Thank you.

Yes, sir, welcome.

STATEMENT OF PAUL GARVER, HENDRICKS, MINNESOTA

Mr. GARVER. I am Paul Garver, Hendricks, Minnesota. I am glad to be here to try to help the family farmer and to look at a new farm bill. I am probably the third or fourth generation farming. After nine children and 17 and a half grandchildren, if we do not get a different farm bill, a different outlook, none of them are going to be able to farm. You know, that is a lot of people out of one family that are not going to be able to farm.

The new trends in agriculture have lowered the market price for commodities; they have forced the family farmers out of business; it is called the generation of the environment; the decline in quality of life in our rural America. 400,000 hog producers have gone out of business from 1982 until 1997. The number of hogs produced has remained the same. You are getting rid of the small people; the big ones are taking over. They just keep pushing.

After that, the hog producers come to realize that the commodity groups were not for the small farmer. We put together a referendum; we had the vote; and we won. Anne Veneman came back and said no, I do not think so; let us just go on and keep giving them money, taking the money out of the small producers. Is this what we call democracy? Is this why you guys are up there? What if we had said hey, we did not vote for you; get out? Is that what you want?

Well, this is what is happening. We have lost 4.1 American farmers since 1940. That is why I would like to see a new farm bill that is going to be for the family farm.

Mr. KENNEDY. Thank you, and unfortunately, I am going to take a point of privilege here to say that I have another ag forum that I had previously scheduled up in Sibley County in Arlington scheduled, so I am going to have to leave. I want to thank the Senators for inviting me to join them. I want to thank our panelists for their excellent testimony, and I want to thank all of you for being involved, because it is people who are involved in the process and expressing their points of views that really makes our democracy strong, so thank you for being involved, and I encourage you to continue to do so, and I will look and follow on to the discussions afterwards and the testimony.

Thank you again for all being here and all the good work you do on behalf of agriculture.

Senator DAYTON. Thank you, Mark, for rearranging your schedule today to be with us. Thank you.

Next, sir.

STATEMENT OF LES EVERETT, UNIVERSITY OF MINNESOTA EXTENSION AND WATER RESOURCES CENTER, ST. PAUL, MINNESOTA

Mr. EVERETT. My name is Les Everett. I work for the University of Minnesota Extension Service and the Water Resources Center. I live in St. Paul and work throughout the state.

It is clear to all of us that conservation must be central to the next Farm bill if we want to continue public support. The public does not read the price of corn in the paper every day, but they do read about hypoxia, erosion; they read about nitrates in drinking water and so forth. Conservation has got to be central in the next

Farm bill, and farm support payments need to be tied to conservation.

However, I would like to speak to one small part of that program, and that is conservation education. The last Congress—for the 1996 Farm bill, they recognized that conservation education had to be part of conservation. If you are going to put in practices, have incentives, practices like nutrient management, grazing management, things that are a bit more complicated than just putting in a terrace or hiring an engineer; so there was a very small part of that program, EQIP was put in for education.

Here in Minnesota, NRCS partnered with Extension and with state agencies. We went out and worked with some water conservation districts and put on 62 local conservation education projects. In addition to that, we had a program that dealt with nutrient management, grazing management and many other things.

This was an interagency team that was brought together solely because of EQIP education. We had not done that before. It takes a central funding pool there to bring everybody to the table and speak with one voice with regard to conservation education. Recently, OMB almost zeroed out—they slashed that program in half. It was already only $4 million nationwide. Now, it is down to $2 million, which pretty much zeroes it out at the state level. That needs to be reinstated. Conservation education must be part of conservation programs.

Senator DAYTON. Yes.

STATEMENT OF RODNEY SKALBEEK, SACRED HEART, MINNESOTA

Mr. SKALBEEK. My name is Rodney Skalbeek, and I am a farmer in Sacred Heart, Minnesota, and I just want to talk to you briefly about some of the things I would like to see in a new farm program. It would be a farm program that would not be for the Cargills and the Monsantos but for the farmers in the rural communities.

Briefly, what it would be is let every farmer seal 25,000 bushels of corn at $3 a bushel; 10,000 bushels of beans at $8 a bushel; or something like that. Anything over that that he produces, he could do one of two things on: sell on the open market or put in a reserve that he could use in a lean year, that way eliminating the need for crop insurance. It would also give the farmer or the Nation a grain reserve held by the farmers.

You know, someone else has got to work all the figures out, but it would also move a lot of people, a lot of young people, back on the farms. I have three sons. One is farming with me; the others would love to if they could afford to. Sad to say, they are married, and they cannot. My son who is farming with me is single. He can afford to farm.

[Laughter.]

Mr. SKALBEEK. There is one other thing that I would like to bring out, and that is I certainly support ethanol and biodiesel. There is another product that I would like to call your attention to, and that is soy oil. It is used in the manufacture of polyurethane. It can be used today. The technology is there. There is a carpet company down in Georgia that is looking to use it. John

Deere just announced that they are going to use it in their tractors and combines.

This is a 4-billion pound market every year for soybean oil.

Senator DAYTON. Thank you very much. Thank you.

Yes.

STATEMENT OF HON. FRANK KLOUCEK, A MEMBER OF THE SOUTH DAKOTA HOUSE OF REPRESENTATIVES, SCOTLAND, SOUTH DAKOTA

Mr. KLOUCEK. Honorable Senators, distinguished panelists, my name is Frank Kloucek, and I am a state rep from Scotland, South Dakota, and I am here today to say thank you——

Senator DAYTON. Welcome; a special welcome.

Mr. KLOUCEK. Thank you—to thank our Midwest Ag Coalition. We had the opportunity to form a group of over 50 Midwestern ag legislators, including Doug Peterson, Ted Winner, Mary Ellen Otremba here in Minnesota, and I want to thank those three for their unselfish efforts to help family farm and small ranch agriculture.

My opening statement, I would say anybody who supports lowering the loan rate should in fact themselves take a pay cut by that same percentage.

I was very sad to see Mr. Kennedy leave early; sadly to say, the Congress adjourned early without addressing those issues on Thursday night. We had the update last night by Mr. Geebert. Alan Geebert gave us the wherewithal on that, and it put the Senate in a terrible situation. They have just begun—we need to address those issues that they have let sit on the table, including raising funding and targeting that funding.

It would support the 360 repeal, the 372, whatever you call it. We must get rid of that to make mandatory price reporting more effective. We must ask the Senate to do the meat labeling program despite what their colleagues in the House have done. We must stop the pork checkoff tax and abuse of pork producers now.

The gentleman who said we cannot have fair loan rates is wrong. We can have them with fair payment limitations that target our family farmers. In fact, we should be raising those loan rates.

A man named Bernie Hunoff said we must build within. On our exports, we will not export our way out of this. I endorse Doug Peterson for Congress or Governor or whatever he runs for. I do think—and this is unsolicited—see, he is not even here to endorse it—we need people like him. I want corporate America to make a fair profit, but corporate greed must end now.

We are having an organic hog farm meeting in Tindall, South Dakota on August 16, and we are asking if anybody is interested, we will be at Teddy Winner's, if you want some information on that.

Good luck in your noble work. We wish you the best.

Senator DAYTON. Thank you.

[Applause.]

STATEMENT OF BRIAN ROMSDAHL, BUTTERFIELD, MINNESOTA

Mr. ROMSDAHL. Greetings to both Senators. My name is Brian Romsdahl. I am a diversified farmer from Oden Township, and I would like the Senators to know that one farm organization and some of the commodity groups do not speak for family farmers. We need higher loan rates. All cheap grain does is to make cheap livestock, and I do not feel like subsidizing these factory feedlots and large hog outfits with any more of my below cost of production grain. This has to end.

We need $3 for corn and $6.50 for soybeans; no more LDPs and maybe have some payment caps on individual farmers. Second, we need to limit imports of agricultural commodities into our already-depressed farm economy. I do not care what the WTO and NAFTA might say. We are an independent, free, sovereign nation and need to take care of ourselves first. We have cemeteries full of brave men who have fought and died for these basic principles, and this is just a slap in their face.

Finally, let the vote on the pork checkoff stand. It was a legitimate, legal vote, and just because it did not turn out the way one certain commodity group wanted it to does not mean that democracy should not prevail.

Thank you.

Senator DAYTON. Thank you. Thank you.

Senator WELLSTONE. Larry, just real quickly, I wanted to respond to what Frank said, who travels all around the country. He is from South Dakota; he and Jack, another legislator from Iowa, they are just everywhere with people. On Pheasants Forever, really quickly, just could I make—before you leave; thanks for your testimony, and I will do this in the most judicious way. I mean, I really will. I will be very mellow in the way I say it, but we should have had a better—the emergency financial assistance package, and that is what it was; it was not the Farm bill—that came out of the House was at about $5.5 billion, and we were about $7.4 billion. By the way, when Mark Dayton says—I will just say it; he cannot stop me—when he says well they let me chair because I am 100, he is really—I have never seen anybody in such a quick period of time dig in with such effectiveness as he has done on ag policy. You need to know that.

He worked on this; and he was key to this package. Oh, give that back.

[Laughter.]

Senator WELLSTONE. He was key to this package, and what I wanted to say is that the shame of it is that for Minnesota, who knows? It could have been another $100 million more; some of it were the AMTA payments, which I am not in love with, but it was additional assistance for people.

Above and beyond that, we had so much by way of conservation, and I am telling you: I really count on Pheasants Forever and all of you guys, because you have been great on this to really help us, because that should have never been cut. What happened was the House adjourned—I am not knocking Mark Kennedy on this; this was not Mark's decision. The House adjourned. They left, and then, on the Senate side—and this is true—it was filibustered. We could

not get 60 votes to move it, and therefore, the only choice that we had was to do the $5.5 billion.

I just want to say: there was more in there for Minnesota and more in there for the country, and I am sorry it did not happen. That is the best way I can put it.

The only other thing, and then, I am not going to do any more comments at all, but Colleen Lankhammer, whoever is running for office, Democrat or Republican, ought to be introduced, and she is running for the Congress in the First Congressional District and came over here, which does say something about her commitment to family farmers and agriculture. Thank you for being here, Colleen. You should stand up.

[Applause.]

Senator DAYTON. Thank you.

Yes, sir.

STATEMENT OF LARRY GREEN, FULDA, MINNESOTA

Mr. GREEN. Yes; my name is Larry Green. I am from Fulda, Minnesota, and I welcome the Senators here today. As Anne Kanten said, I am angry, too. I am very angry. Most of the people on the panel up here; when Anne Veneman was announced for Secretary of Agriculture, there is not one of you groups that fought her confirmation. If you go back and study her history, she worked for Ronald Reagan. She was George Bush's patsy in the Uruguay Round that got us to these prices.

The commodity groups, the pork producers, about a million bucks a week to get you $8 hogs. The soybeaners, about a million and a half a week to get you $4 beans. I am mad, damn mad.

[Applause.]

Mr. GREEN. One of the articles that I would like to see in the new Farm bill that is no cost to the taxpayer is that if we want a checkoff, it is voluntary at the point of sale. I am tired of these parasites sucking me to no end.

As a little example, in Worthington here a few months ago, there was a bank robbery. The guy got $5,000. The gentleman from the pork producers suggested in their testimony a 20 percent cut in the loan rate. We raised 9 million bushels of beans in Nobles County. That is $9 million less money. Which business places in Worthington want $9 million less coming in their tills? I do not see anybody jumping up.

Thank you.

Senator DAYTON. Thank you.

Welcome, sir.

STATEMENT OF RICK KEITH, OMAHA, NEBRASKA

Mr. KEITH. Thank you.

My name is Rick Keith. I am with Producers Livestock Marketing Association, and I wanted to talk today a little bit about the 360 rule. Last fall, when that was put together, the packing industry had the 360 rule implemented that is also used in several government agencies to allow confidentiality of market reporting.

Yesterday, the USDA announced a proposed change of the confidentiality standards for the mandatory price reporting from the

360 standard to a less-restrictive standard known as a 370–20. This new standard will go into effect on August 20 of 2001.

This new, most recent Band-Aid, the new 370–20 rule, replaces the 360 rule because it is overrestrictive. Narrow application of the 360 rule resulted in substantial withholding of data to the public. The new rule is expected to allow more data to be released in a timely manner. If you want to talk about consolidation and merger mania, the packing industry asked that the 360 rule be implemented. They are so tightly held in such a small group that the rest of the country's rules that work for them, this is the only time that the 360 rule has not worked, in the packing industry, because it is so concentrated. Now, it has to turn to another rule. This 370–20 is brand new; never been used in the United States before. It shows you how totally held in just a few hands the packing industry is.

Thank you.

Senator DAYTON. Thank you. Thank you.

STATEMENT OF MARK FROEMKE, PRESIDENT, NORTHERN VALLEY LABOR COUNCIL, AFL–CIO, GRAND FORKS, NORTH DAKOTA

Mr. FROEMKE. Hi; my name is Mark Froemke. I am president of the Northern Valley Labor Council, AFL–CIO, and for you all, that is in the Grand Forks-East Grand Forks all the way to the Canadian border. I have been through three states today, and they are all hot so——

[Laughter.]

Mr. FROEMKE [continuing]. A little weather report.

Senator Dayton, it is good to see you and Senator Wellstone. I am a union person. I have been a union person my whole life. I work in a factory in East Grand Forks for American Crystal Sugar, which is a farmers' owned coop. I believe very strongly in agriculture. I believe very strongly in value-added factories like American Crystal Sugar. I believe very strongly that we in rural America have to stick together, or we will die.

I believe what I want in the Farm bill is I want to save family farmers. I want to save our rural communities. I want to save our rural jobs. I want value added factories in our communities with union wages. I want a stop to ADMs, Cargills, Monsantos destroying the livelihoods of hundreds of thousands of people in this country.

I am sick and tired of NAFTAs. I am sick and tired of WTOs, and I am sick and tired of fair trade of the Americas area. I am sick of these deals that destroy America and our jobs and our farms. The same companies that destroy this country like ADMs and Cargills and the meat packing industry, they grind the worker into the ground.

If we could come together as workers, farmers and rural people, what we can do is save our farms, save our communities, save our schools, save our churches and save our families and have a life for ourselves in this community.

Thank you.

Senator DAYTON. Thank you.

STATEMENT OF PAT A. HABERMAN, BREWSTER, MINNESOTA

Mr. HABERMAN. I am Pat Haberman from Brewster, Minnesota. I, too, would like to see the farmers' income derived from the market. However, in our government's attempt to babysit the world, the United States has trade sanctions or grain embargoes with more than 40 different countries that all our competitors sell to.

This is just one significant reason that necessitates the legitimate government subsidy, and the current $1.72 ceiling price is not it for corn. Americans deserve to earn a fair wage, a minimum wage. In 1985, minimum wage was $3.35, and today, it is $5.15. In 1985, our ceiling price for corn was $2.35, and today, it is $1.72 per bushel. My break-even price using average yields is over $2.25. A legitimate ceiling price should be a break-even price plus a minimum wage for your efforts to produce it. I challenge anyone to find someone who can show me they can grow corn for $1.72 a bushel.

Any other industry can adjust their prices for rising expenses and inflation. Why is it the burden of babysitting the world is placed on the U.S. farmer? As I see it, our government is forcing the U.S. farmer into bankruptcy.

Senator DAYTON. Thank you very much. You are really very well spoken; very well spoken. Thank you.

Welcome.

STATEMENT OF JEROME GRAFF, SANBORN, MINNESOTA

Mr. GRAFF. My name is Jerome Graff from Sanborn, Minnesota, and I guess the gentleman before me took a lot of the words out of my mouth, but I guess two things or a couple of things here I would like to express my concern about. Since exports are not a quick cure for farm economic problems. Consumer demands are determined by four variables: the size of the human population; the income distribution of the human population; the tastes and preference of that human population; and the rules and laws of each nation governing the handling and distribution of finished products.

I would like to say that the big corporations are really getting their way on this NAFTA and GATT, and it was their way, the big international businessmen, you go back to the sixties, the assassination of Kennedy; they were using the CIA to get involved in these covert activities to destroy governments that were not friendly to these big corporations.

Well, if you go back and follow that, Garrison's, when he had that trial, he was the only one that tried the case against anybody trying to plot to kill the President. Garrison was the only one that ever tried to prosecute the case of a plot to assassinate Kennedy. These international businessmen, the one he was trying to get was Clay Shaw, and he told them we are going to make money off of society and have free trade.

I feel that this was the beginning of it, due to the fact that he was trying to hold him down by having this order to restrict the power of the CIA, and we want Fast Track; the Secretary of Commerce, Donald Evans, says that the price spread between what the producer receives at the farm gate and what the consumer pays at the counter, according to the U.S. Department of Agriculture, is the highest it has ever been in history.

He said he just got back from a conference, a global conference, and he said that the global market belongs to the low-cost producer; so, where is the profit? Not just in economic terms but in sustaining cultural, social and environmental issues.

I guess these are the—we tried talking about what we are going to do with the Farm bill and raising the support price; if we are going to follow NAFTA and GATT, our hands are tied with it. We have to decide if we are going to put America first, and I hope we do.

Senator DAYTON. Thank you. Thank you very much.

Welcome.

STATEMENT OF DAN JUHL, PIPESTONE, MINNESOTA

Mr. JUHL. Welcome, Senators. My name is Dan Juhl from Pipestone, and I have a small farm over there. It is not your traditional farm; it is a wind farm. I would just like to mention a few words that we have a tremendous opportunity in this part of the country to develop a new diversified crop for our farmers in the form of wind-generated electricity. The technology is there. There is huge farms being built as we speak all over this area, and we have a potential for the farmers to get involved with this and develop a new cash crop that can help sustain them through these times of up and downs of the traditional commodities.

I just have one specific proposal that I would like to throw at you for you to contemplate, and that is access to the RUS financing mechanism similar to the way the coal plants were financed. If the farmers had access to that rural financing mechanism, they could get into this cash crop and help diversify their farms and make a decent living.

Senator DAYTON. Thank you. Thank you, Dan. That was an excellent specific suggestion. Thank you. Thank you.

Welcome.

STATEMENT OF JOHN NAUERTH III, LAKEFIELD, MINNESOTA

Mr. NORTH. My name is John Nauerth. I am a farmer and a rural country boy over here at Lakefield. I have not heard anything said about currency exchanges, and that seems to be a real problem, where Canadians can come down here and dump the hogs off here and make 30 percent more than their own producers. We have to get something tied to currency values, unless we go on a one world government, which there seems to be support of trying to push. Now, how that is ever going to work is beyond me.

I had a little call this spring. A guy came over to see me, and he said, he said hey, what do you think about me quitting farming? I said gee, I do not know; I said I guess you have to kind of make your decision. He was really in a turmoil on that. We had 11 farmers quit in my area within a 10-mile radius, all under the age of 40. The average kids in the household was about three. That is 33 kids. A couple of them are content to be moving, but it just ain't worth it anymore.

We are in a real sad state of affairs. Freedom to farm is not fair. I have a son who works for a manufacturing plant; corporate America is running people into the ground. If you cannot keep up, there

is always an immigrant that we can pick up to take your place, and that is not right.

Senator DAYTON. Thank you.

STATEMENT OF ROBERT A. DIETER, BREWSTER, MINNESOTA

Mr. DIETER. Thank you, Senator Wellstone and Senator Dayton. My name is Bob Dieter, and I am a farmer in Brewster. I have farmed for 56 years and am still farming. I cannot get out of debt.

[Laughter.]

Mr. DIETER. I guess I will make some comments that probably you people will not like to hear, but it bothers me, and so, I guess that is why I am here. One of the main things that our Federal Government has sold us down the drain, because the cost of farming now is due to all of the regulations that we have. Do you realize that 27 percent of that combine that we buy is due to government regulation? That is $62,000 to $75,000 or $80,000 for that combine that I buy is just government regulations, and that is not including taxes.

Our Federal Government has gotten out of line, and they are just spending too much money, and that is part of our problem. As far as the farm program goes, freedom to farm was OK, but the government did not hold up on their end. We lost exports when we should not have, and it is going to take many years to get those exports back again. That is part of our problem, that we have more production, and we cannot get rid of it.

When you put sanctions on these countries, you cannot get them back again. You cannot get them into your program to import again. These are some things that we have to work on, and I hope that you people on the Agriculture Committee, now, you can work on some of those things.

One thing: China exports 40 percent of their production to the United States. They are using our dollars to buy all of their military equipment from Russia. Think about it. Think about what is going to happen.

Sugar program: I know we might have some sugar producers in this auditorium today, but a whole $130 million it cost the Federal Government to buy sugar, and it is costing $52 million just to store it. There is something wrong there.

Thank you.

Senator DAYTON. Thank you, sir. Thank you very much.

Mary Ellen. Welcome.

STATEMENT OF HON. MARY ELLEN OTREMBA, A MEMBER OF THE MINNESOTA HOUSE OF REPRESENTATIVES, LONG PRAIRIE, MINNESOTA

Ms. OTREMBA. Good afternoon, Senators. My name is Representative Mary Ellen Otremba from Long Prairie, Minnesota, which is in the center of Minnesota, and I am going to talk today a little about the dairy supply management, which needs to be done at the Federal level, because we have chronically low and unstable milk prices. In Minnesota in particular, the dairy industry on the family farm is eroding by the loss of three farms per day, which means

about 200 and some farms have disappeared since the beginning of the year.

Our purchasing power as dairy farmers has deflated to $6.96 a hundredweight from its real value of around $23 a hundredweight, and the average production to a dairy farmer cost is $14 a hundredweight.

There are currently about 6,700 dairy farms in Minnesota, and at three a day, that will quickly bring us down to just a few. Without a financially secure base of producers, the rest of the industry will collapse, beginning with the processors, who need a reliable supply of milk; the wholesalers; the retailers; and ultimately, the consumers in our small communities.

To save our state's dairy industry in Minnesota, which is bigger than Northwest Airlines and Target combined, we need a dairy supply management act to stabilize these prices for producers. Everybody wins: farmers, processors, sellers, consumers and local businesses. Although we have a free market in dairy, it is not fair and open to the producers who are in the dark about inventory in the plants, milk pricing practices, movement of product into the state or the country and other factors affecting their pay.

We have a shortage of milk in the United States, so the imports, questionably legal, keep the farmer's price low. This board would consider the balance between the production and the consumption of milk; the costs of production and distribution so that prices are fair to both producers and consumers.

Senator DAYTON. Go ahead. Take another 30 seconds.

Ms. OTREMBA. OK.

Recently, in the 1999 Farm bill, the processors were guaranteed a percentage in a formula. Right now, it is about $1.64 to $1.75 per hundredweight that they take out of the farmer's check to make sure that their cheese plants cannot fail. That amounts to somewhere between $10,000 and $40,000 for my average dairy farmer under 100 cows. Also, there are many other compacts that are working, and just recently at the Council of State Governments, which included 11 Midwestern states, we passed a resolution which was bipartisan from all of these 11 states asking Congress to please look at a compact for the upper Midwest dairies. If a compact does not happen, we are committed to do an alliance. Because there are states' rights involved, we would be able to pass a milk marketing act in each of our states and do an alliance which Texas and New Mexico have already done; Washington and Oregon have already done; Montana has their own; Pennsylvania has their own; New York has their own. We would move forward.

I would just like to remind everyone on the panel, our Senators and the people in the audience, that throughout world history, all the major powers in the world fell through their food policy, beginning in Genesis, where Pharaoh's food policy made farmers slaves, and Joseph came along and developed a marketing program to save the farmers. Rome fell because of its food policy. Europe, specifically, I know a lot about Germany and how entire villages were starved to death because of the concentration of food. This is my warning to us in the United States because of our concentration of food that we may and could easily fall.

Senator DAYTON. Thank you.

Thank you, Mary Ellen.

STATEMENT OF DAVID KOLSRUF, BEAVER CREEK, MINNESOTA

Mr. KOLSRUF. Chairman Dayton and Senator Wellstone, I am glad to be here today. I am David Kolsruf, a farmer from southwest Minnesota and a manager of one of the new generation coops which is majority owner of an ethanol plant. Thank you for the opportunity to be here today.

Senator DAYTON. You testified in Washington.

Mr. KOLSRUF. I saw you two days ago in Washington.

Senator DAYTON. Right.

Mr. KOLSRUF. I am testifying here today, too, because, a lot of things are going on in rural America, and we are in a transition period. Being involved in new generation coops, I see the real value of farmers working together to build processing plants, and these plants are getting bigger all the time, like the soybean plant here in Brewster.

I would like to see some of the funds targeted toward equity financing, so they can help invest in these plants. They have a huge economic impact in the area. They help farmers sustain their livelihood, and it is just a win-win situation for both the farmer and the government.

One of the other things that I have found in my journeys around is that in the ethanol industry, we have what we call a small producer ethanol tax credit to help out the small producer. While you guys are debating billions and billions of dollars for the big oil companies, here is a program that was specifically designed to help ethanol producers back in the eighties, and we have yet to utilize them. It was designed for everybody but. It was not designed for everybody; it was designed for the farmers, but the farmers have not been able to utilize them yet.

One of the things I caution you against was we go down in Cerina, where we are taking surplus commodities, wind energy and all of these things, and we are using them to fulfill our energy crisis, which, by the way, could be an energy opportunity for us in the Midwest. Make sure that when you look at these tax breaks for big oil and that that the farmers are not left out. Like in wind energy, it would be a tremendous, tremendous impact if we were able to utilize these tax credits so farmers could own the wind turbines; we could own our biodiesel, ethanol plants and have the same credits that are available to the other big oil companies.

With that, I thank you. By the way, Senator Wellstone, I want to thank you for your work with the veterans on all the work you did. Being a veteran, I sincerely appreciate that.

Senator DAYTON. Thank you. Thank you very much.

Welcome.

STATEMENT OF RICHARD ZUPP, PRESIDENT, MINNESOTA ASSOCIATION OF SOIL AND WATER CONSERVATION DISTRICTS, PIPESTONE, MINNESOTA

Mr. ZUPP. Welcome.

I am Richard Zupp, farmer from Pipestone, Minnesota. I am also chairman of the soil and water conservation districts in Minnesota,

and I am also sitting on the national board of the NACD, National Association of Conservation Districts.

Several things I want to discuss today is the EQIP program and its funding of it. It seems that the technical assistance on that is falling very short. Our local office goes out and does the work, gets the projects lined up. It takes up to possibly a year to get these things fully in gear; get the producer all lined up to do the work and everything else. Then, we find we have no money to carry out the practice. We are at a loss.

We also are very much in favor of the conservation incentive program that is being promoted. We are definitely very much 100 percent in favor of that.

The other thing that I guess I wanted to talk about, too, is our energy things; we are very much in favor of those, and we will be presenting written testimony at your Stuartville meeting over there, and I hope to see you there. Thank you so much.

Senator DAYTON. Thank you, Richard. Thank you. Well said.

STATEMENT OF PAUL SOBOCINSKI, LAND STEWARDSHIP PROJECT, WABASSO, MINNESOTA

Mr. SOBOCINSKI. Paul Sobocinski, Land Stewardship Project, Minnesota. I am also a livestock farmer besides working for the Land Stewardship Project.

I first of all want to say very clearly, Senator Dayton, Senator Wellstone, as you are deliberating in terms of farm policy, do not buy any of the commodity groups' or farm organizations' analysis to reduce loan rates for any of our crops. I urge you to look at the situation the same way that you look at workers. If workers deserve a minimum wage, so do farmers deserve a fair and minimum loan rate for the crops they produce.

I was quite disappointed yesterday when I saw $2 billion cut on the Senate side in terms of emergency funding, because that directly affects farmers all across the state, and it is very real, just the same as workers who would see that type of reduction.

In the upcoming Farm bill debate, I believe that you need to draw a line on the sand particularly around three issues: first of all, around the issues in terms of we need to have a moratorium on these large agribusiness mergers.

That moratorium needs to include coops like Farmland, Land'o'Lakes.

In the late 1950's and early 1960's, my grandfather worked to help organize REAs. He said back then Land'o'Lakes was going in the wrong direction. He would turn over in his grave to know that coops today are now competing; farm coops are competing with farmers and producing livestock. This needs to be stopped.

The next area that needs to be done in terms of the Farm bill, it needs to have a strong conservation component. The Conservation Security Act that Senator Harkin is behind needs everyone's support. It needs to go forward. All farmers, regardless of the crops they produce, should not be discriminated against.

Thank you.

Senator DAYTON. Thank you, Paul. Thank you.

Welcome.

STATEMENT OF RANDY OLSON, SUNBURG, MINNESOTA

Mr. OLSON. Honorable Senators Dayton and Wellstone; other respected officials, my name is Randy Olson. I am a 23-year-old ex-dairy farmer from Sunburg, Minnesota. I am here to address the U.S. Government and the speculators who market and transfer our farm products around the world.

I have five Bible verses I want to read: James 5: Come now you rich. Weep and howl. Fear miseries that are coming upon you. Your riches are corrupted, and your garments are moth-eaten. Your gold and silver are corroded, and their corrosion will be a witness against you, and you will eat your flesh like fire. You have heaped up treasure in the last days. Indeed, the wages of the laborers who mowed your fields, which you kept back by fraud, cry out, and the cries of the reapers have reached the ears of the Lord of the Sabbath. You have lived on the earth in pleasure and luxury. You have fattened your hearts as in a day of slaughter. You have condemned, you have murdered the just. He does not resist you.

I want to farm. I also want to raise a family. Working the soil, working with animals, raising children are all heavenly, magical experiences. The problem is that it all takes money. Now, if you as a government pass any farm legislation that will not put more money in the pockets of independent farm producers such as my father and mother, in my eyes, you are committing a sin. I am here asking you to help me, because alone, I cannot fight our coops and food processors.

Thank you.

Senator DAYTON. Thank you, Randy. Thank you.

Welcome.

STATEMENT OF KELVIN ELNESS, WINDOM, MINNESOTA

Mr. ELNESS. Good afternoon. My name is Kelvin Elness. I am from Windom, Minnesota. I grew up on a dairy farm and wanted to continue farming. As I got older, my mother and I farmed together. When I graduated high school, she told me to go on to college, to get out.

I went on to college; I graduated; I taught for a couple years. Now, I am back here in Minnesota, where I want to be. I am starting to take over the farm, but it is very, very difficult starting out. Most of our ground is now old CRP ground which I am using for pastures and grazing. I guess I would just like to see more opportunity for young farmers to get started without the large quantities of money needed to buy the land to continue on or take over their family farms.

Also, I would like to address—I started raising buffalo, and some of the disease issues in buffalo, and my neighbor has elk, in the exports to other countries: we need to make sure that there are some standards set so that these countries can be assured that we are producing quality products.

I would like to thank you for your time and give you these letters.

Senator DAYTON. Thank you.

Thank you very much. Thank you.

You are our last witness, sir. Thank you for your patience.

STATEMENT OF BRUCE BEDERMAN, GRAFTON, IOWA

Mr. BEDERMAN. You bet. My name is Bruce Bederman. I am from Grafton, Iowa and a farmer and an agribusinessman. I sell grain bins and grain dryers, and that business has been very slow because of the economy. I basically agree with the National Farmers Organization's cut on the Farm bill. I have a copy of my proposal. One point I was waiting to see was covered in it was not quite adequately. The farming communities or livestock raisers should have to be raising at least 75 percent of their own feed. If they do this, they have a place for the manure. Concentration is relatively bad no matter where it is, if it is people or animals or whatever. If you have a sustainable agriculture where you actually raise your own feed, and if you raise feed for crops, you are a farmer; if you do not actually farm or raise crops, you are not a real farmer; you are just a manufacturer of animal products or whatever.

The other basic principle I have on my deal is if you raise more than 50 percent of your land on one crop, you cannot rotate, and therefore, you will degrade the land. Thank you for your time.

Senator DAYTON. Thank you very much. Thank you.

Three more gentlemen waiting to speak, and we will draw the line there.

STATEMENT OF JOHN P. KIBBIE, IOWA SENATE, EMMETSBURG, IOWA

Mr. KIBBIE. Thank you, Senators, for having this hearing. My name is State Senator Jack Kibbie from Iowa, and Senator Paul and I have talked about these issues in the past.

The conference that was held in Lincoln, Nebraska, recently with 11 neighboring states; 52 legislators attend ag committee that I cochaired with a legislator from Michigan, but we passed eight resolutions and then took them to the full body, which is 500 people, and either passed them unanimous or with a good majority vote, and they dealt with everything from concentration to the Justice Department, Packer and Stockyards and a whole raft of things with biotechnology. I will see to it that you get copies of those.

A couple other issues that I see in this whole trade affair: we have 130 countries that we have American troops in them, 130 of them. The gentleman that talked about the veterans; those people are going to be veterans. Many of those countries, we are trading with that do not have any human rights laws; do not have any labor laws; do not have any environmental laws, and they either ought to have some kind of a standard, or we ought to not trade with them.

The other thing that I feel, before all this thing is going to change, we have to get some control over campaign finance. The corporate America——

Corporate America is buying and selling our government. You people are there; I am there on the state level. Read the reports. Read the reports. Make them public on where all this money is coming from for these campaigns. It is hurting us in being able to pass a decent farm bill.

Thank you.

Senator DAYTON. Thank you, Jack. Thank you for being here.

STATEMENT OF RICK GOEDTKE, FULDA, MINNESOTA

Mr. GOEDTKE. I am Rick Goedtke from Fulda, Minnesota. I raise corn, soybeans, and I am also a turkey producer.

What I would just kind of like to do is run over a few things that I kind of agree with. I agree the loan rate should be raised. I do not think there should be a deficiency payment paid when you sign up for the farm program. You should only have a higher loan rate that justifies cost of production and a cost of living, something to pay for your labor.

There should be a marketing LDP with that loan. That is a good idea. As a livestock producer, that fits the mold really well.

That the payment should be based on bushels. You should pay on bushels. You should limit the amount of bushels. The payment limitations that you have in the farm program right now are a joke. They are an absolute joke. They do not make any sense. They are unenforceable. They always have been. I remember sitting in an FSA office, and a guy came in, and he farmed a rather large amount of ground and said gee, what am I going to do about this? I am going to be way over this, and I am not going to be able to cash in on this deal.

The director just said come back with me. I will show you how to get around that. That is the way it works.

If you do it by bushels, you limit the amount of bushels, it is a much easier, simpler way of dealing with it. The farm program should be simple. Simple things are hard to abuse, OK? I also think that you should do your payment in line with the CER values of land; should be bushels times the CER value, the crop equivalency rating. That is fair. Some of these are not fair right now.

More long-term conservation programs with dollar limits; 5 or 10 years; I like the gentleman's idea with grazing some of these acres. It is good.

It is better to be out of production. It is also better to be using it as well.

Incentives for less tillage, maybe to be applied to loan rates as an incentive for conservation. I would also like to talk to you about the wetland rule specifically; the abandonment rule. There is a 5-year abandonment rule on wetlands. Even if you have drainage in there, you are not allowed to go in there and fix that if you have not used that for 5 years. That is a way of stealing a farmer's ground. That is not right.

I also would just like to briefly, since I am a turkey producer, we are not—we do not do any of the other stuff like—our checkoff is a voluntary program and stuff. I do volunteer to that. It is a pretty good program, and I am very small in that industry. I want you to realize that in that industry, which is mostly a corporate-controlled industry, this farm bill that you are going to have probably that I see right here that you handed to me and the past farm bill that you have been having have been a real windfall for those people.

I love buying corn at $1.42 or $1.50 to feed to my turkeys. That works great. You know what? My grain and soybean operation? It is running in the negative. It does not make sense. It should not work that way. You need to change that so the people that are out

there on the farm that are raising the stuff take advantage of it, not the others, not the corporate entities.

Senator DAYTON. Thank you. Thank you very much. Thank you. Well-said; very well-said.

You get the last word, sir.

STATEMENT OF REV. BOB MORITZ, HADLEY, MINNESOTA

Rev. Moritz. OK; I have known Senator Dayton and Senator Wellstone for over 20 years; a good friend of Anne Kanten and other people who have spoken here today, and you need a benediction. I happen to be a clergyman who is here to get educated, and also, I have served in the parish where I serve at Hadley and Chandler for almost 30 years, 29-plus, and I have stayed there because I wanted to fight for the farmers, and I am past retirement, and the fight is slowly leaving me. Those who have said they are angry can count another person here. When I have seen what has happened to our beautiful farm land and when I have seen what has happened to our churches, the numbers have gone down, and they continue to go down, and it is very, very distressing.

Tomorrow, I will share with my parish using a text about the farmer who wants to tear down and build bigger granaries, and Jesus is not a happy camper when he hears what they are saying, and the whole thing has to do with greed. That is what the text is about, and that is what life itself is about. There is so much greed out there, and all of us, all of us, are guilty. It is not that person or this person or whatever. We need to deal with those kinds of things.

When I see what has happened to the farmers, I can only weep and weep with them. I do think that it is important for the government to continue to try to help the family farmer. I mean, I in a sense implore you, plead with you, and I know that you have been working in that way. I ask that you continue to do that, and certainly, as we leave here today, we know there are people that are going to be working for us, but we need more like you two, and we want you to represent us as you have, and we simply say may God bless both of you. Thank you.

Senator DAYTON. Thank you very much. Thank you.

This has been just a terrific hearing and very, very informative for me. I want to thank the members of our panel again for your participation, for your being here. I want to thank all of our audience for your patience and your eloquence, and there is no question that we need a farm bill which shifts direction fundamentally and puts price and profit back into agriculture in the marketplace. Getting there is going to be the subject of debate, but from everything I have heard today, that has got to be the key underpinning. I pledge to you we are—both Paul and I now, being members of the Senate Agriculture Committee; we have three members of our Minnesota House delegation: Representative Kennedy, Gutknecht and Peterson are on the House Agriculture Committee, so I am very hopeful that we can make sure that this bill represents the best interests of Minnesota, and I pledge to you that I am committed, working with Senator Wellstone and others, to that end.

Again, on my behalf, thank you very, very much, and I will turn it over to Senator Wellstone for any concluding remarks.

Senator WELLSTONE. Thank you, Senator Dayton.

I want to also thank the panel. I want to thank Ted Winner and Jim Vickerman for getting us going here today and all the work you do. There are a lot of people, a lot of legislators here today from our state and Iowa and South Dakota and also a lot of farm activists and people that I have known, that I have come to know and to love.

The way I will finish up is by just saying two things. One is a little bit more by way of some people who are here who work with me. I have to mention Connie Lewis, because she is from Jasper. She is the head of our Minnesota office. She is an incredibly skillful person, and this conversation has great personal meaning to her. It is what her parents are about and what she is about. Connie Lewis, right there, please stand up.

I also want to thank Tom Meium, who is out of our Wilmer office, who is just great to work with.

[Applause.]

Senator WELLSTONE. Brian Baining, who came out here from Washington, DC, who is working with Brian Allberg. Brian is right behind us.

Brian, please stand up.

Then I have to also thank Sheila, because we do all this work together, and she is way in the back of the room. Sheila, will you please stand up?

Sheila is my wife. Sheila Wellstone!

I cannot help it.

The other thing I want to say to everybody here is I have been listening, too, and people have different views. The panelists have presented some different viewpoints, and I thank everybody here for being here. For my own part, when there was a vacancy, I really jumped on this committee, because I thought God, Anne, a lot of us have known each other for many years. We have been through these struggles. I will repeat what I have said before: I just do not think time is neutral. I do not think we have very many more chances to get it right with a farm bill. I thought if I could get a chance to be there on the committee and dig in in every way I know how, I am going to do it now, because this is the time.

Senator Harkin as chair of the committee gives us a much better chance than we have had for awhile from at least what I believe in most, which is very focused on family farm, very focused on price, very focused on competition that gives our producers a decent chance, very focused on conservation and stewardship, very focused on value-added products, very focused on the potential for—boy, wind energy, biomass to electricity, small business, clean technology, boy, rural America we have part of the answer. Biodiesel; we have a big answer for our country, and I said to Al Christopherson: we all agree on that. There is a real potential of agreement.

That is the good news. The only bad news is—I thought Mark was putting a 2-minute sign up here. He is getting worried. I have to go on and on.

[Laughter.]

Senator WELLSTONE. The only bad news is that—it is not bad news, but I just was thinking there has got to be a way that—the

House has got a bill out of committee. We are working on it now. There has got to be a way, and I have to think about this, and I would ask you—that over the next three, four, 5 months that we figure out ways of really kind of cranking it up, really putting the focus on that Ag Committee, starting to make this much more public, starting to get people in the country engaged in this.

You know, this is a big value question. That is really what it is about. This is a spiritual question. I mean, if you want an agriculture that increasingly is dominated by conglomerates, someone will always own the land. Someone will own the animals. The question is that is a different kind of agriculture. Or do you want a family farm structure of agriculture? Do you want an agriculture that is respectful of the land and the environment, that is respectful of communities, where the people who work the land, they live on the land; they make the investment decisions; they care about the community; they support the churches and the synagogues; they support the schools; they buy in the community; they support local businesses.

I mean, that is really, kind of what we believe in the most. If these are our values, and these are our families, and these are our children, or these are our grandchildren, then, I do not think there has ever been a more important time for all of us to give this every single thing we have. The only promise that Mark and I can make for sure is that we are going to give it everything we know how to do. We will fight this out every way we know how, and we will do it with you.

Thank you.

Senator DAYTON. Thank you all very much. The hearing is adjourned.

[Whereupon, at 4:17 p.m., the hearing was adjourned.]

APPENDIX

AUGUST 4, 2001

STATEMENT OF

MR. DAVE FREDERICKSON
PRESIDENT
MINNESOTA FARMERS UNION

BEFORE THE

SENATE AGRICULTURE, NUTRITION AND FORESTRY COMMITTEE

AUGUST 4, 2001

Statement of Mr. Dave Frederickson, President of the Minnesota Farmers Union
Before the Senate Agriculture, Nutrition and Forestry Committee
August 4, 2001

Mr. Chairman, members of the Senate Agriculture Committee, I am Dave Frederickson, president of the Minnesota Farmers Union. On behalf of our family farmer and rancher members it is a pleasure to welcome you to the State of Minnesota, and an honor to appear before you today to discuss the next farm bill and its importance to farmers and ranchers in the future.

At the outset, let me commend Chairman Harkin for his effort in expediting consideration of new farm legislation that recognizes the importance of developing a comprehensive farm bill, as well as pursuing an economic assistance package for the current year that is greatly needed by Minnesota farmers during this period of extreme economic crisis.

Today, I would like to provide a summary of my written statement that contrasts the farm program concepts recently adopted by the House Agriculture Committee with the comprehensive farm program proposal developed by the National Farmers Union and strongly supported by its 300,000 members nationwide, including those in Minnesota. Unfortunately, while the House process included several opportunities to present information through the hearing process, substantive consideration of alternatives was generally foreclosed due to the inability to obtain official Congressional Budget Office estimates of program costs within the timeframe provided by the committee leadership.

We fully recognize that the limitations imposed on the development of U.S. agricultural and food policy by the federal budget create a real and serious challenge in meeting all the needs that should be addressed in the next farm bill.

Farmers Union believes the responsible way to meet these important commitments is by developing a commodity policy that maintains an adequate and workable safety net for producers, while proactively addressing new demand-creating opportunities, commodity price improvement and appropriately managing inventories through reserve and other cost-containment programs, including new benefit-targeting mechanisms.

Program Crops

The program crop provisions of the House bill provide for a continuation of the provisions of the 1996 farm bill for the traditional program crops, and extension of fixed, de-coupled payments to oilseed crop producers in exchange for a reduction in their counter-cyclical marketing loan rates. The proposal also provides a one-time optional adjustment in program payment acreage bases and the establishment of a target price mechanism to reduce the impact of depressed program crop prices on producers. In addition, the legislation maintains the current payment limitation provisions on contract payments, provides a $150,000 limitation on marketing loan benefits and creates a new $40,000 payment limitation on target price benefits. Presumably, the "three-entity" rule is maintained for the re-authorized program elements and extended to the target price provision.

In addition to the current budgetary baseline associated with the program crops, approximately 62 percent ($45.164 billion) of the additional funding ($73.5 billion) provided in the FY 2002 budget resolution is allocated to expanding the level of payments to those with eligible program crop acreage bases. It has been estimated that these expenditures, provided primarily through additional land-based, de-coupled payments, will increase net farm income by an average of $4.1 billion per year. This transfer, however, directly costs the government about $4.52 billion per year, or $1.11 for each $1.00 provided program participants.

Farmers Union supports efforts to provide an equitable, counter-cyclical economic safety net for program crop producers that reduces the need for future ad-hoc assistance and provides assistance to those producers who truly need the help based on their current production activities. We are concerned that the farm bill concepts under discussion fail to address and correct many of the shortcomings of Freedom-To-Farm, including the creation of new, price-enhancing, market opportunities for producers.

Acreage Bases and Yields:

The House proposal contains provisions that provide producers the option to maintain current acreage bases or update their crop bases to the 1998-2001 average of planted acres to a contract crop for program payment purposes. This will result in the rational decision by a producer to select the base option that provides the greatest opportunity to maximize program payments regardless of current or future crop production and rotation realities. The draft however proposes to continue the use of historic program yields, including the establishment of comparable historic yields for oilseed producers, for de-coupled payment eligibility.

If adopted, these provisions will encourage further consolidation of farms into larger-sized operations in terms of acreage with little regard to producer investments in productivity or production efficiency. The bias of current programs to extend a disproportionate share of benefits to the largest landowners, who are not necessarily producers, will be exacerbated.

De-coupled Payments:

Agricultural Marketing Transition Act (AMTA) payments have been correctly criticized for their non-market impact on land values and rents, benefits based on historic acreage and yield factors and payments that do not necessarily reflect economic need or assumption of production and market risk. In addition, the de-coupled nature of AMTA payments results in production and market distortions within the context of planting flexibility allowed under the current Act. By increasing the AMTA-type payments, extending the program to even more crops, and adding a de-coupled target price component in new legislation, while maintaining current planting flexibility; the production, market and equity distortions will be even greater..

Compared to soybeans under the current program, the incentive to collect de-coupled payments for one program crop while shifting production to oilseeds is increased by the house proposal for wheat, corn, cotton and rice. In addition, the problem of cross-subsidization, that creates unfair competition for traditional producers of certain non-program crops, is continued for those crops that are allowed to be planted on base acreage under the bill's planting flexibility provisions.

Marketing Loans:

The farm bill proposed in the House, continues the use of the commodity marketing loan program, a counter-cyclical mechanism that maintains U.S. market competitiveness while providing a minimum level of production-based income support to producers. Unfortunately, other than the relatively minor adjustments in loan rates for sorghum and oilseed crops, the proposal continues the practice of establishing marketing loan rates in an arbitrary fashion extending both the loan rate inequities and production distortions that were manifested in Freedom-To-Farm. As a percentage of full economic cost of production, the most representative and equitable basis for establishing a safety net program for producers, the House bill provides only marginal improvement over current law in terms of the loan rate relationship among program crops. It accomplishes this by reducing the safety net for soybeans. The proposal fails to utilize this current opportunity to improve the economic security for producers by enhancing the most market oriented provision of the safety net and establishing an effective long-term basis for determining loan rates that is equitable and represents economic factors common to all program crops.

Although the soybean loan rate reduction represents a downward adjustment of 6.4 percent compared to current law, its proposed level will remain significantly higher than that for other crops. Government policy that maintains the disparities in loan rates between oilseeds and other crops as well as among the non-oilseed crops themselves will continue to exert a substantial distorting influence on crop production.

When combined with the de-coupled payments proposed in the legislation, it is apparent the effective economic safety net is improved over current law due to an infusion of new funds. However, as has been the case with Freedom-To-Farm, the nominal level of safety net is significantly higher than the effective or "real" level provided producers due to factored acreage bases and yields that are over 15 years old. Additionally, the policy distortions caused by arbitrary and inequitable levels of assistance are continued and the current bias in benefits that favors land owners, whether or not they are actual producers, is maintained.

Farmers Union Recommendations:

Last June, the National Farmers Union provided a set of agriculture policy recommendations to this committee that would provide an equitable, production-based, counter-cyclical safety net for producers that would maintain planting flexibility, and ensure market competitiveness without distorting production. We also suggested the use of new tools to create additional market demand for U.S. farmers as well as programs to ensure our capacity to be a reliable supplier of commodities to the market. In addition, we supported providing discretionary authority for the secretary of agriculture to implement cost containment mechanisms to balance supply with demand should future market expectations fall short of being realized. We continue to support this approach today.

The National Farmers Union proposal is based on an improved commodity marketing loan program that provides a comparable safety net level for all program crop producers based on a percentage of the full economic cost of production and the elimination of de-coupled payment

programs. Utilizing cost of production as the basis for annually determining loan rates provides a mechanism to automatically adjust the safety net for each program crop relative to changes in input costs as well as productivity, maintaining an equitable balance between those crops over the long-term.

We support programs that can enhance demand beyond that which can be reasonably expected from the commercial market under current conditions. These market expansion programs should include, at a minimum, the establishment of a renewable fuels standard and a long-term commitment to the Global Food For Education Initiative.

In order to guarantee our ability to supply these markets we encourage the establishment of two limited reserve programs. The reserve stocks, equal to about one year's commodity needs for bioenergy production and our international food assistance commitments, would be procured by the government at today's modest prices and utilized to offset the impact on these programs when prices rise or stocks become tighter. Farmers would be provided the opportunity to store the reserve stocks.

A third, limited reserve should also be established to complement existing risk management programs. This farmer-owned reserve would be similar to a commodity savings account that could be utilized by the producer to offset a portion of the economic losses sustained due to production or quality reductions that are not indemnified by multi-peril crop insurance.

Concerning payment limitations and the targeting of program benefits, the House proposal continues the status quo, for the direct payment program. It increases the nominal limit to $150,000 for marketing loan benefits while effectively eliminating limits on those benefits through the marketing certificate authority. Furthermore, the proposal establishes a new $40,000 limit on the payments associated with the target price program while maintaining the multiple entity rules.

We believe a better system can be implemented that allows eligibility for one hundred percent of all earned marketing loan benefits. In our view, a single attribution system should be established that ties program participation to the individuals who actually undertake the production and market risk of farming. All participants would be eligible for marketing loans established as a declining percentage of cost of production on those units of production necessary to reach a maximum "gross sales" level or tier. The sales levels would be comparable to those established by USDA in their farm typology analysis. For example, all producers would be eligible for the same percentage level of marketing loan up to their first $100,000 of loan commodities. A slightly smaller percentage level of marketing loan would apply on the next $150,000 of loan commodities. A further reduction in the marketing loan rate would apply to the next $250,000 of loan eligible commodities. It is our view that this new targeting mechanism will not only help ensure a more responsible distribution of program benefits, but also can be a source of additional savings in commodity program costs that we estimate could be in excess of $1.0 billion per year. We encourage the committee to request a further analysis of this proposal.

Finally, we recommend the secretary have authority to offer a voluntary "Flex-Fallow" type of program to establish an appropriate balance between supply and demand in order to ensure

program costs are maintained at an acceptable level should demand and market prices fall short of expectations due to unpredictable circumstances.

Other Crops

The House proposal provides funds to re-implement a wool and mohair program, extend the current dairy price support program, eliminate the deficit reduction marketing assessment on sugar and develop a new peanut program that is modeled after the grains programs. For fruit, vegetable and livestock producers, the draft provides discretionary authority to combat plant and animal diseases with emergency funds and maintains the current planting restrictions for fruit and vegetable production on program payment base acres.

Farmers Union Recommendations:

We support re-establishing the wool and mohair program to assist those producers in rebuilding a sector of agriculture that has been decimated by competitive imports that are, in many cases, sold in the U.S. at world "dump market" prices. In addition, we endorse reserving funds for the development of a new peanut program in the near future that can address the economic concerns of the producers of that important commodity.

We are concerned that the simple extension of the current dairy price support program fails to adequately address the need for an improved economic safety net for that sector or ensure full compliance with U.S. laws governing the use of certain milk by-products, such as Milk Protein Concentrate (MPC).

We believe the establishment of a target price system for milk producers based on a percentage of the full cost of milk production can provide an improved safety net for dairy producers. The target price should be available to those who produce less than 2.6 million pounds per year or limit their production growth to no more than average increase in annual market demand.

In addition, we support the establishment of a dairy producer assessment program that would apply to those who exceed 2.6 million pounds of production and expand output beyond the level of market growth. We believe the assessment will discourage over-production and provide resources, beyond the government's price support responsibilities, to purchase surplus dairy products for distribution through domestic and international nutrition assistance programs.

The elimination of the sugar marketing assessment, that was established as a budget deficit reduction tool and should have been repealed at the time the federal budget achieved a surplus position, is inadequate to meet the production and unfair trade challenges that sector must confront. We encourage immediate action to curtail the ability of processors to avoid established sugar tariff rate quotas by importing and reprocessing sugar-containing products. In addition, we support industry efforts to achieve a better balance between U.S. production, sugar imports and U.S. market demand, and encourage an adequate level of funding be made available to implement such adjustment programs.

Similarly, while we encourage funding to address plant and animal disease outbreaks that impact the producers of those commodities, we believe permanent authority and funding must be provided to assist those producers when markets and prices are threatened due to production variability or unfair trade competition.

Finally, we note the draft fails to include any provisions to assist tobacco producers, who continue to be subject to declining production quotas and prices while the level of tobacco imports and concentration among processors increases. If the committee cannot agree on policies to assist tobacco producers, including an assurance that a federal tobacco inspection program will be maintained, we urge that funding also be reserved to allow further consideration and development of a future tobacco program.

Conservation

The House farm bill proposal devotes a significant level of new funding resources to existing programs in our nation's efforts to enhance the conservation of our agricultural resource base. We are concerned, that diversified or less intensively operated farms, that generally pose fewer environmental risks or have already invested in applied conservation practices, may be less likely to be eligible for conservation program benefits or receive a disproportionately smaller share compared to those who continue to operate in ways that may degrade the environment. This may be particularly true with the Environmental Quality Incentive Program (EQIP), where the proposed level of funding is substantially increased without specific recommendations concerning eligibility requirements or program priorities. In addition, the greatly expanded limitation on both annual and project program benefits will likely divert funds away from independent family farms and ranches to large, integrated operations, ultimately benefiting those who can and should provide for environmental security without government assistance.

Farmers Union Recommendations:

In general, the Farmers Union endorses each of the programs outlined in the House proposal. We recommend that the enrollment level for the Conservation Reserve Program (CRP) be established at a level of not less than 40 million acres and capped at 45 million acres.

We also support the establishment of a soil rehabilitation program. This program would provide rental payments to producers who should remove land from production for an intermediate period of time, 3-5 years, in order to address weather or disease related production problems such as extended drought, flood, Karnal bunt and fusarium head blight.

We encourage the committee to ensure that EQIP program funding does not result in conservation subsidies to large, integrated enterprises that have the capacity to meet environmental and conservation objectives and regulations without federal assistance. Furthermore, we are opposed to the use of conservation funds as a tool to increase the scope of production and marketing contracts where producers have little or no management control over the livestock or crop enterprise.

Trade

The trade section of the concept paper provides for the reauthorization of numerous trade and market promotion programs, and increases the level of funding for the Market Access Program (MAP) and Food for Progress.

Farmers Union Recommendations:

The Farmers Union believes the inclusion of the items listed in the trade section of the house measure should be included in new farm legislation. We also believe the committee should utilize this opportunity to further promote a U.S. trade policy agenda that seeks to ensure fair competition in global agricultural trade.

In order to achieve this goal, we urge the committee to adopt recommendations to: (1) Create a mechanism to address the agricultural impact of exchange rate and currency fluctuations. (2) Seek appropriate and enforceable international commitments to ensure fair competition in commodities and products where differing labor and environmental regulations represent a substantial percentage of the total cost of production. (3) Ensure maintenance of our domestic trade remedies. (4) Encourage international coordination of efforts to reduce the anti-competitive practices and results of increased agricultural integration. (5) Eliminate all foreign policy sanctions concerning trade in agricultural and medical products. And, (6) expand the Trade Adjustment Assistance Act (TAA) to include agricultural producers.

Research

The concept paper provides funds to continue the Research Initiative for Future Agricultural Systems through FY 2011.

Farmers Union Recommendations:

We urge the committee to reauthorize the research title in new farm legislation and ensure adequate funding to extend the Research Initiative for Future Agricultural Systems through FY 2011. As part of this initiative, we support establishing research priorities that are directed to value-added, small farm issues, carbon sequestration, organic agricultural production, production sustainability and testing of the products of biotechnology.

Nutrition

The draft farm bill provides $30 million per year for the Emergency Food Assistance Program (EFAP) and allocates $2 billion over 10 years to simplify the food stamp application process and improve numerous aspects of state-level program operations.

Farmers Union Recommendations:

We support expansion of the Emergency Food Assistance Program (EFAP) and improvements in the management of the Food Stamp Program as outlined in the concept paper; however, we are concerned that critical domestic nutrition issues have been overlooked.

Roughly 31 million Americans are threatened by hunger each year, and 12 million of those Americans are children. According to USDA, one in 10 rural households faces hunger everyday.

The Food Stamp Program is the nation's primary safety net against hunger. While participation in the Food Stamp Program has dropped significantly since the 1996 Welfare Reform Act, the number of Americans who go hungry has remained constant and the demand at hunger-relief agencies nationwide is up. Farmers Union believes that we need to strengthen the Food Stamp Program both in access to the program as well as the adequacy of benefits in order to ensure that eligible people in need receive the benefits to which they are entitled. The Food Stamp Program needs to be modified to eliminate obstacles to families who receive food stamps during transition from welfare to work. For many low-income Americans, the costs associated with the application process, including lost wages and transportation, keep them from applying for food stamps even though they are eligible.

Equally important, Farmers Union believes we need to bolster funding for the Women, Infants and Children (WIC) Program and maintain full funding for child nutrition programs such as the School Lunch Program, School Breakfast Program and Summer Feeding Programs.

Farmers Union is a strong advocate of the Farmers' Market Nutrition Program that provides WIC or WIC eligible participants with coupons to purchase fresh produce from farmers' markets to help improve the diets of mothers and children. In addition, we support expanding Section 32 food purchases, a program in which the government purchases surplus commodities and donates them to provide food for needy children and adults who suffer from hunger.

Finally, Farmers Union endorses providing grants to states, similar to the program authorized in this year's agricultural economic assistance package, to purchase commodities to help curb hunger and improve nutritional levels for people in need.

Rural Development

The concept paper provides for increased funding for four specific rural development initiatives: strategic planning; direct loans for expanded satellite communication capacity in rural areas; value-added grants; and grants for emergency drinking water. The proposed level of rural development funding is increased by less than $100 million per year. While each of the four areas proposed to receive increased funding is a worthy program, only one area is new – the Strategic Planning Initiative, that provides for regionally planned, rural-development pilot programs.

Farmers Union Recommendations:

We endorse a significant expansion in rural development programs to enhance both future opportunities for producers in areas such as value-added development as well as rural infrastructure issues that affect both agricultural producers and rural communities. For farmers and ranchers, the value added grants program represents the most important priority among the limited list of priorities identified in the draft. We support the additional funding provided for this program; however, we are concerned it may not be an adequate catalyst to expand value-added opportunities to the next level. The Farmers Union supports an even greater level of funding, along with an expansion of programs to facilitate broader participation in value-added enterprises by producers who may not be able to meet the immediate investment requirements.

The two community-oriented programs for emergency drinking water grants and broadband facilitation loans are useful programs. The committee should consider, however, whether a more general, emergency community-grant program could be of greater utility and whether increased satellite communications is the most immediate rural communication and/or infrastructure need at the current time.

We believe the strategic planning initiative to provide for regionally planned rural development pilot programs has merit and its effectiveness could be enhanced if the funding is utilized for empowerment zone type of projects including enterprise facilitation.

Other Farmers Union Recommendations:

We believe the committee should also consider the merits of two additional titles within the scope of a comprehensive farm bill.

We urge the committee to adopt an energy title to reflect both the new opportunities in agriculture to produce a broad range of renewable energy resources as well as the increased reliance of modern agriculture on external sources of energy related inputs.

In addition, we encourage the committee to consider adding a title to the farm bill to address the issue and impact of agricultural concentration. Although this issue has multiple venues of jurisdiction, we believe it is so critical to the effectiveness of both domestic and trade policy and the future of U.S. production agriculture that it should be an integral part of any effort to address agricultural policy.

Conclusion

Mr. Chairman, much debate and many ideas have surfaced concerning the elements necessary to create an effective food and agricultural policy for the United States. We believe the open process you have established for consideration of a new agricultural policy provides a welcome opportunity to achieve a workable farm program that is based on consensus and compromise.

We cannot endorse the farm bill proposal approved by the House Agriculture Committee because in our view they cannot adequately address the food and agriculture needs of America

within the available budget. This reality requires all of us who support and promote American agriculture to seek new methods to ensure the available resources are utilized in the most effective ways possible to enhance the economic well-being of producers while meeting the conservation, development and nutrition challenges we must face as a nation.

We look forward to working with you, and the members of the Senate Agriculture Committee in a constructive manner to craft such a policy. I will be pleased to respond at the appropriate time to any questions you or members of the committee may have.

STATEMENT OF BOB ARNDT
PRES. MINNESOTA NATIONAL FARMERS ORGANIZATION

TO

U.S. SENATORS PAUL WELLSTONE AND MARK DAYTON
AUGUST 4th 2001, AT FIELD HEARING
WORTHINGTON, MINNESOTA

HONORABLE SENATORS PAUL WELLSTONE AND MARK DAYTON.

I'M BOB ARNDT, PRESIDENT OF MINNESOTA NATIONAL FARMERS ORGANIZATION. I FARM NEAR ECHO, MINNESOTA. THANK YOU FOR THE OPPORTUNITY TO TESTIFY ON BEHALF OF FELLOW NFO MEMBERS.

AMERICA'S PRODUCTION AGRICULTURE IS AN ECONOMIC POWERHOUSE. IT EFFECTS THE ECONOMIC WELLBEING OF NOT ONLY TWO MILLION FARM FAMILIES BUT ALSO THE TENS OF MILLIONS OF FAMILIES LIVING THROUGHOUT THE RURAL COMMUNITIES OF THIS LAND WE CALL AMERICA, AND I SUBMIT TO YOU, THAT WHOEVER PROVIDES THE RISK CAPITAL TO PRODUCE THE NEXT CROP WILL CONTROL THE DESTINY OF RURAL AMERICA AND AMERICA'S FOOD PRODUCTION INDUSTRY FOR THAT YEAR. THE RISK CAPITAL THAT WE USE EACH YEAR WILL EITHER COME FROM THE FARMER OWNER-OPERATOR'S ASSETS OR IT WILL COME FROM MULTI-NATIONAL ABSENTEE INVESTORS WHO WILL FILL THE VACUME THAT LOW FARM PRICES AND LOSS OF INCOME LEAVES.

THE NEXT FARM BILL WILL LARGELY DETERMINE WHO WILL CONTROL AMERICA'S FOOD PRODUCTION INDUSTRY IN THE NEXT DECADE.

FOR TOO LONG WE HAVE LISTENED TO THE PERSUASION OF MULTI-NATIONAL GRAIN MERCHANTS AND INTERNATIONAL TRADE ENTITIES AND HAVE IGNORED THE FUNDAMENTALS OF EARNED INCOME BENEFITS AND THE ACTUAL STATISTICS OF FOOD PRODUCTION AND USE,BOTH DOMESTIC AND WORLD.

AFTER 40 YEARS OF PRODUCING CORN AND SOYBEANS I NOTICED THAT WE ONLY HAVE A 56 DAY CARRY-OVER. WE DIDN'T THROW ANY AWAY. WE USED IT ALL. THE PRICE I RECEIVE HAS GONE FROM 71% of PARITY TO 30% OF PARITY DURING THAT TIME.

THE FOLLOWING TABLE SHOWS A CORN COMPARISON TO TEN YEARS AGO. NOTE THE STOCK/USE RATIO vrs.THE PRICE. ALSO NOTE THAT EXPORTS HAVE REMAINED CONSTANT.

	1989/90 (Billion Bu. corn)	1999/2000 (Billion Bu. corn)
1. Domestic usage	5.233	7.545
2. Exports	2.028	1.925
3. Total usage	7.261	9.524
4. Ending Stocks	1.930	1.715
5. Avg. Farm Price	$2.64	$1.80
6. Stocks/Use Ratio*	26.5%	18%

*USDA ending stocks compared to Total Usage shows the amount of inventory left at the end of a marketing year to fulfill the needs for the next marketing year.

IT IS ALSO WORTHY TO NOTE THAT THE U.S. HAS HAD FOUR YEARS OF BACK TO BACK BUMPER CROPS AND STILL CARRY-OVER IS BARELY MAINTAINED.

THE U.S. HAS NO STRATEGIC FOOD RESERVE POLICY EVEN AS OUR PRODUCTION STRUGLES TO KEEP UP.

NFO PROPOSES ESTABLISHING A FOOD SECURITY SYSTEM.(FSS)

ISOLATE A SIX MONTH SUPPLY OF CORN, SOYBEANS AND WHEAT FROM THE MARKET UNTIL TRIGGER LEVELS ARE REACHED. SUGGESTED TRIGGER PRICES WOULD BE $3.25 FOR CORN $6.50FOR SOYBEANS $4.00 for wheat, national averages

THE GRAIN PLACED IN THE FSS WOULD BE GRAIN THAT HAD BEEN UNDER CCC LOAN 9 MONTH PROGRAM AT CURRANT LOAN RATDC AND KEPT ON THE FARM. PRODUCERS WOULD BE COMPENSATED 25¢ PER BUSHEL ANNUALY FOR STORAGE AND QUALITY ASSURANCE. GRAIN COULD BE ROTATED ANNUALY.

THE FSS WOULD SECURE OUR FOOD SUPPLY, CAUSE MARKETS TO REACT POSITIVELY TO THE ISOLATION FROM THE MARKET, SAVE TAXPAYERS BILLIONS OF DOLLARS AND RESTORE EARNED INCOME TO PRODUCTION AGRICULTURE.

IF WE FILL THE RESERVE DURING THE DURATION OF THE FARM BILL, A FLEXABLE FALLOW PROGRAM WOULD TAKE EFFECT AND ALLOW FARMERS TO REDUCE THE PLANTING OF THEIR NORMAL ACRES IN RETURN FOR HIGHER LOAN RATES.

SENATORS, I ASK THAT YOU GIVE SERIOUS CONSIDERATION TO THIS IN THE NEXT FARM BILL

AMERICA MUST ANSWER THE QUESTION,"DO WE WANT AMERICAN FARMERS PRODUCING AMERICAN FOOD, OR DO WE WANT MULTI-NATIONAL CORPORATE CAPITAL CONTROLING THE PRODUCTION OF FOOD ON AMERICAN SOIL?"

THANK YOU

PAUL D. WELLSTONE
MINNESOTA

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WRITTEN STATEMENT OF
THE MINNESOTA FARM BUREAU FEDERATION
TO THE
SENATE AGRICULTURAL COMMITTEE FIELD HEARING
Worthington, Minn.

Presented by

Al Christopherson
President

August 4, 2001

Mr. Chairman, members of the Committee, I am Al Christopherson, President of the Minnesota Farm Bureau Federation and a corn, soybean and hog producer from Pennock, Minnesota in Kandiyohi County. MFBF represents nearly 16,000 farm families throughout the state of Minnesota. I appreciate the opportunity to speak with you today about issues surrounding the new farm bill.

During debate on the 1996 farm bill, Congress gave farmers their word regarding access to additional foreign markets through trade policy reforms, relief from over burdensome regulations, additional and improved risk management tools, and tax reforms for their support of the FAIR Act in 1996. Now, facing the fourth consecutive year of all-time low commodity prices, Congress must keep its side of the bargain.

Farm Bureau believes that the public's investment in agriculture is key to the industry's survival and to it's ultimate success. American agriculture provides food security for this nation, economic security by running a positive balance of trade and generating off-farm employment and environmental security by making use of best management practices that conserve our natural resources.

Producers face decreased commodity prices, increased input costs, increased global competition and expensive regulatory costs and these factors are not expected to change soon. Producers will continue to need income support that is consistent with international trade obligations.

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During the past three years, Congress has had to provide ad hoc assistance due to low incomes in the agricultural sector. Such ad hoc relief, while providing needed assistance, is a poor substitute for a long-term policy. Farm Bureau's recommendations are based on a reasonable amount of increased spending for agriculture.

We recommend that starting in FY2003, (or FY2002 if the new farm bill is completed), an additional $12 billion per year be utilized for agriculture. Unfortunately, the current budget allocates only an average of $8 billion per year. However, we feel the House Agriculture Committee has done a commendable job in equitably distributing those dollars in their Farm Bill legislation, and would encourage the Senate to follow a similar structure of funding.

Considering that the House has effectively put their offer "on the table", I will couch a considerable amount of my comments on how Farm Bureau policy relates to the House proposal.

While we are seeking passage of a new farm bill at the earliest opportunity, it appears that a bill may not be in place in time to impact producer decision-making for the 2002 crop year. If that is the case and there is no significant change in the current depressed crop price situation, farmers and ranchers will likely need emergency assistance in FY2002 as well.

In relation to the current House proposal on the Commodity Title, Farm Bureau supports the following concepts:

- In relation to target prices, the Farm Bureau's proposal was to rebalance loan rates to be in historical alignment with the current $5.26 soybean loan rate. We were not advocates of establishing target prices, but it would seem this mechanism would achieve the result we hoped for.

- Continue Production Flexibility Contract (PFC) payments to current contract holders;

- Continue current provisions limiting the planting of fruits and vegetables on land receiving PFC payments;

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- Allowing oilseed production to be eligible for a PFC contract;
- Not include supply management programs;
- Not include a farmer-owned reserve or any federally controlled grain reserve with the exception of the existing, capped emergency commodity reserve;
- Not extend Commodity Credit Corporation loans beyond the current terms.
- The dairy price support program being extended with a support price of $9.90/cwt.
- The non-recourse marketing loan program for wool and mohair that would operate similarly to other commodity marketing loan program.

Provisions not included by the House Agriculture Committee, but issues that should be addressed by the Senate within the Commodity Title include:

We believe producers should be allowed to lock in a published loan deficiency payment (LDP) at any time after a crop is planted, with payment being made only after harvest and yield determination. Under current law, beneficial interest in a commodity is required in order to take out a CCC loan or receive an LDP. There is no beneficial interest in a commodity until that crop has been harvested. Producers choosing when to lock in would result in equal opportunity for all producers to lock in their LDP at the most opportune time. While the circumstances could shift, those producers harvesting early in the crop year have, over the past few years, generally been able to collect a higher LDP than producers harvesting later in the year.

Final LDP dates should be extended to coincide with the USDA crop-marketing year. Currently, producers may obtain a marketing loan or receive an LDP on all or part of their eligible production during the loan availability period. Final dates for requesting LDPs are March 31 for wheat, barley and oats and May 31 for corn, grain sorghum and soybeans. This could help producers by extending the safety net another three months if prices drop sharply late in the marketing year.

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The House proposal contains several payment limits. We oppose payment limits. Farms have gotten larger to remain competitive. As farm size grows, and the number of commercially viable farms declines, payments that are based on units of production will naturally be concentrated among fewer people. Payment limits make these farms less competitive with those farms that receive government payments, but do not hit the payment limit. Family and multi-generation family farms account for the vast majority of viable commercial farms. These same farms produce a majority of the program crops grown in the U.S. and as a result, receive a majority of the federal farm program payments. The intent of new Farm Bill should be to design an agricultural program that provides a solid agricultural base for America. Payment limits and targeting of benefits will cause a segmentation of the industry, causing us to be less competitive.

TRADE

We also believe it is extremely important for the new farm bill to stay within the World Trade Organization (WTO) amber box commitments ($19.1 billion). Amber box programs include price support loans, LDPs, marketing loan gains, yearly livestock and crop loss payments and other yearly payments made to shore up income and influence production for commodities such as sugar and dairy.

While it may easy to demagogue the issue of global trade commitments as being innately unfair to farmers, and to forgo our prior commitments and appropriate dollars over $19.1 billion. The affect will be a long-term lack of credibility in our negotiating position with foreign countries, which will ultimately injure the long-term success of American agriculture.

I acknowledge that prior trade agreements have adversely affected certain segments of U.S. agriculture. But turning our backs on the situation, and going back to protectionist policies will not improve the situation, neither in the short or long-term. Whether we like it or not, we are still faced with finding a market for over 30 percent of our product.

A better strategy is to have more agricultural representation within the United States Trade Representative Office and during global trade round negotiating sessions. Prior administrations have placed agricultural trade on

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the lower list of priorities in their negotiating sessions. Therefore we must work with our current Administration to ensure that agriculture is near the top of negotiating priorities. Global trade should NOT be seen as a hindrance, but as an opportunity.

I also want you to recognize that several foreign governments who subsidize their agricultural systems at considerably higher rates than ours are feeling the World economic crunch, just as we are here at home. I am not uncomfortable in saying that those countries will be more apt to discuss scaling down their level of subsidization now, then they ever have before.

CONSERVATION

We support a transfer of all funding in the conservation section of the House legislation into two conservation programs--a reformed EQIP program and a conservation incentive payment program. The $15.05 billion should be allocated equally between livestock and crops including fruits and vegetables. Given the limited amount of funds for conservation and the need to fund other programs, we do not support expansion of the current Conservation Reserve Program.

The incentive program would be a voluntary program that would provide all producers with additional conservation options for adopting and continuing conservation practices to address air, water quality, soil erosion and wildlife habitat. A payment would be made to producers who implement a voluntary management plan to provide specific public benefits by creating and maintaining environmental practices. The management plan would be a flexible contract, tailored and designed by the participant to meet his or her goals and objectives while also achieving the goals of the program.

RESEARCH

Funding for agricultural research has remained flat in real terms for 15 years, while other federal research has increased significantly. USDA received a four percent increase in research funding for FY2001, well below the average increase of 12 percent for other federal agencies. Agricultural research is currently funded at about $2 billion annually. Research will contribute to the U.S. continuing to be the best fed nation with the lowest share of income spent on food, help us retain and expand a competitive edge

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in the global marketplace, enable us to produce better and safer foods, find new uses for agricultural products, minimize the use of potentially harmful chemicals, and conserve natural resources.

CONCLUSION

The income support component of farm programs is an important investment in our nation's food security and an investment in the people who care for most of our nation's land and water resources. This investment is key to agriculture's survival and to it's ultimate success.

However, Farm Bureau has a vision of a growing industry that depends less on government payments and more on returns from the marketplace. But we must implement policies that will grow our markets. These investments in research, export promotion activities and technologies to derive energy from farm-grown commodities help bridge the gap between where agriculture is today and where we want to be in the future. However, bridging the gap between where we are now and where we want to be in the future requires an expanded public investment in agriculture. As markets grow, farm program costs decrease and farmer incomes grow from the market place.

Minnesota Farm Bureau would like to thank you for holding this meeting on the upcoming Farm Bill. We look forward to working with you on this important investment in our nation's food security. I will be happy to answer any questions you may have. Thank you.

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Testimony of Loren Tusa

Every major agricultural organization has studied and made suggestions on federal farm policy in recent months. While there is disagreement on details, there are a few common themes in most plans that have been put forward.

Nearly every group has suggested a counter-cyclical component be included in the next farm bill. Though each group defines counter-cyclical differently, the desire for a basic safety net for all farm production is clear in each proposal.

Other common concerns include maintaining planting flexibility, continuing a basic support payment, providing conservation incentives and support for value-added agriculture.

The NCGA proposal calls for a continuation of decoupled production flexibility payments throughout the next farm bill, and creates a counter-cyclical program based on the total value of the recent emergency spending packages and the market loan gain or LDP program. This idea was partially incorporated into the House ag committee proposal, which essentially crafted a counter-cyclical payment to replace the ad hoc emergency packages, while leaving the highly popular LDP program in place. One area of concern with the counter-cyclical portion of the house bill is that it is based on a 12-month average price. This hinders a farmer's efforts to develop an orderly marketing plan that includes pricing grain early in the marketing year because the counter-cyclical payment will not be determined until after the grain is marketed.

The Minnesota Corn Growers Association has been supportive of the total farm bill package put forward by NCGA. Much time and effort went into crafting an effective support program that is also potentially WTO-compliant. The house proposal achieves essentially the same safety net goals, but is arguably amber-box for WTO purposes. Whether or not this becomes an issue during the life of the next farm bill is beyond our scope of evaluation. We would hope that in the event that adjustments must be made for WTO purposes, agriculture would have a place at the table to protect its interests. In the current scenario, it appears that unilaterally reducing supports considered to be amber-box, without requiring our trading partners to reduce similar supports, is counter-productive, and limits our strength in trade negotiations.

The LDP program has been a very important contributor to farm income in recent years. We would like to see this program continued and suggest two changes to address important issues for Minnesota farmers. First, due to the late harvest season in Northern states, our producers often miss out on some of the better LDP opportunities. We have suggested that producers should be allowed to lock-in an LDP rate anytime during the crop year. Payment of the LDP would not occur until actual production could be verified after harvest, but the LDP rate itself would be known. This would enable more marketing options as we head into harvest.

Another problem that has emerged with the LDP program is that rates sometimes vary drastically across state or county lines. This arises from the fact that the LDP is calculated from the higher of the two terminal prices for a geographical area. In some parts of the country these two terminals may be fewer than 100 miles apart. But in areas like Minnesota, they are 1,700 miles apart. MCGA has suggested that instead of using the higher of the two, USDA calculate the LDP using the average of the two terminal prices. This would soften the disparities that occur across geographic boundaries.

The ability to update acreage for the new farm bill is important. Updating yields, while not included in the house package, would create a farm program that more accurately reflects current agronomic practices. Current variations in loan rates from one region to another, and also between commodities, are important issues to address.

The Minnesota Corn Growers Association also recommends increased support of farmer-owned processing in the farm bill. USDA Rural Development programs need to be broadened to allow farmers to capture more of the value from the crops they grow. In Minnesota, ethanol production has become a model for responding to market signals, meeting consumer energy demands, and providing economic opportunities for rural communities. We suggest modifying the grain storage facility loan program to allow farmers to finance their investment in processing plants, as these facilities are legitimate extensions of the farm enterprise.

Voluntary, incentive-based conservation programs can become important in achieving water quality objectives, while maintaining the productive capability of our working lands. The impact of conservation programs on the tax base of our rural areas and resulting effects on our schools and other vital services must be considered when implementing programs that have a significant effect on land use.

And finally, it is clear that this country is beginning to recognize the need for agriculture and renewable energy to play an integral role in our Nation's energy policy. Ethanol, e-diesel, and biodiesel are the fuels of the future. It is important for farm policy to consider this market opportunity. The key to farm profitability in the future will be the effective utilization and processing of a crop that will continue to grow in size. Viewing farmers as key energy providers, in addition to their traditional role as providers of food, will create opportunities for Minnesota's farmers, strengthen the environment and revitalize our rural communities.

Testimony of

Larry Liepold

Minnesota Pork Producers Association

Before the Committee on Agriculture, Nutrition and Forestry

United States Senate

Concerning

The Impact of Agribusiness Concentration on Producers and Consumers

Presented

August 4, 2001

Worthington, MN

My name is Larry Liepold. I am a pork producer with a 120 sow Farrow to Finish operation and corn and soybean producer in Jackson County. I am also the current President of the Minnesota Pork Producers Association. I am pleased to discuss with you the critical issue of agriculture concentration and its impact on pork producers and consumers. Agricultural concentration is a difficult and emotionally charged issue. Many pork producers are concerned about their ability to continue to compete and maintain market access in a hog market that is experiencing increasing levels of concentration.

Changing Pork Industry

Global competition, new technologies, and consumer demands are but a few of the factors that are rapidly changing the U.S. pork industry. Hogs are raised differently today than even just 20 years ago. Hog farms are managed in new and innovative ways. Hogs are marketed on a carcass weight-carcass merit basis verses the traditional live weight selling in the past. Both producers and the packing industry are vastly more efficient but much less flexible than in the past. Coordination of the production and processing chain with consumer demands is more and more critical to the success of all industry participants, but perhaps most critical to the future of producers.

Pork Industry Concentration

The pork industry is becoming more concentrated at every level, yet we continue to be less concentrated than the poultry industry or other livestock sectors. Consider these statistics:

Packing concentration: Concentration in the pork packing sector as measured by the 4-firm concentration ratio has grown from 32.2 percent in 1985 to 56.3 percent in 1998. Smithfield, IBP, Swift and Excel are the firms currently included in this measure of total market share. The eight-firm concentration ratio now stands in excess of 75 percent. While not a guarantee of conduct that increases consumer prices and/or reduces producer prices, these levels and their trends increase the possibility of such conduct and provide ample incentive for heightened vigilance.

Production concentration: Concentration in the production segment has grown from negligible levels in the early 1980s to about 18 percent following the recent acquisition of Carroll's Foods and Murphy Family Farms by Smithfield Foods. The four-firm ration cited here includes the market shares of Smithfield, Premium Standard Farms, Seaboard and Prestage.

Vertical Integration: Vertical integration of packers owning hogs has grown from an estimated 6.4 percent in 1994 to roughly 24 percent today. Smithfield, Premium Standard Farms, Seaboard, Excel, Lundy, and Farmland are the companies contributing the most to this total.

Hog Marketing Contracts: As recently as 1994, 71 percent of the hogs were sold on the spot market and only 20 percent were sold using a price formula. In January 2001, 82.7 percent were non-spot market purchases and 17.3 percent were spot market purchases. This trend has reduced the size of the negotiated hog market substantially and caused many concerns about the efficiency and accuracy of the price discovery process in use today.

Enhancing Market Competitiveness

In the last few years, NPPC and the National Pork Board have launched a number of new initiatives to help ensure that pork producers have a fair, transparent and competitive market for their hogs. Most of our efforts have focused on obtaining and disseminating more (and more accurate) information to producers and improving producers' abilities to make knowledge-based business decisions based on that information. Though more difficult and time consuming than legislation or regulation, we firmly believe that information and knowledge will be the main basis for long-term solutions to potential problems of competition in markets, especially in global markets for meat, protein, and food.

A large number of these initiatives were designed and implemented by a broad cross-section of pork producers who serve on NPPC's Price Discovery Task Force. These major initiatives included:

- Development of a packer price reporting system that focuses on actual procurement costs. Farmland Foods began participating in this system in the fall of 1998. It continues today.

- Passage of the Mandatory Livestock Price Reporting Act of 1999.

- The NPPC Producer Price Reporting initiative which encourages producers to negotiate their free supplies of market hogs with more than one packer and to report the price to USDA.

- Recent publication of the "Guide to Marketing Contracts" whose goal is to help producers make more informed decisions about marketing contracts and their terms. This guide updates previously-published guides to production contracts and pricing of early-weaned pigs.

- NPPC conducted, with the University of Missouri, comprehensive live hog marketing studies in 1999, 2000, and 2001.

In addition, NPPC facilitated the creation of a national producer-owned cooperative called Pork America. Pork America's goal is to find new opportunities for producers to participate in and capture value from the pork chain beyond the farm gate. Producers are interested in this activity because of the growing proportion of the consumer pork dollar that goes to the value-adding activities of the marketing sector and because of the success of producers in cooperatives in other countries such as Denmark. Danish pork producers control their won fate because they now own virtually all of their country's pork production and processing industry.

The closure of the Farmland Foods packing plant in Dubuque, Iowa last year and an Excel plant in Missouri last week puts U.S. daily slaughter capacity at about 380,000 per day; very near its level during the disastrously low prices of the fall of 1998. As the U.S. pork industry contemplates the need for new, efficient pork packing and processing capacity within the next 5 years, producers believe that effective competition from producer-owned entities or alliances may be another antidote to the tide of concentration in the pork-marketing sector.

Agriculture Concentration Issues

Until information systems are fully operational, the ability of producers to use the information is increased and producers become more involved as competitors in the marketing/value adding system, concerns about concentration and its potential for non-competitive conduct will remain. Concerns such as these led producer delegates to the recent National Pork Industry Forum to consider several agriculture concentration resolutions from member states and pork producers. After considerable discussion and debate, producer delegates agreed to support the following positions on agriculture concentration and market regulation issues. They include:

1. **USDA Hog Market Structure & Competitiveness Study** – The Department of Agriculture should conduct studies on hog market structure and competitiveness issues within the pork industry, outlining present realities, future scenarios and the implications for producers' economic well being and our nations' food supply.

2. **Price Discrimination** – The definition of price discrimination should be clarified, a prohibition on price discrimination should be established, and the Secretary of Agriculture's authority to challenge price discrimination should be strengthened.

3. **USDA Study of Justifiable Price Differentials** – The Department of Agriculture should study the factors that comprise economically justifiable price differentials including factors such as volume, time of delivery, carcass specifications, etc.

4. **Study of DOJ Concentration Threshold Levels** – A study should be conducted of the threshold levels of standard concentration measures (Herfendahl-Hirschman Index, Concentration Rations, etc.) which are used by the Department of Justice to trigger scrutiny of investigation of the livestock and livestock slaughter sectors. We believe the study should focus on the current threshold levels, why the are used, and whether they are applicable to a highly perishable product such as livestock. Currently the pork packing industry is classified as moderately concentrated. We believe a review of this is in order.

5. **Adherence to Antitrust Laws** – Continued scrutiny of the packing and processing industry on the national level to assure adherence to relevant federal antitrust laws.

6. **New Antitrust Laws** – New antitrust laws should be considered that ensure opportunities for independent hog producers.

7. **USDA Merger & Acquisition Reviews** – The Department of Agriculture should be given new authority to recommend to the Department of Justice approval or disapproval of agricultural mergers, acquisitions and consolidation of agricultural input suppliers and processors and sufficient funding to properly discharge these activities.

8. **USDA Corporate Structure Report** – The Department of Agriculture should be given new authority to require agribusinesses with more than $100 million in sales to annually file information related to corporate structure, strategic alliances, joint ventures and the like. The Department would publish a corporate structure report based upon these data.

9. **Deputy Attorney General for Agriculture** – A Deputy Attorney General for Agriculture position should be created at the Department of Justice.

10. **Packers and Stockyards Act Enforcement** – Press for aggressive enforcement of the Packers and Stockyards Act prohibition of discriminatory practices under current authority.

11. **Packer Ownership** – The National Pork Producers Council is neutral on the issue of packer ownership. However, the Minnesota Pork Producers does not share that same view. We are supportive of a ban, or more practically, a limit on packer ownership. I do urge you to be careful, though, not to infringe on the ability of Minnesota pork producing families to move further up the pork chain.

12. **Producer Bargaining Rights** – Endorse the concept of legislation that requires processors to bargain with producer cooperative.

13. Finally, the new farm bill could help address some of these issues through aggressive funding. Under the Rural Development section of the Farm Bill, there is the opportunity to assist producers by providing grants to start-up farmer owned value added processing facilities. During the past few years, economists of all stripes have pointed to the need for farmers to become more than

commodity producers and to capture more of the consumer dollar. Value added enterprises may provide an exciting alternative for those producers willing to pursue them. In order to accomplish this, we recommend increasing funding to $370 million over 10 years.

Date: 8/3/01 8:38 AM
Sender: Mike McMahon <mcmahon@landstewardshipproject.org>
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Priority: Normal
Subject: Monica Kahout's Testimony before the Senate Agriculture Comm

Mike McMahon
Land Stewardship Project
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Testimony before the Senate Agriculture Committee
Hearing in Worthington, Minnesota
August 4, 2001

My name is Monica Kahout. My husband and I farm with my husband and our

kids near Olivia, Minnesota. I am here representing the Land Stewardship
Project. I understand I have three minutes to speak. I'd like to make
three points.

First - we are on a terrible path in American agriculture. For too long
too
many farmers and too many elected officials have followed the lead of
the
checkoff-funded commodity groups and corporate agribusiness. These
groups
gave us the terrible "Freedom to Farm" policy, helping to drive prices
down
for most of us farmers while shelling out major payments of our tax
money to
the largest producers. Earlier this year, the president of the National

Pork Producers Council testified in Washington for a 20% reduction in
the
soybean loan rate! That means lower soybean prices, cheaper feed for
the
largest hog factories, and ultimately, fewer farmers on the land and
further
extraction of wealth from rural communities. We must change

policies,
and
we must reject the self-annointed leadership of the commodity
groups.
As a
hog farmer, I am proud to say that I am part of the majority in
the
swine
industry that has rejected the NPPC and the mandatory pork
checkoff tax!

And as a farmer I say now for many in this crowd -- NPPC AND
YOU OTHER
COMMODITY GROUPS -- YOU DON'T SPEAK FOR US! We believe in
democracy and
in family farms
and prosperous rural communities and a healthy environment.
YOU DON'T
SPEAK FOR US!

Second - we must recognize that farming America's land is about
more
than
maximizing production of raw materials for corporate America.
Farming
in a
free and strong country is about producing food, feed, and
fiber, yes -
but
it is also about caring for the land, contributing to the
community with

time and money, and holding our nation's most precious asset -
our land
- in
trust for future generations of Americans. There is no better
way - let
me
say it again - there is no better way to do this than through
family
farms.
We need policies that recognize all the benefits that farm
families
bring to
their communities and the nation. We cannot continue our
current
policies
that feed the expansion of agribusiness consolidation and
factory
farming -
we cannot continue, that is, and remain strong and free. We
need
conservation policies on working lands such as the Conservation
Security
Act, and we need economic policies that
stop rewarding industrial agriculture and start supporting the
family
farm
system of agriculture that America needs and wants.

Third - and this is key - we must take a lesson from history.

It is our

turn to stand up for economic justice in America. Many of our forebears

settled this land in the 1800s through the provisions of the Homestead Act, a far-reaching federal policy to distribute the land to families who would farm it and care for it. Many of our grandparents remember the passing of the Packers and Stockyards Act, or New Deal legislation aimed at getting

higher prices for farmers. Let me tell you, we have slipped. When Tiger Woods gets 10 cents for every box of Wheaties with his picture, and the farmer gets 3 ½ cents for the wheat in that same box, something is seriously wrong. When Smithfield can buy up John Morrell, then Dakota Pork and shut it down, then buy the services of the head of the antitrust division of the United States Department of Justice just weeks after he stepped down - SOMETHING IS RADICALLY WRONG! We need policies to curb the expanding greed of Corporate Agribusiness, greed which is damaging our livelihoods and our land with equal rapacity. First and foremost, we need a moratorium on large corporate mergers and acquisitions in agriculture, whether its Smithfield, Land O' Lakes, or Monsanto. We need it now. So let's get it done.

Testimony of Rolf Mahlberg,
before the committee on Agriculture, Nutrition and Forestry.

United States Senate
August 4, 2001

Mr. Chairman, members of the committee my name is Rolf Mahlberg. I am the Agriculture instructor here at Minnesota West and I farm 240 acres south of Worthington, Minnesota. I also serve on the local Watershed and Pheasants Forever boards. I am grateful for your willingness to come to our region to solicit input on this critical matter.

As you prepare this farm bill please consider a sustainable path for our family farms. A path which, will encourage our young people to consider careers in production Agriculture and its related industries. Many farmers are discouraging their offspring from following in their footsteps because of the economic insecurity involved in Agriculture.

We need a farm bill with increased safety measures that allow our current and future producers to make a reasonable return on their capital.

- Sustainability is also a must for our Agricultural resources. We are generating enough corn and beans, the market has made this point very clear. Lets strengthen our natural resources by expanding the Conservation Reserve Program, to at least the original 45 million acres, and by expanding the Wetlands reserve program.

There will be no greater treasure for us to leave for future generations than that of clean water in our streams and lakes, and rich soil still located in our fields. The enhancement of these programs will be a step in the right direction.

Please give strong consideration to sustainability as a way to preserve both the farmer and the soil and water resources they utilize.

Rolf Mahlberg
Ag Instr Mn West
P Forever Members
Watershed board
Member

'ZERO COST! 2001 FARM PROGRAM

Give cost of production loan rate, in the fall, on all storable crops, to farmers who contract to set aside a percentage of their total acreage the next spring. If, when the loans come due, the price of any commodity is at or below loan rate, the commodity could default into a "FARMER HELD RESERVE" and couldn't be redeemed (without penalty) if price is less than 125% of the loan rate. There should be NO! LDP or PIK program as these programs are very costly, and they undercut the price. The loan rates should be set at the average cost of production for the given crop, and be the same for all producers, regardless of geographical region. The size of the set aside percentage would be determined by the size of the Reserve. This Reserve should be a maximum of one years usage for each crop.

Example - (CORN) would have a loan rate of $2.50/bu, require a 2-5% set aside, and at loan maturity if the price was at or below $2.75/bu it would qualify for a "FARMER HELD RESERVE" and receive (in lieu of storage payments) an additional 25 cent /bu loan raising the total to $2.75 /bu also the interest would stop. The release level (125%) would be about $3.45/bu, and the call level (150%) would be about $4.15/bu.
Example - (BEANS) would have a loan rate of $5.75/bu, require a 2-5% set aside, and at loan maturity if the price was at or below $6.00/bu it would qualify for a "FARMER HELD RESERVE" and receive (in lieu of storage payments) an additional 25 cent /bu loan raising the total to $6.00 /bu also the interest would stop. The release level (125%) would be about $7.50/bu, and the call level (150%) would be about $9.00/bu.

Other provisions would be: No crop could be raised on more than 50% of the crop acreage in a given year. Maximum RESERVE Example- for (CORN) 200,000bu/ Operation for (BEANS) 100,000bu/ Operation

This would provide SUPPORT not SUBSIDY so the farmer could rely on the Market not the Government for their actual income. Also this would give an advantage to the livestock producer who raised a large percentage of his own feed.

I also think that Loan Guarantees (provided that there is a cost of production farm program) would be better than Direct Payments to farmers, or a HAND UP not a HAND OUT.

The "BASIS" the grain company uses to lower the price should be illegal, the price should be the same for each commodity everywhere in the country. Buyer pays the freight, all of it!

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