S. HRG. 107–869

THE NEW FEDERAL FARM BILL

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

AUGUST 13, 2001

Printed for the use of the
Committee on Agriculture, Nutrition, and Forestry

Available via the World Wide Web: http://www.agriculture.senate.gov

U.S. GOVERNMENT PRINTING OFFICE

85–324 PDF WASHINGTON : 2003

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
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THE NEW FEDERAL FARM BILL

MONDAY, AUGUST 13, 2001, FRANKENMUTH, MICHIGAN

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

The committee met, pursuant to notice, at 9:35 a.m., at One Covered Bridge Lane, Frankenmuth, Michigan, Hon. Debbie Stabenow presiding.

Present or submitting a statement: Senator Stabenow.

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

Senator STABENOW. Well, good morning. We're going to officially call to order this Senate Agriculture Committee Field Hearing, and I want to welcome all of you. We're so pleased that you're here in Frankenmuth, one of the places that I brag about when I'm back in Washington, DC, and very pleased to have Congressman Jim Barcia joining us, as you know, who is such a strong advocate for agriculture and represents this area in the U.S. House of Representatives. Jim and I have worked together for many years since the State House of Representatives, and I will not say how old either of us were at the time and how long ago that was. It's wonderful to have you with us, Jim.

We are, as you know, holding a second hearing this afternoon in Grand Rapids, and so we'll be leaving here as soon as we're finished today and going over to Grand Rapids. I believe that there's actually some folks here that are going to be joining us, so folks are going to be moving rather quickly.

This is so important that all of you are here, and I'm very honored to be a member of the Senate Agriculture Committee—in fact, to have served on the House as well on the Agriculture Committee. It's critical that we lay out the case for what's important for Michigan agriculture. We're a $40 billion industry, as you know, in terms of our share of the state's economy, and Michigan agriculture employs over 65,000 people. I want to make sure that my colleagues in the U.S. Senate understand what's important about Michigan agriculture, and that's the purpose of the hearing today.

I've been working very closely with Senator Tom Harkin to make sure that Michigan is treated fairly on a wide range of farm issues. As we all know, the greatness of Michigan is our diversity. It's also the challenge for us when we are focused on a farm bill because we have so many different needs and interests. That's one of the reasons why I'm so pleased to have an official hearing here because we want to put into the official record the importance of a wide va-

riety of needs, including, of course, all of our various specialty crops and our dairy and sugar beets and livestock and all the other needs that we have. There are many important other issues that we're going to be addressing this year: bio-fuels, our nutrition programs, the food safety research, conservation and international food aid programs. All of these different titles of the Farm bill are very important to us in Michigan, and we want to make sure that our needs are addressed.

In fact, I've mentioned to some folks earlier today this is the first time there has been an official Senate Agriculture Hearing in Michigan since 1915. Jim, I wasn't there, and I don't think you were there either. To put that into some context, we did a little history, and we found out that in 1915 most farmers didn't own gasoline-powered tractors. In fact, Henry Ford didn't even start mass producing his popular tractor, the Fordson, until 1916. It's been a while. Now not only are tractors everywhere, as we know, but they carry computers and are linked to satellites, so it's a whole different world since the world of 1915. I want you to know that as a member of the Senate Agriculture Committee, I promise it will not be another 85 to 100 years before we're back.

Now let me acknowledge Congressman Barcia, and I also want to acknowledge, as we proceed today, Mary Washington, who's here from Senator Carl Levin's office. Where's Mary? Mary's here and I know Senator Levin's extremely interested—he and I have talked about the hearings today, and he wanted to extend his best wishes. We will be working as partners, the two of us, fighting for Michigan agriculture on the Farm bill.

Also, State Representative Jim Howell is here, and we're really pleased to have Jim here. I believe.

Also, Kim Love is here today from my office—who you all know from my Washington staff who has been with me since the U.S. House of Representatives and actually spent a lot of time growing up in Genessee County and is now in Washington. Kim, as you know, is just a phone call away in terms of your needs, and we want to make sure that Kim will be working very closely in a very hands-on way on the Farm bill and what happens.

Also working on it will be Alison Fox, who is the Counsel to the Senate Agriculture Committee. She's here representing our Chairman, Tom Harkin. Alison, we want to welcome you to Frankenmuth, Michigan.

Ms. FOX. Thank you.

Senator STABENOW. It's good to have you with us. We're very pleased to have her here as well. Other staff of mine that are important for you to know: Connie Feuerstein, who represents this area for me here in Michigan who is also my agricultural representative on the ground and goes to a lot of meetings. If you've been to Farm Bureau hearings or other meetings, you've seen Connie.

Also Steve Banks is here at the table. Steve works with Connie in representing our office here in the area. We're also pleased to have Ruth Weiss, who's our court reporter taking down the official record for us today that we can take back to Washington. Dave Lemmon, who is my communications director. When you hear me on farm radio, Dave's the guy who's been making that happen.

Do we have anybody else from our staff? Where's Sue? Sue's over here. The most important person for our panelists, she is the timekeeper. Sue Glynn, who has been with me since my State House of Representatives days and is now my Regional Manager for mid-Michigan. Sue is doing a great job as well.

Let me just say as we're starting that as many of you know, I was born and raised in Clare, and family farming was a big part of our community and my family as well. I've always been amazed as we focus on Michigan agriculture at the great diversity and strength that we do have. In fact, sometimes people talk about the Midwest as America's breadbasket. I would think in Michigan's case it's an understatement. We're actually the whole kitchen table. We have meat and the fish and fowl and fruits and vegetables—and we produce over a hundred commercial crops, including a wide variety of specialty crops, as you know, like cherries and apples and blueberries and asparagus. We even have the maple syrup that goes on your pancakes. I'm pretty proud of all that we've got going in Michigan. When you get all done, you can wash it down with a glass of great, fresh, delicious Michigan milk. We want to tell the story. In fact, Michigan is second only to California in the diversity of our crops, as I mentioned earlier.

There's a lot of good news about agriculture in Michigan in terms of our diversity. We've also got a lot of concerns, and that's the other reason why we're here today. According to the Department of Agriculture, between 1992 and 1997, we lost more than 215,000 acres of production farmland in Michigan, and as a part of that, over 500 family farmers. That doesn't count what's happened in the last couple of years, which I know is a great concern to all of you and a concern to me as well. Literally thousands of farmers have left the fields, and I want to make sure that when we're talking about a farm bill that we're focusing on the needs of our family farmers as an important, critical part of that. It's important that we focus on all of our needs, including conservation and research. We want to hear about all of the issues and including overseas markets and what's happening as it relates to trade in Michigan.

Let me just explain the format of today. We've divided the session into two panels, and as happens with the official agricultural hearings, individuals are asked to come and testify and present, representing important groups in the state. Each person's been asked to speak for 5 minutes. As I mentioned, Sue is our timekeeper. To the extent that we are able to keep to the 5-minutes, it will allow us to really have an opportunity to hear from everybody and for us to ask some questions.

We also want to hear from you—if you would like to add some written testimony, I know many people have brought written testimony today. We want to add that to the record, so if you think of something that was missed today and you want to write a letter to me, please do that. You can send it to our Senate office, and Kim can work with you after the hearing on how to do that. We want to make sure—if you've got something you think that is important to stress that has not been stressed today, we want to make sure that we hear from you as well.

Senator STABENOW. Let me take just a moment at this point as we get started and introduce Alison Fox again, who is the Counsel

for the Senate Agriculture Committee who would like to say a few words on behalf of the Chairman today.

STATEMENT OF ALISON FOX, COUNSEL, SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Ms. FOX. Thank you. I'm very pleased to be here on behalf of Senator Tom Harkin, who is the new Chairman of the Senate Agriculture Committee. For those of you who don't know, he's from Iowa, where agriculture is very different but very important. We look forward to working with everybody on the committee to develop a very good, comprehensive national farm policy in this year's Farm bill.

We have had hearings in Washington and hearings like this. Since this is an official hearing, all of your testimony will be part of the record. We will use this testimony together with other hearing testimony and work with Senator Stabenow and her staff and other members of the committee to develop what we believe would be an agriculture policy that suits and serves all interests within agriculture. I look forward to hearing your testimony on behalf of Senator Harkin, and thank you again.

Senator STABENOW. Thank you, Alison. Let me just stress, again, when we talk about official testimony, what that means is in the future if people want to look back at the various committee hearings held on this particular farm bill, there will be official testimony given hearings held in Washington, hearings held around the country. This will be a part of any document about the history and the background of the Farm bill and what happened in terms of the hearing that were held on the Farm bill.

Senator STABENOW. Let me introduce our panelists. Let me start with Wayne and mention that we have Wayne Wood with us who is President of the Michigan Farm Bureau, as we all know. He was elected to that position in December of 2000. He's a fourth-generation Sanilac County dairy farmer. Wayne's previously served 12 years as Vice President of the 17-member State Board of Directors. Wayne and his wife Diane are involved in a three-way farm partnership that includes his son Mark and brother Randy, so you understand about family farming. The family operates milk production of 300 cows and farms 1200 acres raising corn and alfalfa. We're very pleased to have you with us here.

Carl McIlvain; Carl is the President of the Michigan Farmers Union, an organization he's been involved with since 1952. He was raised on a diversified farm, served inWorld War II and returned to farming with his family after the war. He expanded his farm from 103 to 365 acres. It's primarily a dairy operation. Carl has served on many committees and has been an active part of the farming community in Michigan for 50 years. In fact, just 2 days ago on August 11th, Carl and his wife Betty were inducted into the Farmers Hall of Fame. Congratulations. I was out in Denton for a part of that celebration, and we want to congratulate you, Carl.

Mr. MCILVAIN. Thank you.

Senator STABENOW. Phil Korson; Phil is the President and Managing Director of the Cherry Marketing Institute. The Cherry Marketing Institute represents tart cherry growers in Michigan, Utah, Wisconsin, New York and Washington State. Phil is a native of

Michigan and has spent the past 23 years in various leadership positions in the cherry industry. I appreciate, Phil, your being here today.

Elwood Kirkpatrick; Elwood Kirkpatrick was elected President of the Michigan Milk Producers Association in March 1981. He served on the Board of Directors since 1979, born and raised on a dairy farm that's now 1600 acres near Kinde, Michigan, in our state's upper thumb. He milks about 340 cows as a family corporation; is a leader in the dairy community holding many important leadership positions, including Director and Member of the Executive Committee of the National Milk Producers Federation and the United Dairy Industry Association. He's won many awards for his work, and, Elwood, we appreciate your being here with us today.

Jody Pollok; Jody is the Executive Directory of the Michigan Corn Growers Association and the Corn Marketing Program of Michigan. These organizations represent 16,000 corn producers in Michigan. Jody's been a leader in working on issues that are critical to corn growers, including ethanol, trade, energy policy, pesticides, and other grower concerns. Jody obtained her Bachelor's of Science in Agriculture and Natural Resources Communications and her master's in Agriculture and Extension Education at Michigan State University, my alma mater, so good work.

Welcome to all of you, and I want to also, as we begin, welcome Congressman Barcia again to join us. Jim, I don't know if you would like to say a word as we get started?

STATEMENT OF HON. JAMES A. BARCIA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. BARCIA. Well, just very briefly, Senator Stabenow, I want to thank you for having this very timely and important field hearing. As I think everyone in the room knows, the week of September 10th the House will begin debating and voting on the Farm bill. After that, I believe, sometime in October the Senate will be taking up the Farm bill. The timing for this hearing, Debbie, is wonderful.

I can see, looking across the room, a lot of friends that we've both worked with for a lot of years who are agricultural champions and leaders of the various agriculture organizations and commodity groups who are here to share their insight, their perspective into how we can develop and craft a farm bill that will preserve agriculture for the long-term future in this country. I know with the recent drought that we've experienced and some of us in the room had a chance last week to get out into the fields in Bay County and see the condition of the various crops, the specialty crops as well as the general condition of this year's crops. It certainly is going to require our attention in the short term to help some of our people make it through this year. Hopefully there will be a role for the Federal Government to play in helping keep farmers in business this year as a result of the devastating loss of value on the crops as a result of this prolonged drought season that we've experienced.

There are a number of issues that the Farm bill will be addressing as it emerged from the House Committee on Agriculture. It's in pretty good shape, but there will be debate and there will be some fine-tuning on that. Of course, we'll have to do everything we can to make sure that we preserve, of course, the sugar provision

and all of those other important provisions in the Farm bill that are the lifeline to many of our farmers here in the Thumb and across Michigan staying in the business.

Debbie, I just want to thank you for your leadership on behalf of agriculture as a former member of the House of Representatives and now as a champion of agriculture in the U.S. Senate. This hearing is, as I mentioned, extremely timely and valuable in terms of both of us. Unfortunately, I do have another commitment, so I won't be able to stay for the entire hearing, but I appreciate being invited, Debbie. Thank you.

Senator STABENOW. Thank you; thank you, Jim.

Wayne, we'll start with you this morning.

STATEMENT OF WAYNE WOOD, PRESIDENT, MICHIGAN FARM BUREAU

Mr. WOOD. Well, good morning again, Senator Stabenow and Congressman Barcia and friends of Michigan agricultural industry, and I count you both in that group. I'm Wayne Wood, President of Michigan Farm Bureau, and on behalf of our organization, I'd like to say thank you to you, Senator, for requesting this hearing because I know it don't happen without a request and also the opportunity to give you both input on what we feel should be in the next Farm bill.

We believe farmers have a vision, and that future as being an industry that profits from not only growing markets, increased value-added efforts and voluntary incentive-based conservation programs. However, to bridge the gap from here to there is going to require some additional public investment in agriculture. If we could just talk about the income of farmers for a minute, USDA predicts that farm income will decrease to 41.3 billion in 2001—and that was before the drought in this area—a decline of 4.1 billion from the 2000 levels, and the trend is expected to continue the next couple years. This forecast is based, of course, on the prices that we're dealing and the increased input cost.

Government payments have provided a substantial portion of farm income over the past 3 years, and, of course, any decrease in those would have quite a severe detrimental effect to the farm income and would, of course, undermine the financial balance sheet. We believe farmers must be given the opportunity to regain their footing and must be provided with a reliable safety net.

Michigan Farm Bureau believes the next Farm bill must improve net farm income by enhancing the economic opportunities for our producers. We still support a more market-oriented approach to farm policy, an approach that allows farmers to make production decisions for their own operation, an approach that focuses on building demand for commodities, both domestically and abroad. We do not support a return to supply management or targeting of benefits. We also believe the next Farm bill must maintain a focus on conservation and protecting private property rights.

To achieve this, we have several provisions that we are supporting: a continuation of the production of flexibility contracts, and until more analyses are done, bases and yields should not be updated; rebalancing of loan rates to be in historical alignment with the current $5.26 soybean loan rate; changes to the LDP that

would allow all producers of program crops to be eligible; and a mechanism to lock in an LDP at any time after the crop was planted because, as you know, Michigan is penalized in that area; extension of the dairy price support program; development of a conservation stewardship payment for producers of fruits and vegetables; and maintaining the fruit and vegetable planning restrictions for program crops; increase funding for EQIP and a reform of the guidelines to provide livestock, crop and specialty crop producers the assistance needed to meet the current and emerging regulatory requirements; development of a voluntary environmental incentive payment program for producers who adopt and continue conservation practices to air and water quality, soil erosion and wildlife habitat; increase funding for and utilization of export enhancement programs; expansion of risk management provisions; assistance for sugar producers to eliminate the marketing assessment; eliminate the forfeiture penalty and rebalance the loan rates; funding for Johne's disease and indemnification funding for an agricultural marketing equity capital fund for value-added enterprises and a non-recourse loan program for wool and mohair.

In conclusion, farmers throughout the country have talked about increased costs of regulations, unfair foreign trade practices and low commodity prices as some of their biggest obstacles. While American farmers say they will accept major reforms, in 1996 in exchange for tax reform, regulatory reform and improved opportunities for trade, needed reforms in those areas simply have not occurred.

We look forward to working with you, Senator, and Congressman Barcia and the Agricultural Committee as we develop a new farm bill that will make agriculture sustainable and profitable in the 21st century. Thank you very much.

Senator STABENOW. Thanks very much, Wayne.

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

Senator STABENOW. Let me call on Carl McIlvain.

Carl.

STATEMENT OF CARL McILVAIN, PRESIDENT, MICHIGAN FARMERS UNION

Mr. MCILVAIN. Thank you, Madam Chairperson and staff and Congressman Barcia. I appreciate this hearing, and I hope we can do it once a year.

Senator STABENOW. That would be good. That would be a great idea.

Mr. MCILVAIN. I am Carl McIlvain, President of the Michigan Farmers Union, and it is an honor to appear before you today to discuss and compare the farm legislation proposal developed by the National Farmers Union and the Farm bill proposal recently adopted by the House Agriculture Committee. In the few minutes I have before the committee, I would like to focus on dairy and the program crop component to the two approaches.

The limitations imposed by the budget on the development of U.S. agricultural policy create real challenges in meeting all the needs that should be addressed in the next Farm bill. We believe the only responsible way these important commitments can be

made or met is by developing a commodity policy that maintains an adequate an workable safety net for producers while creating new demand, improving commodity prices and managing inventories through reserves and other cost-containment programs, including the targeting of benefits.

For dairy, the House legislation simply extends the current $9.90 per hundredweight dairy price support system. It fails to address new demand creation, surplus production or provide an adequate safety net that reflects the variability of milk prices over time.

The NFU proposal maintains the current price support system and supplements it with a counter-cyclical target price mechanism based on the cost of milk production. We also propose that benefits under this program be targeted to smaller producers and those who limit production to the level of growth in actual market demand. For those who expand production beyond market demand, we propose to deny them target price benefits. In addition, we support limiting the level of government purchases to 3 percent of demand and assessing those producers who generate surpluses to create a fund that will be used to buy excess stocks for distribution to domestic and international nutrition programs.

For the program crops, the House bill provides for a continuation of the status quo with modest adjustments to marketing loan rates for two commodities, extension of contract payments to the oilseed sector and an opportunity for producers to update crop acreage bases. Producer yields remain frozen at the 1985 level. The legislation establishes a target price mechanism for program crops as an additional payment mechanism.

Payment limitations are increased to $150,000 per person for marketing loan benefits and the multiple entity rules and commodity certificate program are continued. This system ensures the largest producers and landowners will continue to receive the vast majority of program benefits. Direct payments under this program represent about 60 percent of the additional funding provided in this year's budget resolution.

We are concerned that this proposal continues the problems associated with the current Farm bill. Marketing loan rates for the program crops will remain inequitable and further encourage planting and market distortions. This situation will only be aggravated by the two decoupled income support mechanisms that fail to account for changes in production costs and productivity.

The NFU proposal seeks to achieve a balanced and meaningful economic safety net for producers, implement programs that expand market demand, enhance producer prices and reduce the negative impact of surplus production that overhangs the commercial marketplace. This proposal can provide the savings and flexibility needed to address other policy issues, such as conservation, nutrition, research and rural development.

The safety net component of the NFU proposal substitutes an improved counter-cyclical commodity marketing loan program based on current production for de-coupled contract payments. The loan is based on a percentage of the full economic cost of production and ensures competitive market prices. This mechanism provides equity among program crops and allows for annual adjustments in com-

modity loan rates due to changes in producer input costs and productivity.

To enhance the prices received by farmers, we propose the creation of limited and dedicated reserve programs to ensure our ability to supply new demand opportunities, such as renewable energy production and a global school lunch program. These reserves would be released only for their specified use during periods of short supply or rising prices that may inhibit the growth of these markets.

In addition, we propose supplementing the crop insurance program through a limited farmer-owned reserve that would function as a commodity savings account to be used to offset a portion of producers losses not covered by multi-peril crop insurance. We also support providing discretionary authority to implement a voluntary, cost-containment "Flex Fallow" type of program.

Finally, as an additional way to control program costs, we suggest a new targeting mechanism. Our approach eliminates the current multiple entity rules in favor of single attribution based on the individual's assumption of production and market risk. It does not limit marketing loan benefits but provides for a reduction in producer loan eligibility as an operation increases in size.

We urge the members of the committee to fully review our proposals in terms of their effect on farmers as well as their impact on other policy objectives.

Madam Chairman, thank you for the opportunity to appear before the committee today to discuss this important issue. We look forward to constructively working with you and your colleagues in the development of new farm policy. I will be pleased to respond to any questions. I do want to say that I didn't have a lot of time to work on this, so it does not address Michigan's diversity. We do call for country of origin labeling and have worked hard for that for many years and mandatory price reporting on livestock, which what we have seems to have turned out to be a fiasco. We are very interested in Michigan's various crops, fruits and vegetables and that sort of thing. We have always felt——

Senator STABENOW. Thank you very much.

Mr. MCILVAIN [continuing]. Whatever a farmer produces in food should have some kind of taxpayer backing of one kind of another for emergencies.

[The prepared statement of Mr. McIlvain can be found in the appendix on page 41.]

Senator STABENOW. Thank you, Carl. I appreciate your testimony very much.

Phil Korson.

STATEMENT OF PHILIP KORSON, PRESIDENT, CHERRY MARKETING INSTITUTE, INC., LANSING, MICHIGAN

Mr. KORSON. Good morning, Senator Stabenow and Congressman Barcia, and thank you for the opportunity to speak today and be a part of this Congressional—Senate Field Hearing. My name is Phil Korson. I am President of Cherry Marketing Institute. We represent growers in Michigan, Utah, New York, Wisconsin and Washington State. These states represent 95 percent of the U.S. produc-

tion of tart cherries with Michigan producing 75 percent of the total on an annual basis.

The cherry industry has been plagued with large crops and low prices for a number of years. High dollar exchange rates and tariffs have hindered our ability to expand our markets abroad, even though we've spent 10 to 15 percent of our annual budget in these markets. In recent years, we have discounted the price of the product to maintain our markets abroad, and yet the pressure continues as we look to the future.

On the regulatory side, FQPA continues to threaten our ability to control diseases and insects, and new pesticides are more expensive, increasing the cost of production. The cherry industry has had a national program in place since the 1960's, and in August 1996, we put in place a Federal marketing order to regulate supplies. These are both self-help programs. We have developed many new products, including dried cherries, cherry juice concentrate, cherry and meat products, and they've all been exciting new opportunities for us and for our industry. However, in the short term, the industry remains in a surplus position, and the needs for Federal support to get to the long term is more critical today than it has been in the past.

Cherry farmers support inclusion in the 2002 Farm bill, and we encourage your support to cover all specialty crops—and I should subnote that by saying those specialty crops that wish to participate in the Farm bill. We currently have a three-part plan that we would like to see incorporated in the 2002 Farm bill.

First is the establishment of a pool of $300 million that would be managed by USDA to buy crops in surplus, where producers have received prices below the cost of production for the previous 2 years. We had a program in place this past year; worked very well in our industry and removed a lot of product from the marketplace, gave us an opportunity to introduce dried cherries into the school lunch program. It's been a huge sampling program for us and had we not had a large crop this year, we would have been in an excellent market position coming into this crop year. We didn't have a small crop; we had a large crop. Therefore we're back in the arena again to try to figure out how we're going to move this crop with the current economic conditions that we face.

We also support expansion of the Conservation Reserve Program to include tree fruit and other specialty crops to pay for the removal of orchards and give growers a reasonable rent for the management of the conservation reserve practice that's been enacted. In the west side of the state, most of the cropland that we have is on highly erodible soils, and we see it as an option for a farmer as he gets a little bit older to have conservation reserve as an option as opposed to just selling that land for development down the road. It also give farmers who are in the business an opportunity to have land that's plantable when those contracts expire 10 to 15 years down the road. In a sense, it preserves farmland, makes it available to future generations and gives farmers options that are in the business currently.

Finally, we support the development of a safety net that will pay cherry farmers and other specialty crop farmers in years when prices drop below 80 percent of the cost of production. This would

greatly help American specialty crop farmers when the market collapses. It would also provideshort-term program assistance to American specialty farmers.

Basically what we're looking at is a program that kicks into place when everything else fails. As we look at the markets today, we can't control our exchange rates abroad, yet they have a huge impact on the amount of product that we're going to sell when our dollar is very strong in the market abroad.

With that, I would like to thank you again for the hearings, for being here in Michigan to host these, and look forward to working with you as we move forward. Thank you.

[The prepared statement of Mr. Korson can be found in the appendix on page 43.]

Senator STABENOW. Thank you very much, Phil.

Elwood.

STATEMENT OF ELWOOD KIRKPATRICK, PRESIDENT, MICHIGAN MILK PRODUCERS ASSOCIATION

Mr. KIRKPATRICK. Good morning, Senator Stabenow, Congressman Barcia. I appreciate your interest in holding this farm policy hearing here in Michigan and appreciate the opportunity to appear before it.

I am Elwood Kirkpatrick, President of Michigan Milk Producers Association. The association is owned and controlled by over 2700 dairy farmers in Wisconsin, Indiana, Ohio and Michigan. I also serve as First Vice President of National Milk Producers Federation in Arlington, Virginia. National Milk is the national voice of 60,000 dairy producers back in Washington and across the country.

I would like to spend some time today discussing the perspective of both MMPA and National Milk on the proper role for the Federal Government in assisting the domestic dairy industry through the upcoming Farm bill. I am going to touch on more than on just dairy-specific aspects of the next Farm bill.

The dairy industry is unique among agriculture commodities because milk is a highly perishable product, bulky and not easily stored. Dairy farmers must market their production every day regardless of price. I would like to stress that, even though sometimes thought differently, over 95 percent of the dairy operations in this country are family farms.

I would like to speak a little bit about what we would call the dairy safety net. At the present time, MMPA and National Milk Producers recommend the enactment of a dairy safety net program with the following features:

No. 1, extend the dairy price support—which was scheduled to be eliminated this December—extend the dairy price support program at $9.90 through the life of the next Farm bill; and, No. 2, establish a supplemental payment program involving a floor price for Class III and Class IV milk with supplemental payments being paid to the Federal Order pool when the price drops below a certain target for those products.

The dairy price support program has proven to be an effective means of stabilizing dairy producer prices and incomes at relatively low cost to the government. The basic rationale for enacting a Class III and IV supplemental payment component of the dairy

safety net is producer equity. Enacting a supplemental payment program for milk used to manufacture dairy products would increase dairy producer income by $5.4 billion over the 2002–2008 time period. Since Class III producers would be the primary recipient of this income, the program would go a long ways in helping this segment of the dairy farm community. We believe this supplemental payment program, when coupled with the continuation of the price support, can provide the basis for a safety net for dairy producers throughout the state.

In the area of animal health, Senator Stabenow, we know that animal health concerns have been splashed all across the news in recent months from here in Michigan to all the way around the world. The ability to prevent and control such disease as Foot and Mouth and BSE is crucial to the entire livestock industry.

Much of the focus here in Michigan in recent years has been on eradicating the unfortunate appearance of T.B., and we appreciate your efforts in helping to get funds into Michigan to carry that program forward.

Johne's Disease: We have another livestock disease that needs a Federal response similar to the response directed toward T.B. and brucellosis. Johne's is an infectious disorder of the intestinal tract of cattle and other ruminants. It is not a threat to human health, but just like Foot and Mouth, the disease is a major concern to dairy farmers who have to deal with its economic consequences.

This disease has no effective cure and a vaccine of limited efficacy, costs the U.S. dairy industry at least 200 million annually in lost production and reduced cull cow prices. Thus we are asking for a multi-year program that would help control Johne's Disease.

In the area of environment, dairy producers take pride in being stewards of their land and water resources. However, the committee should be well aware of the current and potential financial impact on producers of certain environmental compliance initiatives, such as the new animal feeding strategy released the past 2 years by EPA and USDA. We support environmental regulation based on sound science, but we can't go out of business seeking to comply with often complex regulatory requirements. We do support funding the EQIP program at 1.25 billion annually, and we would ask that the program be opened up to include more individuals than what it has been in the past.

Trade policy is another critical element of government policy affecting dairy producers. Trade policy will continue to play a critical role in determining U.S. dairy farmers' income. I know this issue well because of my role as the chairman of the U.S. Dairy Export Council.

MMPA believes Congress should be involved in carefully reviewing future trade agreements as well as providing our negotiators with the necessary resources to negotiate well-monitored agreements. We support the foreign ag service and their activities, and we would also support granting the President Trade Promotion Authority but with congressional oversight.

Milk protein concentrate imports: Dairy product import quotas initially imposed under the authority of Section 22 of the Agricultural Adjustment Acts of 1933 and 1935 were designed to prevent imports from undermining the dairy price support program. Imple-

mentation of the GATT and NAFTA trade agreements have eliminated the Section 22 quotas, converting them to tariff rate quotas for which the tariffs have been reduced over time. We do have a bill in the Senate now that would establish quotas for the milk protein concentrate. Senator Stabenow, we appreciate you and Senator Levin's co-sponsoring of that legislation.

We support the Dairy Export Incentive Program and would ask that it be funded at the full level allowed under the GATT agreement for the continuation of the next Farm bill, and we also would support increasing the funding for the Market Access Program that is of great assistance in developing export markets for our dairy products.

Taxes: Last, Senator Stabenow, tax issues weigh heavily on farmers just as they do on other taxpayers. We support efforts that have already been undertaken this year in Congress to provide some form of tax relief for dairy producers. We would hope that the elimination of the inheritance tax could be made permanent at some point. We're all trying to figure out how we die in 2011 so you can pass it on——

In conclusion, I would just to say thank you for you and Chairman Harkin and Minority Member Lugar for the opportunity to review with the Senate the dairy producer community's recommendations for a comprehensive set of policies that provide the framework for the next Farm bill, and we would answer any questions and look forward to working with you through the year. Thank you.

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

Senator STABENOW. Thank you, Elwood. I would just concur that the way the estate tax was written was pretty crazy, actually.

I notice that Representative A.T. Frank has joined us, so welcome, A.T. We're glad to have you with us. Senator Goschka—did he sneak in? Welcome. Glad to have you.

Last but not least, Jody Pollok. Jody, we're glad to have you.

STATEMENT OF JODY POLLOK, EXECUTIVE DIRECTOR, MICHIGAN CORN GROWERS ASSOCIATION

Ms. POLLOK. Thank you. Good morning. Senator Stabenow and Congressman Barcia, on behalf of the state's corn producers, we appreciate the opportunity to give you some ideas and maybe some insight into where we're coming at looking at the 2002 Farm bill.

I am the Executive Director of both organizations and have been in that position about a year and a half but did grow up on a farm. I've walked through the fields too and know where we're coming from. We looked at things a little bit differently this year and kind of stepped aside and looked at some of the challenges that we had had over the past year and a half and looked at ways maybe we can make things a little bit better or at least look at them differently and see if there weren't some other opportunities.

As we know—and it was mentioned previously by Wayne—there are some challenges in Michigan. Especially when you look at LDP's, looking at selecting dates, when we look at some of the transportation issues, when we look at market prices, look at our terminal markets, there are some challenges there. When we look at making sure those funds go back to those producers and not

maybe to a landlord or to someone else. Those are some of the challenges we started with. We do participate with the National Corn Growers Association, so what we did to get started was we pretty much all got in a room and threw out and what all the problems were and then said, "What do we want?"

We're kind of coming at this from a different angle, but one of the things we've looked and we're still working on numbers and still certainly perfecting it—but one of the things we're looking at is a counter-cyclical program. This is more of an income-protection program to make sure that those funds get back to that producer to allow that producer flexibility and allow them the opportunities to do the things that work best for their farm and for their operation. I'm not going to go in depth on that because that's already been presented to the committee but just kind of want to give you a little input from where we're at and some of our concerns.

We're very concerned when we look at trade. One of my colleagues up here has brought up the issue of trade and some of our challenges there. In the corn industry this past year, there was basically a claim filed by Manitoba discussing payments that were going to corn producers. We were able to work through that and that was able to not be made a big issue, but we're concerned of things like that coming up in the future. Once a precedent is set and those kinds of claims are filed, you always have those challenges in the future.

We know that we're hitting on that amber box. We're hitting some of those trade issues. We're hitting that amount. What we tried to do is look at it, what can we do to change some of that support and to make it so it's a little more open, and maybe it falls into that green box to look at payments that can be received. That's where we were looking at those counter-cyclical or income-protection program. What we're trying to do is come up with a program that doesn't destroy trade. It would give producers a chance to update their bases over the past 5 years, and it would be an income-protection versus a per-basis payment. In all the review that we've done and all the homework we've done, it looks like that is a program that is going to move that to the green box and give us opportunities.

We want to make sure we don't come up with a program that limits us at all in trade but gives us free opportunity to be able to get into trade. We talked earlier today a little bit about some of the opportunities of Mexico and Canada. We in Michigan want to produce corn for a market, and we want to make sure that that's market's open and we have every opportunity to be able to get to that market. That's kind of where we're at and what we're looking at as far as the counter-cyclical program.

We also want to make sure that we're producing. We've had programs in the past where we've taken land out of production, and that's tended to open up some great opportunities for some of our competitors. We want to make sure that we have the opportunity to produce, and we also want to be on the cutting edge and we want to be innovative.

We want to thank both of you in the past for helping us in ethanol, and right now that's our big project of the day and what we're trying to tie our star to and help the corn industry in Michigan,

but we're looking at ethanol production. There may be some great opportunities through the Farm bill to be able to do some things for value-added. One of those places where we're looking right now is at ethanol because that's our biggest star; that's our first upcoming. There may be some ways that we can look at farm bill, the value-added, put some opportunities in there for producers.

We looked at consolidation and some of the opportunities that are out there. Let's try to put some of that market back in the producers' hands. Let them market a product and not just a commodity. We also want to make sure that we're doing legislation through the Farm bill that's also going to mirror and work well with energy policy and also look at some of the new things coming further down the pike.

We talked about research opportunities. There's a lot of opportunities for biodegradables in corn. As a board, we've looked at the industry and in the next 10 years, the Michigan Corn Growers Association and Corn Marketing Program of Michigan do not want to sell corn. We want to sell a value-added product. Our goal is to have 75 percent of the corn going out of Michigan as a value-added product in the next 10 years.

Those are some of the new and different kinds of ideas we're looking at in a farm bill and hope to look for your support. We really look forward to working with you in the future to refine these ideas and see what kind of programs we can develop. Thank you very much.

Senator STABENOW. Thanks.

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

Senator STABENOW. Well, thank you very much to all of you. We appreciate your comments. Jody, let me just ask you to followup for a moment on the issue of ethanol. As I have mentioned before, Senator Harkin wants to add an energy title to the Farm bill. That's a great opportunity for us in Michigan agriculture to look for ways that we can add value, that we can take advantage of the current debate on energy and really focus it on agricultural products. From your standpoint in an energy title, what would you want to have there in order to be helpful to you?

Ms. POLLOK. Some of the things that we're looking at, especially from an energy standpoint, may be able to do some things as far as to get fuel out to producers. Right now we have flex-fuel vehicles, which are great and wonderful, and we need to support the auto industry as they make those. Just because you have a flex-fuel vehicle doesn't mean that you use that ethanol fuel in that vehicle. There are some opportunities—we've talked and just tried to do some brainstorming—maybe there's some opportunities to use actually some tax credits back to folks that actually use some of the renewables. Economically they're pretty much in line, but things happen in the market, and we want to make sure that we have that steady flow.

Infrastructure development is expensive. You're going to have that as we look at biodegradables; you're going to have that as we look at ethanol. We need to know that there's going to be some markets there, and nothing takes off overnight. It's going to take some time. It's been around since the 70's. We're developing it, but

we need to know that there's some markets there. We need to have some incentives for some of those folks that are kind of the catalysts and are willing to get out there on the edge and put ethanol into their fuel. Also we're trying to come through through the check-off program and do the education, but that takes time to let people know. Anything we can do tax-incentivewise to be able to get the consumers to use that and look at biodegradables and ethanol would be great.

Senator STABENOW. Anyone else want to respond in terms of the energy title or issues that you would want us to look at as it relates to that? I know that specific area will benefit from an energy title relating to corn, I know soybeans. We have certainly other crops that might benefit. Carl.

Mr. MCILVAIN. As I mentioned—not in my statement but earlier, that National Farmers Union has been proposing an energy reserve while crop prices are as low as they are—to buildup a reserve of soybeans, corn, sugar—anything that can be made into ethanol or oil products. Soybean oil can be made into anything, I understand, that petroleum will make. We could have an energy reserve of that sort and take some of these commodities off the market that are impacting our prices negatively. It might be very cost-effective in the long run.

Ms. POLLOK. I guess I would like to add——

Senator STABENOW. Sure.

Ms. POLLOK [continuing]. To be able to have the funds to help the producers get in on that value-added floor of that production facility. We want to make sure that the producers aren't just producing the corn, but they're also owning the facilities so when that corn comes out as a plastic cup or that corn comes out as ethanol or however that corn comes out, that's still tied to that producer and they're selling that value-added product. We're looking a little further for the producer component but also the consumer and the user component.

Senator STABENOW. OK. Wayne.

Mr. WOOD. Thank you. Farm Bureau believes that the energy policy should have a goal of our country being self-sustainable in the energy area. We believe that our producers hold a key to making that happen in this country with our renewable fuel resource. We also believe that incentives, as I mentioned, for value-added should carry the day in that area as we develop this program.

Mr. BARCIA. I'll just make on comment, Debbie, and that is we appreciate the words of the distinguished panelists with regard to renewable fuel. Part of the energy bill that was passed in the House the last week that we were in session a couple of weeks ago has an entire section devoted to renewable fuels and would allow or at least establish, the beginning of a framework in which we could not only use up the surplus commodities that our very efficient and highly productive American farmers and Michigan farmers are producing but also reduce our dependence on foreign oil and the fluctuations on the world market of fuel through the manipulation of the OPEC nations.

I know not too many of the panelists have spoken to the increased financial burden that these higher fuel prices are causing to the bottom line in our farming operations, but obviously we can

support American agriculture by not only expanding our markets abroad, which we need to do, but also providing for a reliable and affordable source of renewable fuel right within our own country and reduce our dependence on foreign oil that, as we've seen this past summer—although we have reasonable prices on gasoline and diesel fuel currently, this week we've seen wild gyrations in the prices. Those increased costs of fuels could wipe out the very, very narrow margin of profit of many of our family owned farms especially, but any sized farm, really. Thank you, Debbie.

Senator STABENOW. Sure. Thank you. If I could change topics and ask you to respond a little bit more about the impact of animal diseases in Michigan particularly as it relates to bovine T.B. I know Bob Bender is here with us and others from the department that have been working, and I do have a commitment from the head of the Agricultural Appropriations in the Senate, Senator Herb Kohl from Wisconsin, to double the dollars coming into Michigan in terms of addressing bovine T.B., but we do need to know from you where the focus should be. I know I've asked Bob the same thing. What would be the most important way to use those resources to help with the bovine T.B. problem?

Mr. KIRKPATRICK. Well, yes, the dairy industry as well as the cattle industry have gone through quite a bit where T.B. is concerned. Every dairy herd in the state has been tested at this time, and basically there is a small area in the state where there's a fairly heavy amount of T.B., and the rest of the state is basically free. We appreciate the funds that have been brought in, and that's been able to allow us to get on with the program and get back to a point where we basically know in the dairy herd where the T.B. areas are located and that the rest of the state is free. That's been very helpful. It's also helped in the infrastructure development as far as some of the laws that were necessary to carry out the program. It even is putting us in fairly good shape—if you're ever in good shape—in case Foot and Mouth or something like that might enter the country. Certainly research dollars are needed and methods of controlling T.B. and isolating it and how it is spread—it seems like there are a number of ways that it's spread to other animals. Funding will be very helpful.

Senator STABENOW. You think research, from your standpoint, is still one of the major areas where we should focus?

Mr. KIRKPATRICK. Research is still a major area; yes.

Senator STABENOW. OK. Good. I didn't know if anyone else would want to respond on that but—Phil? Yes?

Mr. KORSON. Yes, I certainly would; not necessarily as it relates to T.B., Debbie, but as we look at research today and the need and demand for research as we look to the future, it's absolutely critical and key to the survival of American agriculture is that we have a solid investment in research. The issues today are more complex in the field. As we move toward more environmentally sustainable practices in the field, that means ramifications in the farm that we have never thought of before. As a result of that, how to deal with those issues is all research-based. Even though farm—there's less farm people on the farm today, the demand for the research to move to the next level of production ag, the research component is critical. Whether it's T.B. or whether it's production practices on

the horticultural side or whether it's new or safer pesticides that are used and available in the field, all critical components of a solid research program that becomes the backbone of American agriculture.

Senator STABENOW. Let me take this moment as well—since we have folks here from Michigan State University—to just say how important their research is and how proud I am of the research efforts that go on through Michigan State University.

Let me turn for just a moment to conservation because we know that under Senator Harkin's leadership, we're going to see a major focus on conservation and strengthening the conservation title in the Farm bill. Any specific comments on that? I don't know, Wayne, if you want to speak to that, but we certainly want to look at that, the CRP program and so on, and know what it is that all of you would like to see us include in the Farm bill because there's a real opportunity to focus on conservation.

Mr. WOOD. Thank you. We at Farm Bureau believe that your analysis is correct. There's a real opportunity there, and we think there's a real opportunity to move dollars into specialty crops by changing some of the rules. You mentioned CRP. I would in addition put the CREP program in that area, the EQIP program. There's some changes in the rules and guidelines that very simply would let that happen if the funding were available. We would like to see that EQIP program increased by $2 billion. We also believe that there's an opportunity if an incentive payment was developed to encourage people to maintain those structures, maintain those practices once they're put in effect. Some of the practices that we as farmers put in are funded and then there's a short requirement on it to maintain it. Beyond that point, then, there's very little discipline unless you have self-discipline to maintain that practice. The CREP program, of course, is a longer-term program, but some of the erosion control programs we've had. Those are just a couple of areas very quickly. I appreciate you asking the question.

Senator STABENOW. Carl.

Mr. MCILVAIN. Our organization has always had supply management as one portion of its policy. As every industrial industry practices supply management, if they overproduce, they cut production. Farmers seem to be the only system that doesn't do that. If they overproduce and the price goes down, they produce more. The CRP has been an excellent example of a way to control production to some extent and probably should be increased dramatically if it could be. I know it has come up to 49 million or something like that, but there could probably be a bunch more million put in right now, possibly even on a short-term basis, three or five years instead of ten, something of that nature. We should be controlling production in some manner, and that's been an excellent program as far as wildlife and all kinds of conservation is concerned. It's been really good, and it's had nothing but praise from the environmentalists and the public in general. Why don't we use it to any extent we can?

Senator STABENOW. Would it be your sense, any of you, that we should take what we have and expand that, or is there an area that's missing? Is there anything new that we should be adding? Phil, did you want to——comment?

Mr. KORSON. I'd like to talk to that issue.

Senator STABENOW. Sure.

Mr. KORSON. As we look at CRP in particular, specialty crops are not a part of CRP. In one of the previous hearings that we had earlier this year, we got into quite a debate on CRP as it relates to specialty crops because there was a sense that we've really put our most highly erodible soils into CRP already. That may be true on the field crop side. It is not true on the specialty crop side. When I look at expansion—and one good example would be the asparagus industry on the west side of the state that's under unbelievable pressure today. If a CRP component was added for the asparagus industry for specialty crops that covered asparagus—those are very highly erodible soils. We're in an overproduction situation because of a production that came into play in South America in recent years that's coming into this country duty-free. For some of those older growers that may want to hold onto their land, take that asparagus out, put it into a conservation reserve practice, preserves that land for a later production. That's one whole area in the specialty crop arena where we've got a lot of highly erodible soils that have never had an opportunity to be enrolled.

Senator STABENOW. Speaking about specialty crops, this will be a major area of discussion in the Farm bill in terms of how to include specialty crops. Any other thoughts regarding what should be looked at in the area of specialty crops? Specialty crops are so diverse. There are maybe those that don't want to participate in federal programs but that for those that do the option, what should we include in the Farm bill? When we look at Michigan and look at the focus on AMTA payments and the program crops right now, that's leaving a lot of crops out of the picture. We have to look at broadening that. Would anyone like to respond to that? Wayne.

Mr. WOOD. Well, one of the things we haven't talked about is the Tree Assistance Program. I know it was touched on very briefly, but that has assisted a lot of growers in the past. If we could, it would be nice to put it in retroactive to the year 2000 to help out—I know there's a lot of dollars and I know you helped us get money for fire blight, but there's still challenges out there in removing those trees and replacing the trees and getting the production going again.

You asked about the specialty crops, one of the things that probably would be very helpful is if we had more opportunity to hear from those folks on what they actually want to do. We find it challenging in our organization, being the large general farm organization, to really hear from those folks. Now, having said that, it would be very easy to say, "Well, why don't they tell us what they want?" They try to, but some of us are so ingrained in the traditional program crops that it's hard for us to listen. We have to listen to them as individual commodities just the same as dairy and corn and wheat are rather than, as Phil said, the specialty crop area and try and brush it with one paint.

Senator STABENOW. Well, I would agree. At today's field hearing, I have tried to include a number of different folks representing specialty crops both here and in Grand Rapids. We've tried to reach out to everyone that we can find to invite people to give us their ideas. That's very important, so we've reached the end of our time

for our first panel. I want to thank all of you very much and invite our next panel to come and join us. I appreciate your coming here this morning and providing us with important testimony. Thank you.

[Recess.]

Senator STABENOW. Let's come to order for the second panel. Welcome. We appreciate your being with us. It's just been brought to my attention as well that we have Eric Friedman from Representative Dave Camp's office. Where is Eric? We're very pleased to have you here with us on behalf of Congressman Camp, so thank you. I noticed also walking in the room is Christine Juarez from my office. Christine, I didn't get a chance to introduce you earlier. Christine is in the back, and we're glad to have her with us today as well.

Let me introduce our second panel, another group of distinguished individuals. Let me start with Frank Kubik, who's been the Manager of the Commodity Supplemental Food Program at Focus: HOPE in Detroit. We appreciate your coming over, and we know you've been in that capacity since 1990. Frank started working with Focus: HOPE actually in 1981 in the food program warehouse. In addition to managing the food program in Detroit, he's serving his second term as the President of the National Commodity Supplemental Food Program Association. Focus: HOPE, as we know, does many things including job training but in addition it provides food on a monthly basis to over 13,000 mothers, infants, children and seniors in Wayne, Macomb and Oakland Counties. It's the largest CSFP in the state, and Michigan is the largest CSFP participating state in the country. It's a major program.

We're also pleased to have Dr. Lonnie King. Lonnie King is the Dean, as we know, of the College of Veterinary Medicine at Michigan State University. He's the 11th dean in the history of the college since it was established by the Michigan legislature in 1910. As Dean, he's the Chief Executive Officer for academic programs, research, the teaching hospital, animal health diagnostic laboratory, basic and clinical science programs and the outreach and continuing education programs.

Prior to this, Dr. King was administrator with the USDA Animal and Plant Inspection Service. Before starting his government career in 1977, he was a private veterinarian and brings that important perspective as well. He's served as President of the American Association of Veterinary Medical Colleges from 1999 to 2000 and is currently Vice Chair of the National Commission on Veterinary Economic Issues. Lonnie, welcome. Glad to have you.

Sam Hines is with us. Sam is the Executive Vice President of the Michigan Pork Producers Association, and he's responsible for administering programs and pork promotion, consumer information and research financed by pork producers through a national checkoff authorized by the Pork Promotion Research and Consumer Information Act of 1985. In addition, he's responsible for monitoring legislation and regulatory activities that affect the Michigan pork producers and for conducting the industry's public policy initiatives. Sam has nearly 40 years' experience in the pork industry. You don't look that old. You must have started when you were 5.

Mr. THAYER. I guess pork is good for you.

Senator STABENOW. Yes, pork is good for you. He's actually 102 years old.

Mr. HINES. Sometimes I feel like it.

Senator STABENOW. Sam's been involved with the National Pork Producers since 1972 and managed the pork producers association in Michigan since 1986. Welcome.

Curtis Thayer; Curtis is the Director of the Michigan Soybean Association. We're glad to have you. He was born in December and the following spring his mother had him out in the buggy in the garden with her and you've been working the land ever since, so it's wonderful to have you. He was an American farmer through the FFA and has been involved in farm organizations all his life. Curtis has a farm with his family located four miles west of Freeland in Midland County. A portion of that acreage passed down to him from his grandfather has been designated a centennial farm. He grows a number of crops, including wheat, corn, soybeans and sugar beets.

Dick Leach, welcome. Dick is Executive Vice President of the Great Lakes Sugar Beet Growers. His organization represents 1400 growers in Michigan. His sons have taken over the family farm where Dick grew sugar beets for many years. He is now working full time on behalf of Michigan's sugar beet growers. It's been a pleasure to work with you as well, Dick.

Welcome to each of you this morning, and let's start with Frank.

STATEMENT OF FRANK KUBIK, PRESIDENT, NATIONAL COMMODITY SUPPLEMENTAL FOOD PROGRAM (CSFP) ASSOCIATION AND CSFP MANAGER FOR FOCUS: HOPE

Mr. KUBIK. Good morning, Senator Stabenow and honored guests. I'm grateful for this opportunity given us today. The Commodity Supplemental Food Program is a proven, effective product program of nutritionally designed monthly supplemental food packages for low-income seniors and mothers and children not eligible for WIC. Proper and adequate nutrient intake through a healthy diet is proven to promote health and prevent chronic disease. Seniors, especially low-income seniors, need the special nutrition assistance to be healthy. CSFP was the nation's first Federal food supplementation effort with monthly food packages designed to provide protein, calcium, iron and vitamins A and C.

For fiscal year 2001, CSFP has a monthly caseload of 447,683 participants in 23 states of which approximately78 percent are seniors. Focus: HOPE was the first operator of the CSFP in the State of Michigan. Working with you and others in the delegation, this program has now been expanded so that it is operated by 19 local agencies across Michigan serving 79 of 83 counties with a combined monthly caseload of 90,000. For fiscal year 2001, USDA will provide over $20 million for the CSFP's in Michigan. Many of the commodities purchased for the program are grown in this state. CSFP supports farmers in Michigan and throughout the country.

I personally receive many calls from senior citizens who are desperate for food and have nowhere else to turn. This program is a lifeline for many seniors. The average income of a senior on our program is $551 per month.

The United States Department of Agriculture purchases specific nutrient-rich foods at wholesale prices for distribution to those eligible for CSFP. Within states, agencies of health, agriculture or education are designated to operate CSFP. These state agencies contract with community and faith-based organizations to warehouse, certify, distribute and educate individual participants every month. The local agencies build broad coalitions between private nonprofits, health units and area agencies on aging so that seniors can quickly certify and receive their monthly supplemental food package along with nutrition education to improve their quality of life. This design of a public-private partnership effectively reaches even homebound seniors.

With the aging of America, the National CSFP Association's position is that CSFP should be an integral part of the USDA's senior nutrition policy. Emphasis and attention now need to turn toward seniors' quality of life and productivity. This is the most cost-effective way to provide the nutrient-rich foods that low-income seniors are lacking.

The Commodity Supplemental Food Program stands as a testimony to the power of partnerships between community-based organizations, private industry and government agencies. CSFP offers a unique combination of advantages unparalleled by any other food assistance program. CSFP involves the entire community in the problems of hunger and poverty. Thousands of volunteers as well as many private companies donate money, equipment and, most importantly, time to deliver food to homebound seniors.

Measures to show the positive outcomes of nutrition assistance to seniors need to be strengthened. A 1997 report by the National Policy and Resource Center on Nutrition and Aging at Florida International University called *Elder Insecurities: Poverty, Hunger and Malnutrition* indicated that malnourished elderly patients experienced 2 to 20 times more medical complications, have up to 100 percent longer hospital stays and incur hospital costs $2,000 to $10,000 higher per stay. Proper nutrition promotes health, treats chronic disease, decreases hospital length of stay and saves health care dollars.

The National CSFP Association is proud to be the organization of state and local operators who are dedicated to providing our most vulnerable seniors and mothers and children with the important nutrient-designed supplemental food packages and nutrition education every month to better their quality of life. This program continues with committed grassroots operators and volunteers. The mission is to provide quality nutrition assistance economically, efficiently and responsibly, always keeping the needs and dignity of our participants first. Our goal is to have CSFP available in all 50 states.

We are grateful to our congressional friends for their support to further the program. We also to commend the Food and Nutrition Service of the Department of Agriculture and particularly the Food Distribution Division for their continued innovations to strengthen the quality of the food package and streamline administration. Please continue to support our at-risk seniors and women and children through the reauthorization of the Commodity Supplemental Food Program in a new farm bill. Thank you.

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

Senator STABENOW. Thank you, Frank.

Dr. King.

STATEMENT OF DR. LONNIE KING, DEAN OF THE COLLEGE OF VETERINARY MEDICINE AT MICHIGAN STATE UNIVERSITY

Dr. KING. Well, good morning, Senator Stabenow and Congressman Barcia. I'm honored by your invitation to testify before you this morning. I'm also pleased that you've taken the initiative of holding two field hearings in Michigan today. I am Lonnie King, Dean of the College of Veterinary Medicine.

The original goals of U.S. agriculture programs and past farm acts traditionally have focused on commodity prices, supply controls and income-support policies. However, recent farm bills have needed to balance competing needs and demands in growing perspectives from an ever-expanding group of new stakeholders and special interests. The 2002 Farm bill will generate even greater interest and be debated in the midst of unprecedented social challenges and scientific findings and critical driving forces.

A few years ago, Andy Grove, who was the CEO of Intel, coined a phrase called "strategic inflection point." This is a time in the life of an enterprise when its very fundamentals are about to change and a time when these fundamentals will prove that past successes and strategies may no longer be relevant or effective. This may be the backdrop for our new farm bill.

In my opinion, there are five of these strategic inflection points that are going to have to be considered and maybe considered in the Farm bill. One of these is a shift from local and national markets that were commodity focused to a global market that's much more value-added and niche market focused. A second is a shift from an emphasis on production increases to a new emphasis on the social and the public acceptance of our products. Third, a shift from being a privileged class, if you will, to an industry that some of the public holds in less esteem and believes that we may be responsible for some of societal ills. Fourth, a shift from envisioning food as just sustenance to food as a real health promoter. Fifth, a shift from just looking at animal health to also looking at a role in the public's health.

Collectively, these five critical factors are going to demand new strategies, new policies and new research education thrusts. While the Farm bills of the past have laid the infrastructure and policies for traditional agriculture, the next Farm bill should also lead the way for fundamental changes in agriculture commensurate with the profound driving forces in these critical inflection points.

Just briefly touching on these—our future is as much about capturing opportunity share as it is about capturing current market share. As the world's population grows and trades in agriculture continues, we're going to be engaged in a new revolution. That's the livestock and poultry revolution that many believe will be an unprecedented event in agriculture over the next two decades. This revolution will have profound implications on our health, our livelihoods and the environment. Population growth, urbanization, income growth in developing countries are fueling a massive global

increase into the demand of food-animal products and new proteins. This seminal shift will produce remarkable opportunities for U.S. food and fiber systems.

The Farm bill needs to ensure expansion of trade, improving foreign market access and scientifically based WTO standards and policies. For much of the last century, advances in food-animal production have centered on improvements in production efficiencies. Led by agricultural research, it's been an extraordinary success. Now we're looking at changes from economic efficiency to environmental sustainability and, most recently, a unique phenomenon, and that is the social and public acceptability of food. Without question, we witnessed changes in the retailing and marketing and production industry that attempt to differentiate products by special socially accepted practices promoting food safety, animal well-being and environmental sustainability. These will be driven by the global marketplace and consumer demands and future research and educational programs in the Farm bill would be critical to food-animal agriculture in our future markets.

The third one was this changing persona of an industry that has been held in high esteem, and now we are concerned that the public views us because of some of the issues in food safety and degradation of the environment and subsidies, and we need to do more about changing that. We need a national and proactive strategy to help change this public opinion. The 2002 Farm bill can provide a welcome forum and to construct a new social contract between production agriculture and consumers and the public in general.

The fourth is just beginning to be realized, and it's based on the advances in genetics and proteomics. It's going to create an entire new life science industry characterized on the convergence of agriculture, pharmaceuticals, health care and computing. This may be a $15 trillion business by the year 2025. This transformation will change the future of food. Instead of being perceived as a necessary staple of our existence, food will become an essential component of our health, our quality of life and enhanced productivity. Food will be combined with medicines, vaccines, nutraceuticals and will be used for special health requirements. As we move to leverage the opportunity in the life sciences and support of agricultural research, I hope that your committee will be helpful in ensuring that agriculture issues are included in the research agenda of the NIH and NSF and other Federal agencies.

The final one is moving toward public health, and we've seen new emerging diseases, new food safety problems, 30 new diseases and 75 percent of them are zoonotic or passed through animals. We in Michigan—we've already talked about our T.B. situation. We surely have appreciated your support. The foreign animal diseases, Foot and Mouth disease and BSE, may impact a $100 billion industry here.

Let me close by offering several concrete actions: One is to double the Federal investments in food and agriculture research over the next 5 years of the Farm bill; two is to fund the National Research Initiative and Competitive Grants to the level originally planned by Congress and the USDA, and that's $500 million; third is to fully support the Initiative for Future Agriculture and Food Systems; to also develop this new social contract in the Farm bill that we

talked about; help develop strategic plans to lead us into the livestock revolution; help prepare for the continuation of new emerging diseases—it's not a matter of "when"; it's a matter of "if" it will occur—and finally to help have a new equal partnership with Health and Human Services to promote the public's health and expanding agriculture research into these areas.

Thank you very much for the opportunity to give testimony this morning and also thank you for your tremendous responsiveness and support of Michigan and U.S. agriculture.

[The prepared statement of Dr. King can be found in the appendix on page 57.]

Senator STABENOW. Thank you, Lonnie.

Sam Hines.

STATEMENT OF SAM HINES, MICHIGAN PORK PRODUCERS ASSOCIATION

Mr. HINES. Thank you and good morning, Senator Stabenow and Congressman Barcia. Like my predecessors, I want to convey the pork producers' appreciation for you holding this field hearing and giving us an opportunity to share some of our concerns.

I must say that U.S. and Michigan pork producers are extremely pleased and excited that the 2002 Farm bill debate is focusing on conserving working agricultural lands, keeping them productive, profitable and at the same time enhancing the environmental benefits they provide. Iowa Senator Tom Harkin's Conservation Security Act is one of the big reasons that the debate has turned in this direction, and we welcome your efforts and commend you for them. We also note that the committee's Ranking Member, Senator Lugar, and Senator Crapo are working on separate conservation bills with many valuable policy proposals.

As we have stated before, livestock and poultry producers faces or will soon face costly environmental regulations as a result of state or Federal law designed to protect water and air quality. In addition to state requirements, the regulations will come from the Clean Water Act TMDL program, the proposed CAFO permit requirements and the Clean Air Act.

While producers have done a good job environmentally on their operations in the past, we want to continue to improve. In many cases, the costs are simply prohibitive. A $1.2 billion a year increase for the Environmental Quality Incentives Program, which 50 percent would go to livestock and poultry producers, is a historic step forward. However, as previous testimony from the National Pork Producers Council and other groups has demonstrated, $1.2 billion is needed annually for livestock and poultry producers alone. We therefore respectfully request that the committee take full advantage of any opportunity that may exist to expand EQIP funding in order to meet the pressing conservation assistance needs existing in all agricultural sectors.

That are several specific issues that we would like to address as you prepare legislative language for the conservation title of your farm bill. We feel very strongly that livestock and poultry producers must be eligible for conservation cost share assistance regardless of the size of their operations.

Family owned or operated livestock operations come in all sizes, and all of these will need cost share assistance if they are to remain economically viable while providing the public with the environmental benefits they obviously see. For example, the Environmental Protection Agency's analysis for the proposed CAFO rule assumes it will cost a 3444-head farrow to finish swine operation $332,000 in capital costs to comply with the proposed rule. It will also cost approximately $26,000 a year for annual recurring activities for this operation to operate and maintain its new system. Any EQIP provision that excludes operations simply on the basis of the number of animals will end up excluding thousands of family owned operations struggling to remain as independent as possible.

The unintended consequences of a size cap is rapid consolidation of the pork industry, something this committee surely does not want. It is our view that a payment limitation schedule comparable to that used in row crops is far more appropriate, except that payments should not be limited by year but by the needs of the overall EQIP contract.

Second, protecting water and air quality as it relates to livestock and poultry manure management must be national priorities for EQIP. It is important to ensure that the program allows for the participation of third-party private sector certified experts to supplement the technical assistance to be provided by USDA. We note that both your Conservation Security Act and Senator Lugar's concept paper provide for the use of such persons, and we support your efforts.

I would like to say just a little bit about the Market Access Program. Michigan Pork Producers Association has long supported increasing the authorization of the Market Access Program. At least a doubling of the current authorization from 90 to 180 million per year is warranted. MAP and the Cooperator Program have been instrumental in helping boost U.S. pork exports. U.S. pork producers became net exporters in 1995 for the first time. In 2000, pork exports totaled 556,895 metric tons worth $1.3 billion. Exports increased 12 percent by volume and 18 percent by value compared to 1999.

In order to sustain the profitability of our producers, we must do a better job of opening markets and doing away with market distorting trade practices. We must retool and implement aggressive export promotion and humanitarian assistance programs to stimulate consumption of meat products globally.

Finally, I would just like to mention that pork producers also strongly support the reauthorization of the pseudorabies eradication program. This program has helped bring pork producers within striking distance of eliminating the disease from U.S. herds. I know, Senator, you in the past, along with Congressman Barcia and Senator Levin, have been very helpful in assuring that we had adequate funding for this. I will tell you that pseudorabies has been eradicated in Michigan, and as a result, the Canadian border has been opened to Michigan hogs, giving the state's producers an additional marketing alternative. We're within an eyelash of getting it done nationally. Those are a few of our concerns. Again, we appreciate very much the opportunity to share them and we have

some added comments in the written testimony that was submitted. Thank you very much.

[The prepared statement of Mr. Hines can found in the appendix on page 65.]

Senator STABENOW. Thank you, Sam.

Curtis Thayer, welcome.

STATEMENT OF CURTIS THAYER, DIRECTOR, MICHIGAN SOYBEAN ASSOCIATION

Mr. THAYER. Good morning, Senator Stabenow and your staff. I am Curtis Thayer, a soybean and corn farmer from Freeland, Michigan. I currently serve as a Director on the Michigan Soybean Association. We commend you, Senator, for the lead that you are taking to hold these agricultural field hearings in Michigan and for listening to the voice of American farmers.

In short, oilseed producer organizations recognize that crops which can be planted interchangeably should have programs that provide balanced and equitable price and income support. The Soybean Association supports production decisions should be driven by the market, not by program advantages.

Intending no disrespect, we do not find the draft farm bill to be balanced and equitable in treatment of oilseed crops. It gives program crops their current loan rates, the target prices they had prior to Fair Act and the 2002 AMTA payment. It gives oilseeds reduced loan rates and establishes target prices and fixed payments at levels that do not reflect their value or historical price relationship to program crops. It then forces producers to choose between base periods that lock in these inequitable benefits resulting in sharply reduced income protection for most oilseed producers and the likelihood of increased, base-driven production of program crops.

We urge the committee to take another look at some of the proposals at hearings conducted earlier this year. One of the benefits of establishing a new counter-cyclical income-support program is that it can be built from the ground up, making it easier to address all crops equitably.

We also are concerned about using payment yields that are so far out of date. Other variables could be adjusted to offset the higher cost of using recent yields.

Counter-cyclical payments; regarding the counter—I'm tongue-tied—counter-cyclical payment program, the proposed target prices for oilseeds are not equitable with those of other crops. The 5.86 per bushel target price for soybeans is 2.1 times the 2.78 target price for corn. Using a very conservative price relationship of 2.3 to 1, the soybean target price should be $6.39 or 53 cents per bushel higher. Current discussion provides no rationale for setting target prices for oilseeds at levels that are well below the historical price relationship with other crops.

The proposed counter-cyclical program also would encourage producers to sign up for 1991–95 AMTA base period when they planted more acreage to traditional program crops. This oilseed acreage would not—since oilseed acres are not counted in this base option, these producers would forfeit income protection for oilseed crops.

Payment bases: We do not believe producers should be required to choose between current AMTA base period and the 1998–2001 period to determine their eligibility for either the fixed or the counter-cyclical payment. The alternative would be to update the base for all crops and to establish equitable payment rates that would not disadvantage producers who have changed their crop mix. This approach would reduce the total amount of support provided to crops that have lost acreage under the Fair Act but would not reduce support to individual farms and farmers.

We wanted to describe our concerns about fixed payment and counter-cyclical programs before commenting on the proposed reduction in oilseed loan rates. If these other legs of the stool provided balanced income support for oilseed crops, we could be flexible regarding loan levels. Unfortunately, the fixed payment rates and target prices for oilseeds are well below levels justified by historical price relationships with traditional program crops. The result is a substantial incentive to choose the 1991–95 AMTA base period, which provides no income support to most oilseed producers and a significantly reduced loan rate. The proposed oilseed loan rates would reduce income support to oilseed producers by $1 billion per year unless other programs proposed in the concept paper are substantially modified.

Regarding other crops addressed in the concept paper, we support the decision to restrict multi-year support to crops eligible to be planted on base acres. Only crops that share base acreage and that comply with required conservation practices should receive program benefits.

The Soybean Association supports reauthorization of the various programs addressed by the proposed farm bill, including the CRP, EQIP, Wetlands Reserve Program, Wildlife Habitat Incentive Program and the Farmland Protection Program. We do not support raising the cap on CRP acreage to 40 million acres because we believe additional conservation funding should be targeted at improving conservation on lands that are already in production. We continue to support establishment of a voluntary conservation incentive payment program and look forward to working with the committee to make room for programs in an overall package.

Senator STABENOW. Curtis, I'm going to need to ask if you could submit the rest for the record because we want to be able to review all of your testimony but in order to be able to have time for Dick to have his 5 minutes, I'm going to have to ask you to wrap up the verbal testimony here.

Mr. THAYER. Wrap it up?

Senator STABENOW. If it's all right with you, I want to make sure that we've got all of your testimony. We will include it as if you've spoken here, the whole thing. In the interests of time so we can ask some questions, we'll ask you to close.

Mr. THAYER. One final thought that I'd like to leave with you was in the last *Michigan Farmer*: "It is better to help the farmer make a profit than to say we're going to buy his development price." That's credited to Lee Swartz. Thank you.

Senator STABENOW. Thank you very much, and I really appreciate the comprehensiveness of your testimony and we're going to include it in its entirety. Thank you.

Dick Leach, welcome.

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

STATEMENT OF RICHARD LEACH, EXECUTIVE VICE PRESIDENT, GREAT LAKES SUGAR BEET GROWERS ASSOCIATION

Mr. LEACH. Good morning, Senator Stabenow and panel members. It's really great to be here and have our industry represented. It's really great for you to include Michigan in these hearings and to make us part of this 2002 Farm bill. It's important to Michigan and agriculture. It's important to Michigan.

I am Dick Leach, Executive Vice President of the Great Lakes Sugar Beet Growers Association. I am here this morning representing the 2000 Sugar Beet Growers and independent businesses located in 17 counties where sugar beets are grown in Michigan. There are approximately 200,000 acres of sugar beets grown annually in Michigan with about 3,000 directly related jobs and a base economic impact of over $250 million annually.

The present status of the sugar industry is this: Domestic sugar prices are at a 20-year low; a new 2-year-old beet processing plant in the State of Washington has closed its doors for this year; two sugar beet processing plants in California have shut down; Tate & Lyle, a British company, has sold Western Sugar and its six sugar processing factories to growers and is selling Domino Sugar to Florida Crystals and the Sugar Cane Growers Cooperative of Florida.

Senator STABENOW. Excuse me, Dick. We're going to ask you to take and put the mike up, I guess. There we go.

Mr. LEACH. I've never known anybody to think I didn't speak loud enough.

Senator STABENOW. We just want to make sure we get every word here on the record.

Mr. LEACH. OK. Thank you. Tate & Lyle is getting out of the sugar business. Imperial Sugar Company, the largest marketer of sugar in the United States, is in bankruptcy, and the Michigan Sugar Growers are trying to buy Michigan Sugar Company from Imperial to save their sugar industry in Michigan. This is a pretty bleak picture of a once very robust industry. The loss the sugar industry in Michigan and in the U.S. would cause greater pressure on other crops that are already in oversupply.

What this industry needs for the sugar policy in the 2000 (sic) Farm bill is this: No. 1, We must have sugar policy that continues to respond to the unfair and predatory practices of foreign sugar producers. No. 2, We must stop stuffed molasses and other syrups from being brought into this country by foreign countries circumventing our present sugar program and violating the integrity of our borders. We must also have an agreement with Mexico that will limit their exports to the U.S. as long as their sugar production is subsidized. No. 3, We must increase the present loan rate. It has not been increased since 1984. No. 4, We need to continue the nonrecourse loan program. No. 5, We need the sugar program as a no-cost program to the government.

To make this happen, we need to manage supply and demand using imports that are above the World Trade Organization com-

mitments. The domestic sugar industry will need to help balance the U.S. sugar supply with a flexible market allotment system.

This is the Michigan sugar beet growers' view of what is needed as a sugar program that will keep a good affordable supply of sugar. It will also keep the family farmers who grow sugar beets in the business of producing sugar and adding strength to the local rural communities in Michigan.

I will quit at this point. I don't want to take up any more time than I have to. I know you have some questions. There are some other things that we could talk about, and we could probably go, Senator Stabenow, for a long time on this. These are the basic things that we need in our industry if we're going to survive. It's awfully important that when we deal with the foreign agreements now that we're looking at, the free trade of America and Cuba and some of these other folks, that we remember that we have a domestic industry that we have to support too. Without that, our rural communities, their base economic impact on these folks is going to be devastating.

As you go forward in this farm bill and in the negotiations, I hope you will remember. I know you will because we've had that experience, and I know how you feel. Tell your colleagues that we in Michigan and in the United States are an industry, and we need to survive. Thank you again very much for having us here.

Senator STABENOW. Well, thank you, Dick.

[The prepared statement of Mr. Leach can be found in the appendix on page 81.]

Senator STABENOW. I'm wondering, Dick, if you could expand a little bit on the non-recourse loan program, why that's so important to our sugar beet growers here in Michigan.

Mr. LEACH. The non-recourse loan program is really what holds the government responsible to the sugar program. It is a loan program that is given to producers through their processors where they can take out a loan on sugar and if the price of sugar is below what that loan rate is, then they have the opportunity to forfeit that sugar to the government. This has happened in this past year because sugar prices were so low. Without that, we could not survive. For us to make it, we have to have that non-recourse loan where the government does not have the recourse of turning that down. They have to receive the forfeited sugar in payment for the loan.

Senator STABENOW. OK. Thank you. Curtis, I wonder if you could expand on what you mentioned regarding value-added products for soy and some of the developments for a soy-based lubricant in Michigan. Particularly as we're looking at the energy title again of the Farm bill, that there's some important efforts with soy beans that we need to acknowledge.

Mr. THAYER. Dr. King touched on that lightly. I foresee the soybean growers will be producing specific crop for specific purposes as in delivering medicine through food. When we get to that point, we're going to have to have small processing plants to address that market because the large volume processors that we deal with today, in all probability, will not be capable to gear to those needs.

Senator STABENOW. Great. Let me ask Sam about the Market Access Program, which I know is important, could you expand on why

that's important? That continually comes up for debate. Market access is something that we end up debating every year, and I wondered if you could just expand a little bit on why that's so important from your standpoint.

Mr. HINES. Yes, I'd be glad to. Pork producers in the U.S. are currently the most efficient producers around the world. When you level the playing field, they can compete pretty well. We went from the early part of this decade from actually only exporting about a percent and a half or 2 percent of our domestic production to the current level of 10 percent. Organizationally we did a little tracking to see what that actually means in terms of dollars recovered, and we found that for every percentage increase, it equated to an additional $250 million in extra value from the market to producers.

At the level of production that we currently are, it's critically important that we focus a lot on exports. We have done that in utilizing producer check-off dollars as fully as possible. The Market Access Program, particularly from the standpoint of the pork industry—and I know from some other commodities as well—it's critically important for us to continue. Again, related to the level of production that we're currently at to be able to level the playing field and compete in that export market, so it's critically important to us.

Senator STABENOW. Great. Lonnie, I wonder if you could expand a little bit—you were talking about emerging infectious diseases, and we certainly know about bovine T.B. in Michigan and have been focused on that. What are the most important issues for us in Michigan, do you think? Obviously bovine T.B. is one, but could you talk a little bit more about our challenges in Michigan?

Dr. KING. Michigan challenges are similar to what's faced across the country. First of all, we need a system to rapidly detect these problems. A few years ago we didn't know about West Nile; now it's close to our borders. We need a rapid detection system.

Second we need a system in place that is an effective and immediate response system to limit the spread when one of these diseases would crop up.

Then third we need the resources and capacity to quickly eliminate the problem before it moves into other areas. We're definitely going to be seeing new versions of exotic diseases and emerging diseases just because of the food safety issues and also a growing population of immune-compromised people, which happens to be, in particular, the baby boomers that are reaching the age of 60 and above, which will be 25 percent of our population. We have no idea what will happen in that large of an immune-compromised group of people, but food safety will take on a different perspective.

Senator STABENOW. Well, I appreciate the efforts of Michigan State and of the National Center. When you mentioned "rapid response," it reminded me of our efforts in the agricultural research bill a couple of years ago. I put a provision in the bill that requires USDA to develop an interagency rapid response system for food safety. Are you familiar with what's happening on that? Do you think there should be a separate rapid response process for infectious diseases?

Dr. KING. The rapid response has moved toward Health and Human Services, the CDC and the public health, which is fine, but those of us in agriculture also need to be equal partners. There's somewhat of antagonism back and forth between public health and animal health, and we just need to put that behind us and talk about a comprehensive response system where we're all working on the same thing.

Senator STABENOW. You're seeing, then, that the way it's designed needs to be more comprehensive as opposed to two different systems?

Dr. KING. Comprehensive and integrated and a joint leadership as opposed to kind of groups with their own territories that really don't have an integrated response.

Senator STABENOW. We will work on that. We worked on getting that language into the bill. Our view was that it would be comprehensive. If that's not happening, that's something we need to work on as well.

Let me ask Frank—the nutrition title of the Farm bill is obviously very important. It's important that—to have a partnership between production agriculture and the community nutrition programs. I'm wondering, as we look at and how people qualify for your programs, the CSFP, under the current qualifying language. I understand that mothers and children qualify for these programs up to 185 percent of poverty but seniors are cutoff at 130 percent of poverty. You were talking about the major focus for what you do being on seniors and access to food for seniors. I'm wondering why there are two different levels to qualify and what the impact of that it is in terms of senior participation.

Mr. KUBIK. In the early 1980's when the senior program was piloted in three areas, New Orleans, Detroit and Des Moines, Iowa, the income guidelines were the same for both programs. In the late 80's when it became a permanent program, the department lowered by regulation the income guidelines to 130 percent for seniors. I suspect that has something to do with mothers and children having priority in the program and not wanting the flood of seniors to push the moms and kids off the program.

The impact of that now with rising medical costs and utility costs, we see people that miss our income cutoff by a few dollars in that we don't allow for any exceptions, whether it's prescription drugs, utilities, what have you. It's really heartbreaking when seniors come in and they give you a list of all their expenses, particularly medicine—so many seniors don't have prescription coverage—that by the time they get through deducting their prescription expenses, they have very little money left for food and other living expenses. That's the hardest part is when you have to tell someone that they're not eligible. If they were younger, they would be on the program because we would allow for a higher income for the person. That's really heartbreaking when someone comes in like that.

We're working to try to get that number pushed up for seniors. With the growing population of seniors, with the population expected to double by the year 2030, we need to have a program in place to address senior needs as part of a nutrition—senior nutrition policy with USDA. By increasing the income guidelines, that

would be a great way of covering seniors who really need the program.

Senator STABENOW. I would agree. Of course, we get so many folks contacting us, particularly as it relates to prescription drugs as well. That's another area where I've been working very hard in terms of lowering costs and having coverage for seniors under Medicare. I'm wondering if even just excluding medicine costs from a senior's income limit would make a huge difference for seniors?

Mr. KUBIK. It would. We visit a lot of the seniors. We do deliveries too. We see they're lacking so many items in the house. I've been to a senior building—apartments—where they have no electrical appliances. When I open a refrigerator—one of the things that seniors will not like you to do is put the food away for them because when you open the cupboards and the refrigerator, you see there's nothing there. I had an instance a few months ago where I went to a senior's home and he had one tomato in the refrigerator, and that was all he had. The food we brought him just made a huge difference.

Many seniors we look at, they're up in age and we say, "Well, Grandma's sick because she's 80 years old." Well, Grandma's probably not eating properly and not getting the proper medicine. With the relatively small cost of a commodity food package, we can save dollars from health care, improve that quality of life for a senior citizen. This program is just vitally important, that it can address the needs that some of these seniors have.

Senator STABENOW. Frank, you also mentioned that this was not in every state yet and that that was your goal. Why isn't CSFP available in every state?

Mr. KUBIK. For years our funding has been at the—kind of keeping us at the same level with some expansion within states but not in any new states. Last year was the first time in 12 years that, with help of our congressional friends, money was provided to start programs in five new states. We need the help of Congress to increase the funding. We're a relatively small program within the Department of Agriculture's budget, but we're the only program that addresses seniors specifically. Every state can use us. Again, with the growing senior population, that this program is just—it's just a natural that should be in all 50 states.

Senator STABENOW. Great.

We are coming to the end of this timeframe for the hearing today, so I want to thank all of you for coming. I don't know if anyone wants to add a point before we come to a close. There's so many issues we could be talking about. Each one of you represent very important areas, and we want to keep in contact with you as we're moving through the legislative process this fall.

As Congressman Barcia mentioned, the House of Representatives already passed their version of the Farm bill, which is pretty much a continuation of current policy. We are taking a broader view in the Senate and looking for ways to address a wider variety of crops as well as ways to focus more on conservation, rural development, and energy issues. We're going to need your assistance as we go forward. Kim is the person in Washington, as you know, who works very hard and does a wonderful job in connecting with everyone.

We want you to continue to call her or call on one of our staff here in Michigan.

Also for others who are here today that we didn't directly hear from, let me emphasize again that we'd like to include any information that you have in written testimony. You can either make sure we have that today or you can mail that to us, and we will make sure that it's a part of the official record for today. I see some of my insurance friends—we focused on crop insurance last night at a dinner meeting here. I know that there's important testimony we should get in the record regarding the crop insurance program. I know there are other people here as well that represent important interests that we need to get into the record.

We want to have that written testimony. I want to say on a personal note how much I appreciate all of you being here. It's a real honor for me to represent all of you in the Senate. We're going to do our best to have this farm bill reflect the needs of Michigan agriculture and Michigan families and make sure that at the end of this process we've done everything that we possibly can to make sure that this bill makes sense and that we're continuing to support what I believe to be an absolutely critically important industry, not just from an economic standpoint but from our quality of life standpoint in Michigan.

Thank you all for coming and the hearing is—Curtis? Yes? Before I——

Mr. THAYER. I just want to emphasize two more points.

Senator STABENOW. Sure.

Mr. THAYER. One is that we're very sincere in the trade promotion authority, that the importance of the total economy—it's probably one of the most misunderstood functions that we deal with. The professional negotiators with foreign trade establishes a pact. It goes to the President for his approval. The reason for that is that we feel that the negotiators, in dealing with the other countries, do not have the confidence of the other countries if these negotiated trade agreements go to Congress—and no offense to Congress—but you know what happens. It gets in discussion. It gets delayed. It gets changes. Go straight through to the President and get approved.

Another point I want to raise is the importance of bio diesel in our energy program. Bio diesel not only includes soybean oil, but it also includes recycled fire fats. Thank you.

Senator STABENOW. Great. Well, thank you very much. I want to again thank our Chairman, Senator Harkin, for allowing us to hold this field hearing and, Alison, for being with us today.

The hearing is adjourned.

[Whereupon, at 11:41 a.m., the committee was adjourned.]

APPENDIX

AUGUST 13, 2001

MICHIGAN FARM BUREAU
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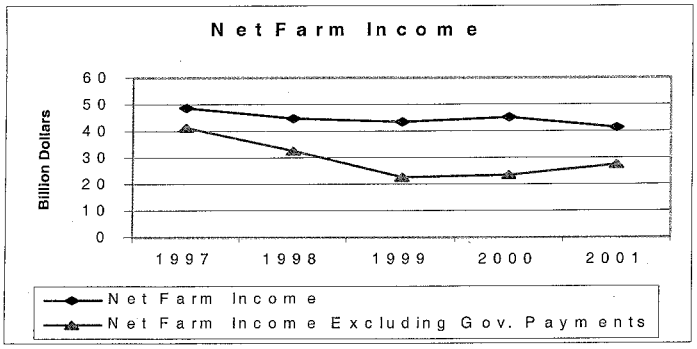
Phone (517) 323-7000

Statement of the
Michigan Farm Bureau
To the
Senate Agriculture Committee
Regarding the Next Farm Bill
August 13, 2001

Michigan Farm Bureau appreciates the opportunity to present this testimony on behalf of the more than 45,000 farmer member families it represents throughout the state.

Agriculture has a vision in the future of a profitable industry from growing markets, increased value-added efforts, and voluntary, incentive based conservation programs. However, bridging the gap between where the industry is now and where it wants to be in the future requires an expanded public investment in agriculture.



Farmers continue to be faced with falling incomes. USDA predicts farm income will decrease to $41.3 billion in 2001, $4.1 billion less than 2000's $45.4 billion, and the trend is expected to continue the next couple of years. This forecast is based on chronic low prices and increasing input costs. As can be seen in the following chart, the outlook for lower farm income is also low due to the assumption that government payments will decline.

Government payments have provided a substantial portion of farm income over the past three years. A decrease in those payments now would be very detrimental to farm income and would begin to undermine the financial balance sheet of the farm sector. Farmers must be given the opportunity to regain their footing and must be provided with a reliable safety net.

- Farm Bureau members continue to support a more market-oriented approach to farm policy -- an approach that allows farmers to make the production decisions for their operations and focuses on building demand for commodities both domestically and abroad.

- As agriculture moved to a more market-oriented farm policy in 1996, it was very evident that it would need an aggressive trade policy to further develop export markets. In that regard it must be noted that:
    a. Congress has not passed trade promotion authority.
    b. Congress did pass permanent normal trade relations for China, but now the Chinese must follow through on their commitments.
    c. Progress was made in sanctions reform last session, but did not completely eliminate sanctions – a negative message sent to our trading partners.
    d. The last administration refused to help maintain our competitiveness by using the Export Enhancement Program. This program has been authorized at almost $500 million per year and used at less than $5 million per year for the last four years.
    e. Agriculture talks within the WTO are progressing, but real progress cannot be made toward additional reform until a comprehensive round of negotiations is launched.

Based on the conditions and issues outlined above, Farm Bureau's farm bill proposals include:

PROGRAM CROPS

An adequate safety net for program commodities is best provided by a combination of the following support mechanisms:

(A) Continue Production Flexibility Contracts

- PFC payments to current contract holders should be continued.
- Current provisions limiting the planting of fruits and vegetables on land receiving PFC payments should be continued.
- Until more analysis is available, bases and yields should not be updated.
  While the acreage and yield used for making PFC payments is out of date, it will be very difficult to ascertain a way to update those bases and yields without negatively impacting many producers. In order to be classified as green box, the new base years would have to be based on a fixed period rather than a rolling period. This would mean the new base period would soon be again outdated or Congress would be forced to redo this portion of the farm bill more frequently than in the past.
- The $4.0 billion PFC baseline should be increased by $500 million in order to allow oilseed production to be eligible for a PFC contract.

(B) Rebalance Loan Rates

- Loan rates should be rebalanced to be in historical alignment with the current $5.26 soybean loan rate.

Commodity	2001 Announced Rates	2001 Re-aligned Rates	Cost (bil)
Corn	$1.89	$2.01	$1,045
Wheat	$2.58	$2.88	$647
Soybeans	$5.26	$5.26	$0
Upland Cotton	$.5192	$.5557	$271
Rice	$6.50	$7.54	$204
Sorghum	$1.71	$1.78	$39
Barley	$1.62	$2.14	$131
Oats	$1.16	$1.27	$9
TOTAL			$2,346

(C) Implement a Counter-Cyclical Green Box Program
Our proposal would provide payments to producers of a crop when the state's gross cash receipts for that crop falls below a set percentage of the four-year average of the state's gross cash receipts for that crop during fiscal years 1996 through 1999. This revenue level is the payment trigger. Eligible crops are wheat, oilseeds, cotton, rice and feed grains. No payments would be made if income were above the payment trigger. Payments would be decoupled from current prices and yields for each commodity.

(D) Oppose a Return to Supply Management or Targeting Benefits

- Congress should oppose a farmer-owned reserve or any federally controlled grain reserve with the exception of the existing, capped emergency commodity reserve.
- Congress should oppose the extension of the Commodity Credit Corporation loans beyond the current terms, means testing, all payment limitations and targeting of benefits.

ALTERATIONS TO THE LOAN DEFIENCY PAYMENT MECHANISM

- All producers of program crops should be eligible for LDPs regardless of whether the producer has a production flexibility contract.
- A payment in lieu of LDPs should be provided to producers who choose to graze out wheat.
- Producers should be allowed to lock in a published LDP rate at any time after a crop is planted, with payment being made only after harvest and yield determination.
- The final LDP dates should be extended to coincide with the USDA crop-marketing year.

NONPROGRAM CROPS

(A) Extend the Dairy Price Support Program
Reauthorization of the dairy price support at $9.90/cwt is necessary prior to October 2001 to make the program consistent with other price support programs and maintain this safety net for dairy producers. The program provides a standing offer to purchase butter, powder, or cheese if market prices are less than established levels that would allow processors to pay producers the support price.

(B) Assistance for Fruit and Vegetable Producers
Two billion dollars annually should be authorized for a conservation stewardship payment to producers of fruits and vegetables. Planting flexibility restrictions on fruits & vegetables must be continued.

One billion dollars should be allocated for market loss assistance payments to producers of fruits and vegetables for 2001.

CONSERVATION AND ENVIRONMENTAL PROGRAMS

(A) Conservation Reserve Program (CRP)
The amount of acreage eligible to be enrolled in the CRP should be increased to 38 million acres. New acreage should be targeted toward buffer strips, filter strips, wetlands, or grass waterways.

(B) Reform EQIP
The EQIP program does not provide livestock, grain and specialty crop producers the assistance needed to meet current and emerging regulatory requirements. The EQIP program must be reformed and funding increased in order to assist producers with the cost of meeting federal, state and local environmental regulations. Changes to the rules of the program are also needed to allow fruit and vegetable producers to participate. EQIP should authorize payments to:

--help producers build, plan and operate nutrient and manure management measures and systems;
--implement pesticide best management practices (BMPs) known to improve water quality;
--help producers improve and computerize their farm decision support data and record-keeping systems;
--help producers plan and implement agricultural BMPs designed to improve air quality; and
--ensure producers could get private sector conservation technical assistance that meets NRCS standards and guidance with nutrient, pest and information management.

(C) Environmental Incentive Payments
A voluntary environmental program should be included to provide producers with additional conservation options for adopting and continuing conservation practices addressing air and water quality, soil erosion and wildlife habitat. This would be a guaranteed payment to participants who implement a voluntary management plan to provide specific public benefits by creating and maintaining environmental practices. The management plan would be a flexible contract, tailored and designed by the participant to meet his or her goals and objectives while also achieving the goals of the program.

OTHER FARM BILL TITLES

(A) Expand Agricultural Exports
Additional funding (up to the WTO allowed limits) for all export programs should be approved including the Export Enhancement Program, PL 480, Market Access Program, Dairy Export Incentive Program, and the Export Enhancement Program.

(B) Expand Risk Management Provisions
While we recognize Congress just spent 18 months and $8 billion reforming the crop insurance program, the following suggestions specific to the Adjusted Gross Revenue pilot program will make improvements and increase producer participation:

- A method needs to be developed to deal with the bad years in the historical record that is used to set the AGR equivalent of an APH yield. The new basis for insurance each year needs to offer meaningful risk protection to the producer.
- Higher coverage options above 65 percent need to be available for producers of only 1 or 2 crops.
- Pilot areas need to be expanded, but still targeted to specialty crops.
- Implement as many of these changes within the RMA regulations and rules to be implemented for the 2002 crop year.

Farm Bureau also supports:
- The actual production history (APH) staying with the land
- No reduction of APH in areas under disaster declaration
- The right of the producer to choose between APH and county FSA transitional yield (T yield) in the determination of crop insurance yield coverage.

Farm Bureau opposes:
(1) Means testing for crop insurance participation or eligibility for assistance; and
(2) Crop insurance participation as a requirement for eligibility in other government farm programs.

(C) Increase Rural Economic Development
The Agriculture Marketing Equity Capital Fund was authorized last year and funded at $25 million for FY2001. The fund provides competitive grants for developing new value-added agriculture markets for independent

producers. Funds may be used to develop a business plan for viable marketing opportunities for value added commodities or to develop strategies for ventures that are intended to create marketing opportunities.

There should be an additional authorization and funding of $100 million annually for the Agricultural Marketing Equity Capital Fund to help producers develop value-added enterprises. A significant portion of this funding should be targeted toward soy diesel and ethanol development programs.

(D) Increase funding for agricultural research

Funding in 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. Federal funding for agricultural research should be increased by $500 million annually.

Conclusion

Farmers throughout the country have cited the increased cost of regulations, unfair foreign trade practices and low commodity prices as some of their biggest obstacles. While America's farmers said they would accept major reforms in farm policy in 1996 in exchange for tax reform, regulatory reform and improved opportunities for trade, needed reforms in those areas – considered key to the success of the program – simply have not occurred.

Farm Bureau looks forward to working with the Agriculture Committee on developing a new farm bill that will make agriculture profitable in the 21st century.

Talking Points
Statement of Mr. Carl McIlvain
President, Michigan Farmers Union
Before The
Senate Agriculture, Nutrition and Forestry Committee
August 13, 2001

Madam Chairman, members of the committee, I am Carl McIlvain, President of the Michigan Farmers Union. It is an honor to appear before you today to discuss and compare the farm legislation proposal developed by the National Farmers Union (NFU) and the farm bill proposal recently adopted by the House Agriculture Committee. In the few minutes I have before the Committee, I would like to focus on dairy and the program crop components of the two approaches.

The limitations imposed by the budget on the development of U.S. agricultural policy create real challenges in meeting all the needs that should be addressed in the next farm bill. We believe the only responsible way these important commitments can be met is by developing a commodity policy that maintains an adequate and workable safety net for producers while creating new demand, improving commodity prices and managing inventories through reserves and other cost containment programs, including the targeting of benefits.

For dairy, the House legislation simply extends the current $9.90 per hundredweight dairy price support system. It fails to address new demand creation, surplus production or provide an adequate safety net that reflects the variability of milk prices over time.

The NFU proposal maintains the current price support system and supplements it with a counter-cyclical target price mechanism based on the cost of milk production. We also propose that benefits under this program be targeted to smaller producers and those who limit production to the level of growth in actual market demand. For those who expand production beyond market demand we propose to deny them target price benefits. In addition, we support limiting the level of government purchases to 3 percent of demand and assessing those producers who generate surpluses to create a fund that will be used to buy excess stocks for distribution to domestic and international nutrition programs.

For the program crops, the House bill provides for a continuation of the status quo with modest adjustments to marketing loan rates for two commodities, extension of contract payments to the oilseed sector and an opportunity for producers to update crop acreage bases. Producer yields remain frozen at the 1985 level. The legislation establishes a target price mechanism for program crops as an additional payment mechanism.

Payment limitations are increased to $150,000 per person for marketing loan benefits and the multiple entity rules and commodity certificate program are continued. This system ensures the largest producers and landowners will continue to receive the vast majority of program benefits. Direct payments under this program represent about 60 percent of the additional funding provided in this year's budget resolution.

We are concerned that this proposal continues the problems associated with the current farm bill. Marketing loan rates for the program crops will remain inequitable and further encourage planting and market distortions. This situation will only be aggravated by the two de-coupled income support mechanisms that fail to account for changes in production costs and productivity.

The NFU proposal seeks to achieve a balanced and meaningful economic safety net for producers, implement programs that expand market demand, enhance producer prices and reduce the negative impact of surplus production that overhangs the commercial marketplace. This proposal can provide the savings and flexibility needed to address other policy issues such as conservation, nutrition, research and rural development.

The safety net component of the NFU proposal substitutes an improved counter-cyclical commodity marketing loan program based on current production for de-coupled contract payments. The loan is based on a percentage of the full economic cost of production, and ensures competitive market prices. This mechanism provides equity among program crops and allows for annual adjustments in commodity loan rates due to changes in producer input costs and productivity.

To enhance the prices received by farmers, we propose the creation of limited and dedicated reserve programs to ensure our ability to supply new demand opportunities such as renewable energy production and a global school lunch program. These reserves would be released only for their specified use during periods of short supply or rising prices that may inhibit the growth of these markets.

In addition, we propose supplementing the crop insurance program through a limited, farmer-owned reserve that would function as a commodity savings account to be used to offset a portion of producer losses not covered by multi-peril crop insurance.

We also support providing discretionary authority to implement a voluntary, cost-containment, "Flex Fallow" type of program.

Finally, as an additional way to control program costs, we suggest a new targeting mechanism. Our approach eliminates the current multiple entity rules in favor of single attribution based on the individual's assumption of production and market risk. It does not limit marketing loan benefits, but provides for a reduction in producer loan eligibility as an operation increases in size.

We urge the members of the Committee to fully review our proposals in terms of their effect on farmers as well as their impact on other policy objectives.

Madam Chairman, thank you for the opportunity to appear before the Committee today to discuss this important issue. We look forward to constructively working with you and your colleagues in the development of new farm policy. I will be pleased to respond to any questions you or members of the Committee may have.

Cherry Marketing Institute, Inc.

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Testimony For Senator Debbie Stabenow

August 13, 2001

Farm Bill 2002 Comments

Good morning Senator Stabenow and thank you for the opportunity to testify today. My name is Philip Korson and I am the President of the Cherry Marketing Institute. We represent cherry growers in Michigan, Utah, New York, Wisconsin and Washington. These states represent 95% of the U.S. production of tart cherries with Michigan producing 75% of the national supply annually.

The cherry industry has been plagued with large crops and low prices for a number of years. High dollar exchange rates and tariffs have hindered our ability to expand our market abroad, even though we have spent between 10-15% of our annual budget in these markets. In recent years we have discounted the price of the product to maintain our markets abroad. Pressure on the regulatory side from FQPA continues to threaten our ability to control diseases and insects and new pesticides are more expensive, increasing our cost of production. The cherry industry has had a national promotion program since the mid 60's and in August of 1996 we put in place a federal marketing order to regulate supplies. These are both self-help programs. We have developed many new products including dried cherries, cherry juice concentrate, and cherry meat products that are all exciting new opportunities for the future of the industry. However, in the short term the industry remains in a surplus position and needs federal support to get to the long term.

Cherry farmers support inclusion in the 2002 farm bill and we encourage your support to cover all specialty crops. We currently have a three-part plan we would like to see incorporated in the 2002 farm bill.

1. Establishment of a pool of $300 million that would be managed by U.S.D.A. to buy crops in surplus, where producers received prices that were below the cost of production for the previous two crop years.
2. Expansion of the Conservation Reserve Program (CRP) to include tree fruit and other specialty crops to pay for the removal of the orchards and give growers a reasonable rent payment for the management of the conservation practice enacted.
3. The development of the "safety net" that will pay cherry growers and other specialty crop farmers in years when farm prices drop below 80% of the cost of production. This would greatly help American Specialty Crop Farmers when markets collapse. It would also provide a short-term program to assist Americans specialty crop farmers.

I have put together a detailed outline that you should have already received. At this time I would be happy to answer any questions that you might have.

TESTIMONY OF

ELWOOD KIRKPATRICK, PRESIDENT
MICHIGAN MILK PRODUCERS ASSOCIATION

CONCERNING

THE 2002 FARM BILL

TESTIMONY BEFORE THE

U.S. SENATE AGRICULTURE COMMITTEE
FIELD HEARING

AUGUST 13, 2001

Good morning, Senator Stabenow. I appreciate your interest in the future of federal farm policy, and the opportunity to present information to you here in Michigan.

I am Elwood Kirkpatrick, President of the Michigan Milk Producers Association (MMPA). Michigan Milk Producers Association is owned and controlled by over 2,700 dairy operators in Wisconsin, Indiana, Ohio, and Michigan.

I also serve as First Vice President of the National Milk Producers Federation in Arlington, Virginia. NMPF is the national voice of 60,000 dairy producers, back in Washington and across the country. National Milk develops and carries out policies that advance the well-being of U.S. dairy producers and the cooperatives they collectively own – cooperatives such as MMPA. Farmer-owned coops handle approximately 85% of the U.S. milk supply, and also manufacture 61% of the butter, 76% of nonfat dry milk, and 40% of the natural cheese, marketed in the U.S.

I would like to spend some time today discussing the perspective of both MMPA and NMPF on the proper role for the federal government in assisting the domestic dairy industry through the upcoming Farm Bill. But I am going to touch on more than just the dairy-specific aspects of the next Farm Bill.

It is my belief that economic policies alone do not hold the key to the future of U.S. dairy producers. We need a much more comprehensive farm policy-covering dairy than the one that was contained in the 1996 FAIR Act. Only by addressing all of the individual government programs affecting dairy farming – each a part of a larger portfolio – can we truly develop a policy framework that addresses all of the concerns of dairy producers.

Last year, NMPF conducted a thorough grassroots outreach effort to obtain input from dairy farmers across the country regarding the future direction of dairy policy. In order to reach out as broadly as possible, this effort – which we called the Dairy Producer Conclave – was joined by the American Farm Bureau Federation, the National Farmers Organization, the National Farmers Union, the National Grange, and the National Council of Farmer Cooperatives. The net result of that effort is reflected in many of the items I am sharing with you today.

I will begin by detailing our recommendations on economic policy, but then I also want to specifically address the need for programs that deal with other pressing concerns to dairy producers: animal health programs, environmental compliance assistance, trade policy, and taxation issues.

Dairy Industry Profile

The dairy industry is unique among agricultural commodities because milk is highly perishable, bulky and not easily stored. Dairy farmers must market their production every day, regardless of price.

I would also like to stress that the great majority – over 95 percent – of dairy operations are family owned and operated. Contrary to the sometimes popular perception that U.S. livestock operations have become dominated by quote-unquote "corporate" farms, virtually all of America's dairy operations are owned, managed, and worked by families.

Economic Policy

As I begin to outline our industry's recommendations concerning the future of dairy economic policy, let me state unequivocally that MMPA supports the maintenance of the Federal Milk Marketing Order program. Milk orders stabilize market conditions, benefit producers and consumers by establishing and maintaining orderly marketing conditions, and assure consumers of adequate supplies of pure and wholesome fresh milk at all times.

Major changes in the Federal Order system were mandated by the 1996 FAIR act, and we are still adjusting, through the administrative process, to the changes made by the current farm bill. **Our strong recommendation is that no further changes in Federal Orders be made by Congress in the 2002 Farm Bill.**

Now, let me move on to what we like to call the dairy safety net.

Dairy Safety Net

At the present time, MMPA and the National Milk Producers Federation recommend the enactment of a dairy safety net program with the following features:

1. Extend the dairy price support purchase program at the current support price of $9.90 per hundredweight.

2. Establish a supplemental payment program involving a floor price for Class III and Class IV milk.

Extending the Dairy Price Support Program

The dairy price support program has proven to be an effective means of stabilizing dairy producer prices and incomes at relatively low cost to the government.

Terminating the dairy price support program would reduce dairy producer income by $5.6 billion over the 2002-2008 period. Producer income would drop by $1.8 billion in 2002 alone, the first year during which the program is assumed to terminate.

Our analysis shows that the dairy price support program continues to be very effective in leveraging government support to dairy producers. In simplest terms, extending the dairy price support program would deliver $1.55 of benefits to producers for every dollar of government costs.

In terms of controlling government costs, the most effective means of reducing CCC purchases of nonfat dry milk under the dairy price support program is to limit imports of milk protein concentrate and casein into the U.S., as most other dairy product imports are limited. I will offer additional remarks on this issue later in this testimony.

Class III and Class IV Supplemental Payments

The basic rationale for enacting a Class III and Class IV supplemental payment component of a dairy safety net is producer equity.

Enacting a supplemental payment program for milk used to produce manufactured dairy products would increase dairy producer income by $5.4 billion over the 2002-2008 period. Since Class III producers would be the primary recipients of this income, the program would go a long way in helping this segment of the dairy farmer community. We believe this supplemental payment program, when coupled with a continuation of the dairy price support program, can provide the basis for a safety net for dairy producers throughout the United States.

Animal Health

Sen. Stabenow, animal health concerns have been splashed all across the news in recent months, from here in Michigan, to all around the world. The ability to prevent and control such diseases as FMD and BSE is crucial to the entire livestock industry.

Much of the focus here in Michigan in recent years has been on eradicating the unfortunate appearance of Bovine Tuberculosis. Fortunately, federal regulations and federal funding have been made available to help deal with the problem. Dairy farmers here are also concerned about keeping out of our state, and out of our country, the terribly harmful problems that have arisen in Europe with Foot and Mouth Disease, and mad cow disease (BSE). We appreciate your efforts to provide whatever legislative authority is necessary to ensure that our federal agencies, particularly the USDA, have the tools at their disposal to keep those diseases out of our country.

Johne's Disease Control Program

But we have another livestock disease that needs a federal response, similar to the response directed at Bovine TB and brucellosis. Johne's Disease is an infectious disorder of the intestinal tract of cattle and other ruminant animals. Johne's is not a threat to human health, but just like Foot and Mouth disease, it is a major concern to dairy farmers who have to deal with its economic consequences.

This disease, which has no effective cure and a vaccine of limited efficacy, costs the U.S. dairy industry at least $200 million annually in lost production, and also reduced cull cow prices. Thus we are asking for a multiyear program that will help control the problem.

NMPF has formally requested funding for a national voluntary Johne's disease control program, under which the cost of testing a farmer's herd for Johne's would largely be underwritten by federal money and administered by the USDA through the states.

The cost of the program over 7 years is estimated to be $1.3 billion, or approximately $191 million per year. This program would be available to both dairy and beef cattle producers. A limited version of this plan has been included in the House Farm Bill draft. I hope we can build on this outline in the Senate.

Environmental Compliance Assistance

Dairy producers take great pride in being stewards of their land and water resources. However, this committee should also be well aware of the current and potential financial impact on producers of certain environmental compliance initiatives, such as the new animal feeding strategy released in the past two years by EPA and USDA. We support environmental regulations based on sound science, but we can't go out of business seeking to comply with often complex regulatory requirements.

In terms of achieving compliance, we believe that EQIP funding should be increased and restrictions removed so that more producers can participate in this program, and also that USDA should produce a web-based resource to make producers aware of available funds to help offset environmental investments from a variety of state and federal sources, including EQIP. We are asking for the EQIP Program to be funded at $1.25 billion annually. We are also asking that eligibility requirements affecting the size of farm operations eligible for this assistance be removed.

We also urge Congress to provide $130 million annually to NRCS, starting in FY 2002 and running through the authorization period of the 2002 Farm Bill, to assist dairy producers in developing the technical assistance relevant to Comprehensive Nutrient Management Plans.

Trade Policy

Trade Promotion Authority

Allow me to turn to another critical element of government policy affecting dairy producers. Trade policy will continue to play a critical role in determining U.S. dairy farmers' income. I know this issue well because of my role as Chairman of the U.S. Dairy Export Council *[USDEC boilerplate]*.

MMPA believes the Congress should be involved in carefully reviewing future trade agreements as well as providing our negotiators with the necessary resources to negotiate as well as monitor agreements. For example, Congress should enact a Trade Agreement Monitoring Program that would provide additional funding in the level of $20 million to each the Foreign Agricultural Service of the USDA and the office of the U.S. Trade Representative to enhance their ability to monitor compliance with trade agreements.

In addition, it is our view that Congress should grant Trade Promotion Authority to the President. However, Congress should not support a WTO agreement that places our domestic support programs for producers at a disadvantage compared with domestic support for producers in other exporting countries.

MPC Import Policy

Dairy product import quotas initially imposed under the authority of Section 22 of the Agricultural Adjustment Acts of 1933 and 1935 were designed to prevent imports from undermining the dairy price support program. Implementation of the GATT and NAFTA trade agreements has eliminated those Section 22 quotas, converting them to tariff-rate quotas, for which the tariffs have been

reduced over time. What's more, when the U.S. established TRQs for dairy products, such as cheese, butter and nonfat dry milk, the technology to both produce and use concentrated milk proteins was in its infancy. Thus, the U.S. created no significant tariffs or quotas for MPC. As a result, six years after the implementation of the GATT agreement, U.S. imports of MPC have risen more than 600 percent, while other nations are jealously guarding their markets against any milk protein products coming in.

Dairy program costs have been increased considerably as a result of increased imports of milk protein concentrates (MPC) and casein and caseinates. This is because unrestricted imports of concentrated milk protein products increase sales of domestically-produced nonfat dry milk to the CCC under the dairy price support program by displacing commercial sales in our domestic markets.

Thus, Congress should enact legislation in the House and Senate to prevent the circumvention of Dairy Tariff Rate Quotas. Senator Stabenow, I want to thank you for your sponsorship of S. 847. I hope you, Sen. Levin, and others in the Senate will work with your colleagues on the Finance Committee to pass that legislation into law.

Assessments on Imports to Support Generic Dairy Promotion Programs in the U.S.

Also, if dairy products from foreign suppliers are going to benefit from a domestic producer-funded promotion effort, they should be subject to an equivalent 15 cent per hundredweight assessment to help pay for the promotion program. This is an already established practice - beef, cotton and pork importers are assessed at the same rate as domestic producers.

An amendment to the current dairy promotion program to assess dairy imports is an opportunity for Congress to help an industry create increased economic activity and job opportunities, with no expenditure of tax dollars. This provision has been included in the House Agriculture Committee Farm Bill draft. It has also been introduced as free standing legislation in the Senate as S. 1123. It needs to be passed into law, whether on its own or as part of the next Farm Bill.

Export Programs

The Dairy Export Incentive Program (DEIP) helps exporters of U.S. dairy products develop new markets and compete in markets where U.S. products are otherwise not competitive because of the presence of subsidized products from other countries. DEIP should be reauthorized at the maximum levels permitted within our export subsidy reduction commitments made during the Uruguay Round Agreement.

Based on past funding and inflation and currency exchange rates, Congress should authorize Market Access Program in an amount no less than $200 million.

Likewise, funding for the Foreign Market Development Program (FMDP) should be increased to no less than $43 million annually.

Taxes

Lastly, Senator Stabenow, tax issues weigh heavily on farmers, just as they do on other taxpayers. We support efforts already undertaken this year in Congress to provide some form of tax relief for dairy farmers.

Conclusion

Madame Senator, I'd like to conclude by thanking you, Agriculture Committee Chairman Harkin, and Ranking Minority Member Lugar, for this opportunity to review with the Senate the dairy producer community's recommendations for a comprehensive set of policies that provide the framework for the next Farm Bill. We have specifically addressed not only the dairy safety net, but also other programs integral to the economic health and well-being of dairy farmers across this country. MMPA believes that the end goal of federal farm policy should be not just spending money, but creating sensible ideas that have some overall benefit – even if little or no funding is required.

I recognize that some of the items mentioned in our testimony may fall under a different committee's jurisdiction. But we believe it is important to provide the Senate Agriculture Committee an opportunity to consider the holistic impact of everything you decide, relative to agriculture, as you consider the future of Farm Bill policy.

I believe that I have offered you the comprehensive dairy policy framework I mentioned at the start of this testimony. The recommendations we have made do not negatively impact any other agricultural commodity; they do not adversely impact the processing segment of our industry by advocating excessive market intervention; and they do not violate our obligations to the World Trade Organization.

Beyond the often dry, arcane policy initiatives we discuss in this process, it's important to remember the human dimension of these policies, and their impact on dairy producers, their families, and their communities.

Thank you for your attention.

Farm Bill Testimony
Michigan Corn Growers Association and Corn Marketing Program of Michigan

On behalf of Michigan's 16,000 corn producers, we appreciate the opportunity to present our ideas and testimony for the 2002 Farm Bill. Michigan produces about 250 million bushels of corn each year on the more than 2 million acres, which are annually planted to the golden crop. In-state usage of corn is about 100 million bushel with the rest of the crop exiting the state to be used by the livestock industry primarily in the southeastern region of the US.

Corn is a major commodity in Michigan and we need to work for a program that works best for our producers. As members of the Michigan Corn Growers Association, our members are also members of the National Corn Growers Association. We have been involved in and are supportive of the testimony they have already presented to the Committee. Since you have received that under separate cover we will not represent their information, but instead focus on some areas of the greatest concern to Michigan producers.

One of the biggest opportunities for us is to look at an income protection program. The concept of this program came from meetings of corn producers from across the nation who discussed what needed to come out of a farm program. Those discussions raised the awareness of the importance of trade and non-trade distorting programs. For example, the current program is hitting the ceiling for payments allowed. Earlier this year there was a suite filed by Manitoba corn producers regarding corn payments to U.S. farmers. Ultimately, the decision went in our favor. However this is not the type of issue we want to spend our resources on and we are concerned that there may be additional complaints filed in the future if things do not change.

This is why we are attempting a change that will shift support from the amber box to the green box. Our understanding is that an income protection program would shift the payments producers receive from the amber box to the green box. This occurs because the payments are based on a producer's income and not the price he/she receives per bushel.
Through the development of an income protection program, the producer will be able to plan because they know (at the least) the amount their income level will be, so they are able to make decisions and take other risks such as participating in value-added coops.

In earlier farm programs there were stipulations for taking land out of production. That did a great job of opening the market for Brazil and we certainly do not want to do that for the market again. Other countries, such as Brazil have great potential for agricultural production and we need to work to keep our land producing for a viable market and not opening up an opportunity for increased production elsewhere. We want to maintain planting flexibility and allow producers to make their income off the market and not off government programs. However, we realize that there are times when assistance is needed and our hope is that a long term program that guarantees an income will provide the agricultural sector the opportunity needed to get back on their feet.

In addition to securing an income, Michigan producers want the flexibility to find and nurture markets for their crops. One area discussed is funds for value-added agriculture such as ethanol. Michigan is developing its ethanol industry slower than some of the other states and funds to assist in this venture are invaluable. This type of endeavor takes the farmer and makes him the businessman selling the final product and not just selling the cheap commodity.

As corn organizations, the Corn Marketing Program of Michigan and Michigan Corn Growers Association just finished their strategic plan for the Michigan Corn Industry. It was felt that it is imperative that within the next 10 years 75% of Michigan-grown corn is value-added before leaving the farmers ownership. These types of ventures are being explored through market development and research programs aimed at developing new technology and corn products. These types of ventures are not inexpensive and take time. Funds for the development are coming from the corn program, but it is vital to have funds available to assist in the development of farmer-owned businesses once the technologies are further developed and proven.

We are also in support of allowing for government support of producers using environmentally sound practices that work for their operation. We would like to reward farmers who are doing environmentally friendly practices. There are producers that have been using these practices for years and we feel payments should not be limited to only new practices but encompass all farming practices that are environmentally friendly.

There are also opportunities to secure additional policies to assist with the agricultural sector. For example, the energy policy has great potential to assist the market development for ethanol. As markets are secured, farmers will begin to secure the processing facilities to meet the market demand. Just as ethanol is the rising star for today's corn producers, there are boundless opportunities for corn producers of the future in plastics and biodegradables. We are working on research to increase the production and lessen the production costs. This is a future market that could be incorporated into policy of today to open the door for these types of products to lessen the dependence upon foreign oil supplies and give us new markets for our corn.

We are in favor of allowing producers to produce. Our farmers want to deliver a first-rate quality product to a market and not plant only to receive a payment. We are looking for innovative ways to keep agriculture profitable, open markets, and develop new markets and products to put more value into our commodity corn. Producers have proven that they can feed the nation and are now waiting to show that they can fuel the nation, too.

If there are any questions, or if we may be of assistance in the future, please contact Jody Pollok at 517-323-6600.

Testimony for the Record

Honorable Debbie Stabenow

United States Senate

Committee on Agriculture

Senate Field Hearing

702 Hart Senate Office Building
Washington, D.C. 20510

August 13, 2001

Honorable Debbie Stabenow,

Senator Stabenow and honored guests, I am Frank Kubik, President of the National Commodity Supplemental Food Program (CSFP) Association and CSFP Manager for Focus: HOPE in Detroit. CSFP is a proven, effective product program of nutritionally designed monthly supplemental food packages for low-income seniors, and mothers and children not eligible for WIC. Proper and adequate nutrient intake through a healthy diet is proven to promote health and prevent chronic disease. Seniors, especially low-income seniors, need the special nutrition assistance to be healthy.

Focus: HOPE was the first operator of a CSFP in the state of Michigan. Working with you and others in the delegation, this program has now been expanded so that it is operated by 19 local agencies across Michigan, serving 79 of 83 counties with a combined monthly caseload of 90,000. For FY 2001, USDA will spend over $20 million for the CSFP's in Michigan. Many of the commodities for the program are grown in this state.

I personally receive many calls from senior citizens who are desperate for food and have no where else to turn. This program is a lifeline for many seniors. The average income of a senior on our program is $551 per month.

In recent years, USDA has provided a great volume of donated food for the program that is not included in the administrative funding computation. Additionally, with USDA being able to purchase food at lower prices, there has been a greater ability to expand caseload. This in turn has resulted in program operators actually receiving less in administrative funds per caseload slot. The Association supports changing the administrative funding structure so that food distribution costs would be reimbursed based on the allocated caseload slots, with a baseline of the FY01 per participant amount to be adjusted annually using the OMB State & Local Expenditure Index. Focus: HOPE is willing provide draft language for this adjustment. This funding formula change is similar to what is currently used for the WIC program.

The Commodity Supplemental Food Program, CSFP, was the nation's first federal food supplementation effort with monthly food packages designed to provide protein, calcium, iron, and vitamins A and C. It began in 1969 for low-income mothers and children and preceded the Special Supplemental Nutrition Program for Women, Infants, and Children known as WIC. CSFP and WIC are the only supplemental nutrition programs of the United States Department of Agriculture as listed in Nutrition Assistance in the United States FNS-318 May 2000. In 1983 there were three senior pilot programs initiated in Iowa, Louisiana, and Michigan. For FY 2001 CSFP has a monthly caseload of 447,683 participants of which approximately 78% are seniors.

The United States Department of Agriculture purchases specific nutrient-rich foods at wholesale prices for distribution to those eligible for CSFP. Within states, agencies of Health, Agriculture or Education are designated to operate the CSFP. These state agencies contract with community and faith based organizations to warehouse, certify, distribute and educate individual participants every month. The local agencies build broad coalitions between private non-profits, health units, and area agencies on aging so that seniors can quickly certify and receive their monthly supplemental food package along with nutrition education to improve their quality of life. This design of a public/private partnership effectively reaches even homebound seniors.

CSFP should be available to all states as soon as possible. Presently the states of Missouri, North Dakota, Pennsylvania, South Dakota, and Wisconsin are submitting state plans for CSFP programs to USDA. All low-income seniors should have the advantage of direct nutrition assistance in the form of proper foods with nutrition services and education. This program promotes independent living, combats poor health and prevents or shortens hospitalization. We need to be proactive and preventive with our assistance programs. Also by design and necessity CSFP works with Area Agencies on Aging, Food Banks, Public Health clinics, HUD facilities, and adult daycare programs for distribution. Food costs are (one-third) 1/3 of retail value while providing the specific nutrients identified to be lacking in low-income diets. Nutrition education which could be further enhanced is another mandated part of the CSFP. Local agencies usually partner with agriculture extension services, health units and even graduate schools for these services.

With the aging of America, the National CSFP Association position is that CSFP should be an integral part of USDA Senior Nutrition Policy. Emphasis and attention now need to turn toward seniors' quality of life and productivity. This is the most cost-effective way to provide the nutrient rich foods that low-income seniors are lacking. Advantages of CSFP include:

- The food box for seniors is nutritionally balanced
- Supplemental nutrition is proven to reduce public health care cost
- Nutrition education and related services are provided
- Food is distributed through community and faith based organizations, familiar to many seniors
- Seniors resist participation in programs such as food stamps, but readily access commodity programs
- CSFP requires a means test that assures participants are truly needy
- Actual food is provided to those who need it most
- CSFP supports United States farmers
- Program operators utilize volunteers and other in-kind donations to reach homebound seniors
- Food boxes are valued at approximately $50 retail and only cost USDA approximately $14.50

The Commodity Supplemental Food Program stands as testimony to the power of partnerships between community-based organizations, private industry and government agencies. CSFP offers a unique combination of advantages unparalleled by any other food assistance program. CSFP involves the entire community in the problems of hunger and poverty. Thousands of volunteers as well as many private companies donate money, equipment, and most importantly, time to deliver food to homebound seniors. CSFP was born and developed primarily by community based organizations where individuals worked directly with vulnerable populations and were able to address their needs creatively and practically.

Measures to show the positive outcomes of nutrition assistance to seniors must be strengthened. A 1997 report by the National Policy and Resource Center on Nutrition and Aging at Florida International University, Miami, Elder Insecurities: Poverty, Hunger, and Malnutrition indicated that malnourished elderly patients experience 2 to 20 times more medical complications, have up to 100% longer hospital stays, and incur hospital costs $2,000 to $10,000 higher per stay. Proper nutrition promotes health, treats chronic disease, decreases hospital length of stay and saves health care dollars. CSFP would benefit by new initiatives to:

- Demonstrate individual and program outcomes of CSFP
- Modify the basic food package to meet special needs and to respond to new nutrition guidelines
- Evaluate/address food security issues of CSFP participants
- Increase nutrition services to insure seniors meet nutrient-needs requirements
- Develop age specific key nutrition messages targeted to culturally diverse low-income participants
- Restore financial guidelines for seniors to the original level of 185% of poverty
- Restore funding for Direct Client Services and Administration by changing the food distribution reimbursement to be based on the allocated caseload slots, with a baseline of the FY01 levels with adjustments indexed to the State and Local Expenditure Index recognized by the Congressional Budget Office and Office of Management and Budget (OMB).
- Increase coordination with other health and supported services networks

The National CSFP Association is proud to be the organization of state and local operators who are dedicated to providing our most vulnerable seniors and mothers and children with the important nutrient designed supplemental food package and nutrition education every month to better their quality of life. This program continues with committed grassroots operators and volunteers. The mission is to provide quality nutrition assistance economically, efficiently, and responsibly always keeping the needs and dignity of our participants first. We are grateful to our Congressional friends for their support to further the program. We also need to commend the Food and Nutrition Service of the Department of Agriculture and particularly the Food Distribution Division for their continued innovations to strengthen the quality of the food package and streamline administration.

Testimony by Dr. Lonnie King, Dean of the
College of Veterinary Medicine at Michigan State University
Senate Agricultural Field Hearing
Frankenmuth, MI – August 13, 2001

Good morning Senator Stabenow. I'm honored by your invitation to testify before you this morning and am pleased that you have taken the initiative of holding two field hearings in Michigan today. I am Lonnie King, Dean of the College of Veterinary Medicine at Michigan State University.

Today, we find ourselves at the vortex of the most phenomenal changes in our history – literally at the hinge of the new millennium and in uncharted territory. We are profoundly impacted by the driving forces of globalization; restructuring of agriculture; new social issues involving the environment, conservation, biodiversity, sustainability, and the wellbeing of animals; a new era of consumerism with new demands and greater expectations; an era of emerging infectious diseases; food safety; new markets; new operational models; and, tremendous technological advances.

Agriculture is no longer just about farming and rearing livestock; it is an essential component of our national economy and is caught up in larger strategies and trade agreements defining our macroeconomic policies. As such, agriculture is more vulnerable to influences and decisions outside of agriculture's narrower scope and politics.

A few years ago, Andy Grove, the CEO of Intel, coined the phrase "strategic inflection point" (SIP). A SIP is a time in the life of a business or enterprise when its very fundamentals are about to change and also represents a time when past successes and strategies are no longer relevant or effective.

In my opinion, there are five (5) SIP that are fundamentally changing our food animal and dairy industries. These are: (1) a shift from local and national markets that were commodity focused to a global market that is much more value-added and niche market-focused; (2) a shift from an emphasis on production increases to a new emphasis on the social acceptance of products; (3) a shift from a privileged class to an industry that the public holds in less esteem and believes that we are responsible for a number of societal problems; (4) a shift from envisioning food as sustenance to food as a health promoter; and (5) a shift from animal health to public health.

Collectively, these five critical factors demand new strategies, policies, research and education. While the Farm Bills of the past have laid the infrastructure and policies for traditional agriculture, the next Farm Bill should also lead the way to fundamental changes in agriculture commensurate with the profound driving forces of today and the critical SIP that were just addressed.

Globalization
The shift from local and national markets to an emphasis on global markets represents a SIP that is firmly embedded in the phenomenon of globalization. Global competitiveness is based on production efficiencies; accommodating new market opportunities; developing innovative products; understanding consumer demands; and, continuously adopting new technologies.

To successfully participate in the new global food, fiber and consumption economy, it is also essential for us to do a better job in anticipating and predicting markets. Our future is as much about capturing opportunity share as it is capturing current market share.

As the world's population grows and interacts, agriculture will be engaging in a new revolution – the livestock revolution that many believe will be an unprecedented event in agriculture over the next two decades. This revolution will have profound implications for our health, our livelihoods and our environment. Population growth, urbanization, and income growth in developing countries are fueling a massive global increase in the demand for food of animal origin. The resulting demand comes from changes in the diets of perhaps billions of people. Animal agriculture is already restructuring into fewer but considerably larger production units, and issues of sustainability are being questioned. Developing countries will be especially challenged as they attempt to keep up with the demand for animal protein sources for their growing populations.

Without question, developing countries will need to prepare for this challenge of producing more animal protein. However, the role of developed countries is less clear. In these societies there is little additional demand for food and our affordable, abundant and high quality food supply is little appreciated. Environmental quality, animal wellbeing, conservationism, sustainability, and food safety are increasingly valued and food animal agriculture has not been proactive or effective in confronting these issues.

The livestock revolution will be one of the largest structural shifts to ever affect food markets in developing countries, and will lead to issues of food security, environmental sustainability, food safety, new disease problems, and public health. This seminal shift will surely produce remarkable opportunities for our U.S. food and fiber system; however, this will only be achieved if our production of greater food-animal protein is accompanied by safeguards to protect our environment, human and animal health and wellbeing.

Social Acceptability of Food
For much of the last century, advances in food animal production was centered around improvements in production efficiency. Led by agriculture research, we have been extraordinarily successful. More recently, there was a lot more attention focused on economic efficiency, i.e. profit margins and competitiveness. At about the same time, there was also a shift to emphasize the environmental sustainability of production systems, and most recently, we are now seeing still another unique shift to the social acceptability of food. Retailers are helping to drive these changes. For example, the McDonald's Corporation recently mandated that they would only purchase eggs from

production operations that doubled the space requirements for producing poultry. The social acceptability of food and its derivation is changing the marketplace and options being demanded by consumers. Unfortunately, it seems like we are responding to these changes as a series of crises rather than proactively leading efforts to resolve such issues.

The consumers in Europe and the politics and policies of the EU are the leading edge of social acceptance of food. Today in France, for example, you can purchase a food animal product which will let you know exactly where the product has come from, the producer, and any special circumstances of production. Thus, consumers make the choice. Certainly the EU issues of beef hormones, genetically-modified foods, and animal rights have different public perception from the U.S. public. Will what perhaps seems like a radical position to us today regarding the EU philosophies, change in the US over the next decade to be more closely aligned to the European consumer?

Without question, I believe that we will witness changes in labeling by retailers that attempt to differentiate products by special socially accepted practices that promote food safety, animal wellbeing and environmental sustainable. These changes will be driven by the global market and consumer demands and less by public policy and legislative actions. Future research and education programs will be critical to food-animal agriculture and our future markets.

Agriculture's Changing Public Persona

The third SIP is an uncomfortable change for food animal producers. It involves a shift in the public's perception of agricultural industries. For decades the American farmer enjoyed an idyllic lifestyle of special privilege. This romanticized version of agriculture suggested that farming was the principal source of moral inspiration and virtue. The public viewed the bucolic image as the last vestige of the halcyon days of America's rural life. The policies and politics of agriculture were biased in their protection of this powerful image, which was a romantic image of what was good about America.

Remarkable changes and great transformations over the last three decades have debunked the agrarian myth. In the opinion of many, animal agriculturists have shifted from the privileged and righteous to causing, at least in part, some of our social and economic ills of environmental degradation, unsafe foods, economic welfare policies and subsidies, and concerns over animal rights and wellbeing.

More recently, concerns over antibiotic-resistant microbes, land use, the "right to farm" and new emerging diseases are pitting agriculturists against many public interest groups. More and more producers are being backed into the corner and have become defensive and lack a national proactive strategy to change public opinion. While much of this criticism is only based on perception, perception is reality.

While agriculture's political power will not disappear overnight, it is, nevertheless, being significantly eroded. The advent of new interest groups that are aligned with the major driving forces of agriculture will continue to induce more changes in the political and

policy climates of today and tomorrow. With less than 2% of the U.S. population involved in agriculture production, the public and many politicians have taken agriculture's remarkable success for granted.

Agriceuticals
The fourth SIP is just beginning to be realized. The essence of this change is based on the future of food. Enriquez and Goldberg predict that advances in genetics and proteomics will help create an entirely new life science industry that will be characterized by the convergence of agriculture, pharmaceuticals, health care, and computing. Goldberg has estimated that this new life science conglomerate may be a $15 trillion business that will reshape vast sectors of the world economy in the next 25 years.

This transformation will likely change the future of food. Instead of food being perceived as just a necessary staple of our existence, food will become an essential component of our health, quality of life, and enhanced productivity. Food will be combined with medicine, vaccines, and nutraceuticals to produce new bioengineered foods to meet special health needs and improve our health status and medical wellbeing. The public and consumers will demand these products which will also present a great opportunity for you to add new options for the marketplace.

Scientific advances in transgenic animals will usher in a new era in which animal products may be used exclusively as medicinals and treatments. The concept of xenotransplantation and the production of animal products that double as human vaccines and health promotants will become sources of public debate. The scientific and technological advances that will drive this new era of the life sciences may be easier to achieve than the effort it will take to convince the public of its merit.
The new life sciences will produce products that will expand not only our lives, but also our years of productivity and wellbeing. Health will be redefined from the absence of disease to the enhancement of our wellbeing and productivity. New research in the Life Sciences will be the engine that will produce remarkable new products that will enhance our lives.

As we move forward to leverage the opportunities of the life sciences in support of food and agriculture, research funds should not be limited to USDA research. Thus, your committee could be enormously helpful in ensuring that agricultural issues are included in the research agenda of the NIH, NSF, DOD, and other federal agencies.

Public Health Advocacy
The final SIP to examine is a shift that may be as much about perception and a changing mindset as it is about actual production and operational changes. Just as we will need to be viewed as animal welfarists, stewards of our environment, and global marketers, we will, just as importantly, need to be perceived as public health advocates. Rearing livestock and producing milk is the first and most critical step in the integrated food and commodity chain and not an isolated event. The critical issues of food safety

and emerging infectious diseases further demand that our food animal industries embrace the position as public health advocates.

Dramatic changes in our global food, fiber and consumption system, including the restructuring of food animal agriculture into large, concentrated production units, have contributed to recent outbreaks of infectious foodborne illnesses and toxic agents. It would appear that our livestock and poultry populations are not finished in passing on more deadly gifts to mankind. The CDC reports that approximately 76 million foodborne illnesses occur annually in the U.S. resulting in 5,000 deaths and billions of dollars added onto our healthcare costs.

At least five trends contribute to foodborne diseases in the US: changes in diet, the increasing use of commercial food services, new methods of producing and distributing food, new or re-emerging infectious foodborne agents, and the growing numbers of people at risk for severe or fatal foodborne diseases.

E. coli 0157:H7, Cyclospora, Cryptosporidium, salmonella enteritidis, and *S. typhimurium* DT104 are examples of foodborne pathogens that have caused significant disease. *S. typhimurium* DT104 has been referred to by some as the "super bug" because of its emergence as a multiple drug-resistant organism and rapid distribution around the world.

In the past two decades emerging diseases have increased in the U.S. and globally. For example, more than 30 new or re-emergent diseases have been found during this time and from this impressive list, the majority involves zoonotic infectious agents. Other incidents have involved species-jumping pathogens, like BSE. Because these agents are zoonotic, they are more complex, difficult to control and eradicate.

Most emerging pathogens are not new or "de novo" agents; rather, they have already existed in nature. The dynamics of host, agent and environment changed to offer new opportunities. The significance of these zoonotic diseases cannot be overrated. The dynamics that favor emergence are: shifting human demographics and behavior; technological changes; economic development and land use; international travel and commerce; microbial adaptation; and, the breakdown of public health measures and infrastructures.

Both our human and animal populations continue to grow and experience greater interfaces. We can now circumvent the globe in less time than the incubation period of most infectious agents. We need a better understanding of the reservoirs and maintenance of zoonotic pathogens outside the animal or human host in order to control their resultant diseases.

Some emerging diseases may be better described as diseases of human progress. This is consistent with the premise that past successes have sown the seeds for future problems. E. coli 0157:H7, campylobacteria and salmonella emerged from changes in food technology and food distribution networks, rather than from fundamental changes

in the property of the bacteria. Cryptosporidium, hanta virus, moribillivirus and BSE are examples of diseases in which changing dynamics and new exposure experiences created opportunities that favored the expansion of an agent's scope of transmission, survival, host range and geographic presence. Outbreaks of West Nile Fever, Nipah Virus, and influenza remind us of the public health significance of zoonotic diseases involving domestic animals and wildlife.

For those of us in Michigan, we can also list the reemergence of bovine tuberculosis as one of the key events to Michigan livestock and wildlife over the last several decades. Michigan represents the last major focus of bovine TB in the U.S. While significant strides have been made to eradicate this pathogen from both our white-tailed deer and domestic cattle populations, there are still many challenges that confront us. A well funded and integrated operational and research program will be essential to our future.

Foreign Animal Diseases

The U.S. livestock and poultry populations are among the healthiest and most productive in the world. Our food and fiber system is sophisticated and represents a huge national enterprise. The disruption of this system could be devastating for our economy, consumers, exports, and especially for producers. The U.S., through effective state-federal eradication programs, has eliminated 14 diseases from our food animal population and has prevented the entry of many other foreign pathogens through good policies and vigilance.

However, global trade and the rapid movement of people and goods around the world on a daily basis has greatly increased our risk to an incursion of an exotic disease. We see a resurgence of foreign animal diseases worldwide today. The evening news and our newspapers are filled with stories about Bovine Spongiform Encephalopathy (BSE) and Foot-and-Mouth Disease (FMD). Are we prepared to confront one of these diseases in the U.S. dairy industry? Could it happen here? Our U.S. animal industries are valued at $100 billion and our animal agriculture export market is worth $10-12 billion yearly.

Foot-and-Mouth Disease

The speed and severity of the FMD outbreak in the U.K. has been a real wakeup call. The U.S. hasn't experienced FMD since it was eradicated from the U.S. in 1929. In the U.K. over 2,000 outbreaks have been experienced and at least 3-4 million animals have been destroyed. Today, the number of animal health officials, both state and federal, have been significantly reduced over the years as we have successfully eliminated diseases such as TB and brucellosis. We have a public that has little experience, appreciation, or understanding of food animal production; we also have a media that will greatly sensationalize a FMD story, and we live in a very litigious society where a few well-placed court orders could bring an eradication program to an immediate stop. Finally, we have an inexperienced group of veterinarians, animal health officials and producers with regard to emergency disease programs. Few of our private practitioners and diagnosticians have ever seen cases of FMD, BSE or other exotic diseases. Thus, the U.S. is certainly at a much higher risk of an incursion, either naturally or

intentionally, of a foreign animal disease. The USDA needs support to build its infrastructure and capabilities in surveillance and response systems as it faces the potential catastrophic consequences of an incursion of exotic pathogens.

BSE

BSE has been the other big story of the last decade. The discovery of the causative agent, the prion, earned Dr. Stanley Prusiner a Nobel prize in medicine. This cattle disease is costing the EU between $3.7-$4.7 billion annually due to losses by the industry and program costs; there is likely to be another $1 billion annual loss due to related costs, as well. In the last 5 years, the UK has slaughtered and incinerated 5 million head of cattle. Yet, the big news has been the discovery of the human form of BSE, which is called new variant Creutzfeldt-Jakob Disease. Over 80 deaths have been reported in Britain since the first case, which occurred in 1995. Now several deaths have also been reported in France and Ireland.

We now know that BSE is a new foodborne disease and literally millions of people have been exposed. Yet, with incubation periods measured in years and decades, we just have to wait to see how many human cases might result. The U.S. does not have the epidemic form of BSE but does have scrapie in our sheep and Chronic Wasting Disease that has been found in 5 states in elk and mule deer. These diseases are also caused by prions and there is legitimate concern about the ability of these prions to also cross species barriers and infect humans or other livestock species.

Although having FMD and BSE as lead stories in the national media is disconcerting, it also presents a rare opportunity politically to make a case for more funds for research, infrastructure and improved preparations for preventing and responding to such problems if faced here in the U.S. Thus, an investment in USDA and state research and diagnostic facilities is a special and critical need for congressional consideration.

Conclusion

It is not difficult to find a number of problems and threats that challenge food animal agriculture and the dairy industry; however, finding solutions is more difficult. At the beginning of the new millennium, societal problems and issues of agriculture and animal production have dramatically shifted. Our future strategies must be formulated based on the reality that we are now enmeshed in a new environment that is less controllable, less forgiving and subject to significant new driving forces and abrupt SIP.

U.S. agriculture and our food-animal industries are indeed entering a new era where the enterprise will change dramatically and radically. The status quo is unacceptable. It is a propitious time for a bold plan based on strong leadership and great vision. The opportunity lies with re-perceiving the future of U.S. agriculture. Food and society will need to be considered in an entirely different context and federal investment in scientific research can result in transforming discoveries and a revolution in global agriculture that will redefine the future of food and health.

In concluding this testimony, I would like to suggest that the Senate Agriculture, Nutrition, and Forestry Committee consider the following actions:

(1) Double the federal investments in food and agriculture research over the next five years of the Farm Bill.
(2) Fund the National Research Initiative (NRI) Competitive Grants Program to the level originally planned by Congress and the USDA when it was established in 1981 – this level is $500 million. Use the NRI increase to focus on resolving the critical issues that have emerged based on the SIP discussed.
(3) Fully support the Initiative for Future Agriculture and Food Systems (IFAFS). This initiative is key to providing a multidisciplinary research focus and ensuring that discovery research has expanded applications and utility.
(4) Proactively assist agriculture in developing a new "social contract" between ourselves and consumers in order to rebuild the public trust and restore the respect and favorable image that we have enjoyed in the past.
(5) Help develop strategic plans and cutting-edge policies that will strengthen our global competitiveness and position us to gain both new market and opportunity share in the ongoing livestock revolution.
(6) Help us prepare for the continuation of new emerging and foreign animal diseases. It is not "if" we will have an incursion of a devastating disease, but rather, "when" it will occur. As such, the USDA Master Plan to modernize ARS and APHIS facilities at Ames, Iowa deserves your support and full funding to better protect our livestock industry.
(7) Provide the critical leadership to help the USDA and U.S. agriculture redefine the future of food based on its role and function to promote health and personal wellbeing. USDA should form a new equal partnership with Health and Human Services (HHS) to promote the public's health. Agricultural research initiatives should be included as critical life sciences research programs in the NIH, NSF and other federally supported research agencies.

Although we are engulfed by complex issues and difficult challenges, the future has never held such promise. However, our future will have little resemblance to the past so we can't cling to old strategies and policies, rather, we must restore a new sense of possibilities for agriculture. A new national strategic vision and strong and refocused research and education programs will need to be at the core of this bright future for U.S. agriculture and to ensure that we will meet new societal needs and demands.

Thank you very much for the opportunity to give testimony this morning, and also thank you for your tremendous responsiveness and support to Michigan and U.S. agriculture during your tenures in State government, the U.S. House of Representatives, and now as a member of the U.S. Senate.

Testimony of

Sam Hines
Michigan Pork Producers Association

Before the Agriculture Field Hearing
Monday, August 13, 2001

Committee on Agriculture, Nutrition and Forestry
United States Senate

Concerning

New Farm Bill Issues

Overview

Senator Stabenow pork producers view the 2002 farm bill debate as an opportunity for Congress to set American agriculture on a path toward a market-oriented future that provides producers with the chance to maximize market opportunities and achieve a greater return on their investments over the next five years. Pork producers believe the new comprehensive proposal must achieve at least three primary goals:

1. It must facilitate agricultural producers' earning income from market based decisions, rather than primarily through government directed programs.
2. It must enhance agricultural producers' viability and profitability at home.
3. It must increase agricultural producers' long-term competitive position in global markets.

Approximately 65 percent of the cost of raising a hog is feed, corn and soybeans, being the major components. Overall, U.S. pork producers use 16 percent of the soybeans and 12 percent of the corn raised in America. Changes in commodity programs that affect the price of feed could have a profound, adverse financial impact on our industry. Conversely, as major customers of the grain and oilseed producers, issues and problems for our industry invariably affect grain and oilseed prices.

Pork producers believe that it is possible to construct a program that helps farmers with low commodity prices, without adversely impacting livestock producers. The best commodity program would be one that allows U.S. corn and soybeans to be competitively priced in world markets and that does not jeopardize U.S. pork's access to export markets.

Clearly, low commodity prices signal that additional funding will be necessary.

Conservation Provisions

U.S. and Michigan pork producers are extremely pleased and excited that the 2002 farm bill debate is focusing on conserving working agricultural lands, keeping them productive, profitable, and at the same time enhancing the environmental benefits they provide. Iowa Senator Tom Harkin's Conservation Security Act (CSA), is one of the big reasons that the debate has turned in this direction, and we welcome your efforts and commend you for them. We also note that the Committee's Ranking

Member, Senator Lugar and Senator Crapo, are working on separate conservation bills with many valuable policy proposals.

As we have stated before, livestock and poultry producers face, or will soon face, costly environmental regulations as a result of state or federal law designed to protect water and air quality. In addition to state requirements, the regulations will come from the Clean Water Act TMDL program, the proposed CAFO permit requirements, and the Clean Air Act.

While producers have done a good job environmentally on their operations in the past, we want to continue to improve. But in many cases the costs are simply prohibitive. A $1.2 billion a year increase for the Environmental Quality Incentives Program (EQIP), which 50 percent would go to livestock and poultry producers, is a historic step forward. However, as previous testimony from the National Pork Producers Council and other groups has demonstrated, $1.2 billion is needed annually for livestock and poultry producers alone. We therefore respectfully request that the committee take full advantage of any opportunity that may exist to expand EQIP funding further in order to meet the pressing conservation assistance needs existing in all agricultural sectors.

There are several specific issues that we would like to address as you prepare legislative language for the conservation title of your farm bill.

We feel very strongly that livestock and poultry producers must be eligible for conservation cost share assistance regardless of the size of their operations.

Family owned or operated livestock operations come in all sizes, and all of these will need cost share assistance if they are to remain economically viable while providing the public with the environmental benefits they obviously seek.

For example, the Environmental Protection Agency's analysis for the proposed CAFO rule assumes it will cost a 3,444 head farrow to finish swine operation in the Midwest $332,000 in capital costs to comply with the proposed rule. It will also cost approximately $26,000 a year for annual recurring activities for this operation to operate and maintain its new system.

Any EQIP provision that excludes operations simply on the basis of the

number of animals will end up excluding thousands of family owned operations struggling to remain as independent as possible. The unintended consequences of a size cap is rapid consolidation of the pork industry, something this committee surely does not want.

It is our view that a payment limitation schedule comparable to that used in row crops is far more appropriate, except that payments should not be limited by year but by the needs of the overall EQIP contract.

Second, protecting water and air quality as it relates to livestock and poultry manure management must be national priorities for EQIP. While EQIP can provide benefits to wildlife, the Wildlife Habitat Incentives Program (WHIP) is the program for encouraging wildlife conservation on working agricultural lands. We support increasing WHIP funding.

It is important to ensure that the program allows for the participation of third party private sector certified experts to supplement the technical assistance to be provided by USDA.

We note that both your CSA and Sen. Lugar's concept paper provide for the use of such persons, and we support your efforts.

A voucher system is one way that could be used to meet this need, but there are several others.

We also feel that EQIP needs to be able to meet conservation priorities that are not defined on the basis of small geographic areas, like a watershed and that existing provisions of EQIP that add considerable administrative burden with little associated environmental benefit should be scrutinized.

Farm to Energy Initiatives

We believe the new farm bill should provide incentives to help livestock producers fully develop the value of their nutrients. One of the most promising possibilities for small and medium size operations involves capturing methane and producing electricity. Harnessing the energy from swine nutrients can meet farm electricity needs, provide added income as excess capacity is sold to other power generators, enhance odor control, spur rural economic development and help reduce our nation's dependence on foreign oil.

Pork producers also support legislation that would grant tax credits for

the generation of electricity through the burning of swine nutrients and other agricultural byproducts.

We understand that you are developing farm to energy technology provisions for the farm bill. We are ready to work with you and others, like Senator Grassley, who has introduced farming energy legislation and recognizes the value and promise of farm to energy initiatives.

Increase Market Access Program (MAP) Authorization

Michigan Pork Producers Association (MPPA) has long supported increasing the authorization of the Market Access Program (MAP). At least a doubling of the current authorization, from $90 to $180 million per year is warranted. MAP and the Cooperator Program have been instrumental in helping boost U.S. pork exports.

U.S. pork producers became net exporters in 1995 for the first time. In 2000, pork exports totaled 556,895 metric tons, worth $1.3 billion. Exports increased 12 percent by volume and 18 percent by value compared to 1999.

In order to sustain the profitability of our producers, we must do a better job of opening markets and doing away with market distorting trade practices. We must retool and implement aggressive export promotion and humanitarian assistance programs to stimulate consumption of meat products globally.

Global Food Assistance

MPPA continues to support the creation of a new international school lunch program designed to help feed hungry children, improve nutritional standards and provide an outlet for surplus U.S. agricultural products. We feel that this program, the Global Food for Education and Child Nutrition Act, presents a promising opportunity for American producers to assist children in struggling areas of the world. NPPC cautions, however, that it is important for meat and dairy products to be fully represented to the greatest extent possible as this program goes forward.

Emergency Food Assistance Program

MPPA strongly supports additional funds for the Emergency Food Assistance Program. Increased funding will allow the USDA to make additional pork and pork product purchases for the numerous USDA

food assistance programs. These purchases enable USDA to provide nutritional assistance to needy Americans, while at the same time provide much needed assistance to the agricultural commodity by supporting farm prices.

Research

MPPA believes agriculture research funding over the next five years should be doubled. Funding for agriculture research has remained flat for the last 15 years while other federal research has significantly increased. This trend is no longer acceptable. Additional money is needed to enable producers to continue to produce safe and better food.

MPPA believes that future animal research should be built around the goals of the Food Animal Integrated Research (FAIR) 2002. FAIR 2000 was the second conclave on animal agriculture research and education priorities held in April 1999. The six goals of FAIR 2002 lay out the necessary steps to ensure that we raise the best quality animal products in ways that are economically competitive, environmentally friendly, and socially acceptable. These goals address the emerging issues and competitive gaps in a national strategy to keep the American animal industry successful. Success will require continued public investment in U.S. academic institutions and government laboratories.

Food Animal Integrated Research (FAIR) 2002 Research goals are:

1. Strengthen Global Competitiveness
2. Enhance Human Nutrition
3. Protect Animal Health
4. Improve Food Safety and Public Health
5. Ensure Environmental Quality
6. Promote Animal Well-Being

Miscellaneous

Pork producers strongly support the reauthorization of the Pork Promotion, Research and Consumer Information Act of 1985, which enabled pork producers to reverse the downward slide in pork consumption in America and become one of the world's leading pork exporting nations.

Pork producers also strongly support the reauthorization of the pseudorabies eradication program. This program has helped bring pork producers within striking distance of eliminating this disease from U.S.

herds. Pseudorabies has been eradicated in Michigan and, as a result, the Canadian border has been opened to Michigan hogs giving the state's producers an additional marketing alternative.

MICHIGAN SOYBEAN ASSOCIATION
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Statement by Curtis Thayer, Director
Michigan Soybean Association

for the

Agriculture Field Hearing
U.S. Senate Agriculture, Nutrition and Forestry Committee

August 13, 2001

GOOD MORNING, SENATOR STABENOW. I AM CURTIS THAYER, A SOYBEAN AND CORN FARMER FROM FREELAND, MICHIGAN. I CURRENTLY SERVE AS A DIRECTOR ON THE MICHIGAN SOYBEAN ASSOCIATION.

WE COMMEND YOU, SENATOR, FOR THE LEAD YOU ARE TAKING TO HOLD THESE AGRICULTURE FIELD HEARINGS IN MICHIGAN AND FOR LISTENING TO THE VOICE OF AMERICA'S FARMERS.

IN SHORT, OILSEED PRODUCER ORGANIZATIONS RECOGNIZE THAT CROPS WHICH CAN BE PLANTED INTERCHANGEABLY SHOULD HAVE PROGRAMS THAT PROVIDE BALANCED AND EQUITABLE PRICE AND INCOME SUPPORT. THE SOYBEAN ASSOCIATION SUPPORTS THAT PRODUCTION DECISIONS SHOULD BE DRIVEN BY THE MARKET, NOT BY PROGRAM ADVANTAGES.

INTENDING NO DISRESPECT, WE DO NOT FIND THE DRAFT FARM BILL TO BE BALANCED AND EQUITABLE IN ITS TREATMENT OF OILSEED CROPS. IT GIVES PROGRAM CROPS THEIR CURRENT LOAN RATES, THE TARGET PRICES THEY HAD PRIOR TO THE FAIR ACT, AND THE 2002 AMTA PAYMENT. IT GIVES OILSEEDS REDUCED LOAN RATES AND ESTABLISHES TARGET PRICES AND FIXED PAYMENTS AT LEVELS THAT DO NOT REFLECT THEIR VALUE OR HISTORICAL PRICE RELATIONSHIP TO PROGRAM CROPS. IT THEN FORCES PRODUCERS TO CHOOSE BETWEEN BASE PERIODS THAT LOCK IN THESE UNEQUAL BENEFITS, RESULTING IN SHARPLY REDUCED INCOME PROTECTION FOR MOST OILSEED PRODUCERS AND THE LIKELIHOOD OF INCREASED, BASE-DRIVEN PRODUCTION OF PROGRAM CROPS.

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WE URGE THE COMMITTEE TO TAKE ANOTHER LOOK AT SOME OF THE PROPOSALS AT HEARINGS CONDUCTED EARLIER THIS YEAR. ONE OF THE BENEFITS OF ESTABLISHING A NEW COUNTER-CYCLICAL INCOME SUPPORT PROGRAM IS THAT IT CAN BE BUILT FROM THE GROUND UP, MAKING IT EASIER TO ADDRESS ALL CROPS EQUITABLY.

FIXED DECOUPLED PAYMENT

THE FARM BILL DRAFT PROPOSES TO ESTABLISH A FIXED PAYMENT OF $0.34 CENTS PER BUSHEL FOR SOYBEANS AND $0.60 CENTS PER HUNDREDWEIGHT FOR OTHER OILSEEDS. WE DO NOT BELIEVE THAT BASING A FIXED PAYMENT FOR OILSEEDS ON THE AMOUNT BY WHICH OILSEED LOAN RATES ARE REDUCED IS EQUITABLE. WE PROPOSE ESTABLISHING FIXED PAYMENTS FOR OILSEEDS BASED ON THEIR VALUE RELATIVE TO AMTA CROPS. APPLYING A VERY CONSERVATIVE HISTORICAL PRICE RELATIONSHIP BETWEEN SOYBEANS AND CORN OF 2.3 TO 1 TO THE CORN FIXED PAYMENT OF $0.30 CENTS PER BUSHEL, THE SOYBEAN PAYMENT SHOULD BE AT LEAST $0.69 CENTS.

SETTING THE PAYMENT RATE FOR OILSEEDS AT ONLY 57% OF WHAT CROP VALUES WARRANT WILL ENCOURAGE PRODUCERS TO SIGN UP FOR THE CURRENT AMTA BASE PERIOD OF 1991-95, WHEN THEY PLANTED SIGNIFICANTLY MORE ACRES TO PROGRAM CROPS. ANTICIPATING THAT THESE INEQUITABLE RATES MAY BE CONTINUED IN FUTURE FARM BILLS, FARMERS WOULD LIKELY INCREASE PRODUCTION OF TRADITIONAL PROGRAM CROPS THAT HAVE HIGHER RELATIVE PAYMENT RATES.

PAYMENT YIELDS

THE FARM BILL WOULD ESTABLISH PAYMENT YIELDS FOR DETERMINING OILSEED FIXED PAYMENTS COMPARABLE TO THOSE FOR AMTA CROPS, WHICH DATE FROM 1981-85. FOR SOYBEANS, YIELDS DURING THIS PERIOD AVERAGED 30 BUSHELS PER ACRE, 24% LOWER THAN THE CURRENT PROJECTED AVERAGE YIELD OF 39.5 BUSHELS PER ACRE. APPLYING THIS DIFFERENCE TO THE $0.34 FIXED PAYMENT, THE ACTUAL PAYMENT RATE FOR SOYBEANS IS $0.26 CENTS PER BUSHEL. THIS EIGHT-CENT REDUCTION REPRESENTS A LOSS OF $232 MILLION IN INCOME PROTECTION ON A 2.9 BILLION BUSHEL SOYBEAN CROP. OUTSIDE THE TRADITIONAL MIDWEST CORN-SOYBEAN GROWING REGION, YIELDS IN 1981-85 WERE SIGNIFICANTLY MORE THAN 24% LOWER THAN CURRENT YIELDS. FOR PRODUCERS IN THESE REGIONS, THE LOSS OF CURRENT INCOME PROTECTION WOULD BE EVEN GREATER.

WE APPRECIATE THAT THE INTENT OF APPLYING HISTORICAL PAYMENT YIELDS TO OILSEEDS IS TO TREAT ALL CROPS EQUITABLY. THE EFFECT, HOWEVER, IS TO REDUCE THE VALUE OF THE LOAN RATE PROTECTION THAT OILSEED PRODUCERS ARE BEING ASKED TO GIVE UP. PRODUCERS OF TRADITIONAL PROGRAM CROPS WILL NOT SEE THEIR CURRENT 2002 AMTA PAYMENTS DEVALUED UNDER THE PROPOSAL, SINCE THEY ALREADY ARE BASED ON 1981-85 YIELDS. OILSEED LOAN BENEFITS ARE BASED ON ACTUAL PRODUCTION. THIS IS NEITHER BALANCED NOR EQUITABLE.

WE ALSO ARE CONCERNED ABOUT USING PAYMENT YIELDS THAT ARE SO FAR OUT OF DATE. OTHER VARIABLES COULD BE ADJUSTED TO OFFSET THE HIGHER COST OF USING RECENT YIELDS

COUNTER-CYCLICAL PAYMENTS

REGARDING THE COUNTER-CYCLICAL PAYMENT PROGRAM, THE PROPOSED TARGET PRICES FOR OILSEEDS ARE NOT EQUITABLE WITH THOSE OF OTHER CROPS. THE $5.86 PER BUSHEL TARGET PRICE FOR SOYBEANS IS 2.1 TIMES THE $2.78 TARGET PRICE FOR CORN. USING A VERY CONSERVATIVE PRICE RELATIONSHIP OF 2.3 TO 1, THE SOYBEAN TARGET PRICE SHOULD BE $6.39 - $0.53 CENTS PER BUSHEL HIGHER.

THE FARM BILL DRAFT PROVIDES NO RATIONALE FOR SETTING TARGET PRICES FOR OILSEEDS AT LEVELS WELL BELOW THEIR HISTORICAL PRICE RELATIONSHIP WITH OTHER CROPS. IF THE LIMITING FACTOR IS COST, THEN TARGET PRICE LEVELS FOR ALL CROPS SHOULD BE SET AT LEVELS THAT REFLECT THEIR RELATIVE VALUE. OTHERWISE, PRODUCERS WILL GO BACK TO BUILDING THE MORE LUCRATIVE BASES FOR TRADITIONAL PROGRAM CROPS THAT RECEIVE SIGNIFICANTLY HIGHER INCOME SUPPORT, IN CASE THE BASE PERIOD FOR MAKING PAYMENTS MIGHT BE ADJUSTED AT SOME TIME IN THE FUTURE. SUCH A SITUATION WOULD BE DEVASTATING FOR THE SOYBEAN INDUSTRY, AND WOULD RESULT IN A SITUATION SIMILAR TO THE DISTORTIONS CAUSED BY THE 1981 FARM BILL, WHEN SOYBEAN ACRES PLUMMETED AS A RESULT OF THE HIGHER GOVERNMENT PAYMENTS PROVIDED TO PRODUCERS OF WHEAT, CORN, COTTON, AND RICE.

THE PROPOSED COUNTER-CYCLICAL PROGRAM ALSO WOULD ENCOURAGE PRODUCERS TO SIGN UP FOR THE 1991-95 AMTA BASE PERIOD, WHEN THEY PLANTED MORE

ACREAGE TO TRADITIONAL PROGRAM CROPS. SINCE OILSEED ACRES ARE NOT COUNTED IN THIS BASE OPTION, THESE PRODUCERS WOULD FORFEIT INCOME PROTECTION FOR OILSEED CROPS. EVEN WHEN PRICES FALL BELOW THE SOYBEAN TARGET PRICE, PAYMENTS WOULD ONLY BE MADE TO PRODUCERS WHO SIGN UP FOR THE 1998-2001 BASE PERIOD. THIS WOULD ESSENTIALLY RETURN TRADITIONAL OILSEED PRODUCERS TO THE SITUATION THEY WERE IN PRIOR TO THE 1996 FAIR ACT - LOW LOAN RATES AND NO INCOME PROTECTION.

A HIGH PERCENTAGE OF OILSEED PRODUCTION COULD BE PRECLUDED FROM RECEIVING INCOME SUPPORT UNDER THE CONCEPT PAPER PROPOSAL. SOYBEAN PRODUCTION IN 1995 TOTALED 62.5 MILLION ACRES, ABOUT 83% OF THE 75.4 MILLION ACRES PLANTED IN 2001. IF FARMS COMPRISING THIS ACREAGE SIGN UP FOR THE 1991-95 AMTA BASE, THEY WILL RECEIVE ONLY A SIGNIFICANTLY REDUCED LOAN RATE FOR INCOME PROTECTION ON THEIR SOYBEAN PRODUCTION.

PAYMENT BASES

WE DO NOT BELIEVE PRODUCERS SHOULD BE REQUIRED TO CHOOSE BETWEEN THE CURRENT AMTA BASE PERIOD AND THE 1998-2001 PERIOD TO DETERMINE THEIR ELIGIBILITY FOR EITHER THE FIXED OR THE COUNTER-CYCLICAL PAYMENT. THE ALTERNATIVE WOULD BE TO UPDATE THE BASE FOR ALL CROPS, AND TO ESTABLISH EQUITABLE PAYMENT RATES THAT WOULD NOT DISADVANTAGE PRODUCERS WHO HAVE CHANGED THEIR CROP MIX. THIS APPROACH WOULD REDUCE THE TOTAL AMOUNT OF SUPPORT PROVIDED TO CROPS THAT HAVE LOST ACREAGE UNDER THE FAIR ACT, BUT WOULD NOT REDUCE SUPPORT TO INDIVIDUAL FARMS AND FARMERS.

LOAN RATES

WE WANTED TO DESCRIBE OUR CONCERNS ABOUT THE FIXED PAYMENT AND COUNTER-CYCLICAL PROGRAMS BEFORE COMMENTING ON THE PROPOSED REDUCTION IN OILSEED LOAN RATES. IF THESE OTHER "LEGS OF THE STOOL" PROVIDED BALANCED INCOME SUPPORT FOR OILSEED CROPS, WE COULD BE FLEXIBLE REGARDING LOAN LEVELS. UNFORTUNATELY, THE FIXED PAYMENT RATES AND TARGET PRICES FOR OILSEEDS ARE WELL BELOW LEVELS JUSTIFIED BY HISTORICAL PRICE RELATIONSHIPS WITH TRADITIONAL PROGRAM CROPS. THE RESULT IS A SUBSTANTIAL INCENTIVE TO CHOOSE THE 1991-95 AMTA BASE PERIOD, WHICH PROVIDES NO INCOME SUPPORT TO MOST OILSEED PRODUCERS AND A SIGNIFICANTLY REDUCED LOAN RATE.

THE PROPOSED OILSEED LOAN RATES WOULD REDUCE INCOME SUPPORT TO OILSEED PRODUCERS BY $1.0 BILLION PER YEAR. UNLESS THE OTHER PROGRAMS PROPOSED IN THE CONCEPT PAPER ARE SUBSTANTIALLY MODIFIED, OILSEED PRODUCER ORGANIZATIONS SUPPORT MAINTAINING OUR LOAN RATES AT CURRENT LEVELS.

OTHER CROPS

REGARDING OTHER CROPS ADDRESSED IN THE CONCEPT PAPER, WE SUPPORT THE DECISION TO RESTRICT MULTI-YEAR SUPPORT TO CROPS ELIGIBLE TO BE PLANTED ON BASE ACRES. ONLY CROPS THAT SHARE BASE ACREAGE, AND THAT COMPLY WITH REQUIRED CONSERVATION PRACTICES, SHOULD RECEIVE PROGRAM BENEFITS.

CONSERVATION

THE SOYBEAN ASSOCIATION SUPPORTS REAUTHORIZATION OF THE VARIOUS PROGRAMS ADDRESSED BY THE PROPOSED FARM BILL, INCLUDING THE CRP, EQIP, WETLANDS RESERVE PROGRAM, WILDLIFE HABITAT INCENTIVES PROGRAM, AND THE FARMLAND PROTECTION PROGRAM. WE DO NOT SUPPORT RAISING THE CAP ON CRP ACREAGE TO 40 MILLION ACRES BECAUSE WE BELIEVE ADDITIONAL CONSERVATION FUNDING SHOULD BE TARGETED AT IMPROVING CONSERVATION ON LANDS UNDER PRODUCTION.

WE CONTINUE TO SUPPORT ESTABLISHMENT OF A VOLUNTARY CONSERVATION INCENTIVE PAYMENT PROGRAM, AND LOOK FORWARD TO WORKING WITH THE COMMITTEE TO MAKE ROOM FOR THIS PROGRAM IN THE OVERALL PACKAGE.

TRADE

WITH REGARD TO TRADE, WE SUPPORT REAUTHORIZATION OF THE EEP AND DEIP EXPORT ASSISTANCE PROGRAMS, THE MAP AND FMD MARKET PROMOTION PROGRAMS, AND FOOD FOR PROGRESS.

WE HAVE THE FOLLOWING ADDITIONAL COMMENTS ON THESE PROGRAMS:

- THE MICHIGAN SOYBEAN ASSOCIATION STRONGLY URGES THE COMMITTEE TO ESTABLISH A MINIMUM ANNUAL FUNDING LEVEL OF $43.25 MILLION FOR THE FOREIGN MARKET DEVELOPMENT PROGRAM. THE COOPERATOR PROGRAM IS A CORE COMPONENT OF U.S. AGRICULTURE'S LONG-TERM COMMITMENT TO EXPAND FOREIGN MARKETS.

- WE SUPPORT INCREASING FUNDING FOR FOOD FOR PROGRESS TO $1.0 BILLION PER YEAR AS PART OF AN OVERALL STRATEGY THAT WOULD SUPPORT AN ANNUAL COMMITMENT OF 5.6 MILLION TONS OF FOOD AID. THIS PLAN WOULD ALSO INCLUDE INCREASED FUNDING FOR BOTH TITLES I AND II OF P.L. 480, AND A PHASED INCREASE IN SUPPORT FOR THE GLOBAL FOOD FOR EDUCATION PROGRAM TO THE FULL COMMITMENT OF $750 MILLION PER YEAR.

WE ALSO SUPPORT AUTHORIZATION OF A BIOTECHNOLOGY IN AGRICULTURAL TRADE PROGRAM, TO EXPAND PUBLIC AND PRIVATE SECTOR EFFORTS TO EDUCATE AND INFORM THE POPULATIONS AND GOVERNMENTS OF DEVELOPING COUNTRIES ABOUT THE BENEFITS OF AGRICULTURAL BIOTECHNOLOGY.

OTHER PROGRAMS

OILSEED PRODUCER ORGANIZATIONS FULLY SUPPORT THE CONTINUATION AND FUNDING OF THE VARIOUS PROGRAMS ON RESEARCH, NUTRITION, AND RURAL DEVELOPMENT PROPOSED IN THE DRAFT FARM BILL.

VALUE-ADDED CONCEPT IMPORTANT TO MICHIGAN AGRICULTURE

IT SHOULD GO WITHOUT SAYING, THAT FARMERS MUST SUPPORT THE COMMODITIES THEY GROW. THEREFORE, THOSE WHO DO, SEEK ALTERNATIVE INVESTMENT OPPORTUNITIES IN THEIR PRODUCTS THROUGH CONCEPTS SUCH AS VALUE-ADDED ENTERPRISES. IN MICHIGAN FARMERS RAISE CROPS WITH CERTAIN SPECIFICATIONS SUCH AS: SOYBEANS WITH ½ THE FAT AS REGULAR SOYBEANS, BIOTECH PRODUCED BEANS FOR SOME MARKETS, GMO FREE FOR OTHERS, CERTIFIED ORGANIC PRODUCTION, AND THEY'LL INVEST IN COOPERATIVES WHICH PRODUCE VALUE-ADDED END PRODUCTS. CERTAINLY EXPANSION OF THE RURAL DEVELOPMENT FUNDING IS IMPORTANT TO MICHIGAN FARMERS AND OUR STATE'S ECONOMY AS IT WILL PROVIDE MORE IN-STATE JOBS AND CREATE LESS DEPENDENCE ON FOREIGN PRODUCTS.

CONCLUSION

THAT CONCLUDES MY STATEMENT SENATOR STABENOW. I LOOK FORWARD TO RESPONDING TO YOUR QUESTIONS.

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AMERICAN SOYBEAN ASSOCIATION
FARM BILL TALKING POINTS

- ASA supports including soybeans in the next farm bill as a program crop, provided they are treated fairly and equitably.

- The House Farm Bill disadvantages soybeans:

  - The soybean target price of $5.86/bu. and fixed payment of $0.42/bu. are significantly less than levels justified by the historical price relationship between soybeans and other program crops. Based on the corn target price of $2.78/bu. and fixed payment of $0.30/bu., a very conservative 2.3 to 1.0 price ratio would justify a soybean target price of $6.39/bu. and fixed payment of $0.69/bu.

  - The 1981-85 payment yields used in the House bill will discount soybean counter-cyclical and fixed payments by 27.6% (the increase in average soybean yields since then), compared to 13.1% for wheat and 7.8% for cotton.

  - Soybeans are the only crop with a reduced loan rate. The reduction of $0.34/bu. -- from $5.26/bu. to $4.92/bu. -- will cut income support by $952 million on a 2.8 billion bushel crop.

  - Soybean producers who sign up for the AMTA base period (as opposed to the 1998-2001 updated base period) will have no income protection other than the reduced loan rate.

  - Many producers will respond to this inequitable program by "building base" in traditional program crops and reducing soybean acreage, despite the fact that global demand for soybeans is growing faster and the soybean stocks-to-use ratio is lower than for other major crops.

- ASA is working with key Senators and other farm organizations to ensure the Senate Farm Bill treats soybeans equitably. ASA opposes providing income support using the old target price bases and yields, which disadvantage crops that have increased acreage and productivity during the past 20 years. We will support an alternative program that uses updated production data as the basis for providing income support.

- Soybean producers should contact Members of Congress during the August recess to point out the inadequacies of the House Bill, and to urge a different approach that builds on the positive features of the current FAIR Act rather than going back to the outdated target price program.

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AMERICAN SOYBEAN ASSOCIATION
BIODIESEL TALKING POINTS

- The biodiesel industry has grown from 5 million gallons last year to over 25 million gallons this year. However, vegetable oil surpluses have also grown and prices for soy oil and soybeans remain at unacceptable lows.
- ASA believes that biodiesel offers one of the best potential markets for displacing large volumes of surplus soy oil. Soybean growers have invested over $25 million state and national check-off dollars in the research, development and promotion of biodiesel.
- Just as with other alternative fuels, including ethanol, natural gas and others, federal policies and programs must be adjusted to support increased use of biodiesel.
- ASA supports a partial reduction in the diesel excise tax for diesel blended with biodiesel (this is similar to the partial reduction for ethanol in the gasoline excise tax).
- ASA supports using USDA/Commodity Credit Corporation (CCC) funds to reimburse the Highway Trust Fund for loss revenue due to the biodiesel excise tax reduction. This expenditure would initially be more than offset by the reduced cost of the oilseed marketing loan program.
- ASA supports legislation introduced by Senators Hutchinson (R-AR) and Dayton (D-MN) that provides an exemption of 3 cents for a 2% blend of biodiesel (prorated downward to ½ %); and 20 cents for 20% and higher blends. This level of support is needed to help make biodiesel competitive with other fuels.
- Senators should be encouraged to co-sponsor the Hutchinson/Dayton legislation, S. 1058 and to call for its inclusion in the Senate's comprehensive energy package.
- ASA also supports the establishment of a renewable standard for biodiesel and ethanol. Renewable fuels can and should play an important role in helping solve our country's energy situation.
- ASA supports legislation introduced by Senators Hagel (R-NE) and Johnson (D-SD) that would require all motor fuel contain a low blend of biodiesel or ethanol.
- Senators should be encouraged to co-sponsor the Hagel/Dayton bill, S. 1006 and call for its inclusion in the Senate's comprehensive energy package to be debated this fall.

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AMERICAN SOYBEAN ASSOCIATION
TRADE PROMOTION AUTHORITY TALKING POINTS

- Agriculture makes the largest contribution to the U.S. trade balance, and soybeans are the largest farm export. Exports of soybeans, soybean meal, and soybean oil totaled $15 billion last year.
- U.S. soybean farmers are dependent on exports for 50% of each year's crop. With production increasing, we must expand access to foreign markets in order to raise soybean prices – which are currently at 27-year lows.
- Other oilseed exporting countries are actively negotiating trade agreements with many of our key customers. Trade deals reached by the governments of the European Union, Canada, Brazil and Argentina, are not subject to amendment by their legislatures.
- We are facing fierce competition from South American soybean producers. If they are able to negotiate agreements with the EU and other countries, but we are not we will start losing our share in the world market rather quickly.
- Previous TPA agreements have significantly reduced tariffs on soybean meal and oil in several key customer countries.
- We support TPA for every U.S. President, because Trade Promotion Authority is essential if U.S. soybean farmers are going to remain competitive in the world market. Otherwise, we will be left behind as global trade continues to expand.

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Federal Farm Policy Hearing-Frankenmuth, MI. August 13, 2001

United States Sugar Policy

I am Dick Leach, Executive Vice President, of the Great Lakes Sugar Beet Growers Association. I am here this morning representing the 2000 sugar beet growers and independent businesses located in the seventeen counties where sugar beets are grown in Michigan. There are approximately two hundred thousand acres of sugar beets grown annually in Michigan with about 3000 directly related jobs and a base economic impact of over two hundred fifty million dollars annually.

The present status of the sugar industry is this: Domestic sugar prices are at a twenty year low, a new two year old beet processing plant in the state of Washington has closed it's doors for this year. Two sugar beet processing plants in California have shut down. Tate & Lyle, a British Company has sold Western Sugar and it's six beet processing factories to the growers, and is selling Domino Sugar to Florida Crystals and the Sugar Cane Growers Cooperative of Florida. Tate & Lyle is getting out of the sugar business. Imperial Sugar Company, the largest marketer of sugar in the United States, is in bankruptcy and the Michigan Growers are trying to buy Michigan Sugar Company from Imperial to save the sugar industry in Michigan. This is a pretty bleak picture of a once robust industry. The loss of the sugar industry in Michigan and in the U.S. would cause greater pressure on other crops that are already in over supply.

What this industry needs for the sugar policy in the 2002 farm bill is this.

1. We must have sugar policy that continues to respond to the unfair and predatory practices of foreign sugar producers.
2. We must stop stuffed molasses and other syrups from being brought into this country by foreign countries circumventing our present sugar program and violating the integrity of our borders. We must also have an agreement with Mexico that will limit their exports to the U.S. as long as their sugar production is subsidized.

3. We need to increase the present loan rate, it has not been increased since 1984.
4. We need to continue the non-recourse loan program.
5. We need the sugar program as a no cost program to the government.

To make this happen we need to manage supply and demand using imports that are above our World Trade Organization commitments.

The domestic sugar industry will need to help balance the U.S. sugar supply with a flexible market allotment system.

This is the Michigan sugar beet growers view of what is needed as a sugar program that will keep a good affordable supply of sugar. It will also keep the family farmers who grow sugar beets in the business of producing sugar and adding strength to the local rural communities in Michigan.

THE NEW FEDERAL FARM BILL

MONDAY, AUGUST 13, 2001, GRAND RAPIDS, MICHIGAN

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

The committee met, pursuant to notice, at 1:55 p.m., at 4747 28th Street, S.E., Grand Rapids, Michigan, Hon. Debbie Stabenow presiding.

Present or submitting statement: Senator Stabenow.

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

Senator STABENOW. Well, good afternoon. I'm going to officially call to order the Senate Agriculture Committtee field hearing that we are conducting today and welcome all of you. We are very pleased that you are all able to join us today. This is an important occurrence because we are actually operating a committee meeting of the Senate Agriculture Committee with the support and concurrence of the chairman, Tom Harkin. All of the testimony we receive today and any written testimony that you would like to give us will be submitted in the formal record with the Agriculture Committee in Washington so that if someone is interested in knowing about the testimony and thoughts of people that have been expressed around the country in the field hearings, they will go to the record. Whatever we do today here in Michigan will be included in that formal record.

We held a hearing this morning, and I see some familiar faces that made the trek from Frankenmuth back to Grand Rapids. We had a wonderful hearing this morning and an opportunity to hear from a number of people, and we are pleased to have more distinguished guests with us this afternoon and very pleased that all of you are able to join us as well. I am very honored to be a member of the Senate Agriculture Committee. I served in the U.S. House of Representatives on the Agriculture Committee as well. In fact, I found out a while ago that I have the distinction of being the only member of the Senate who served on a State House Agriculture Committee, State Senate Agriculture Committee, U.S. House and U.S. Senate Agriculture Committee. From my perspective, when you are looking at a $40 billion industry in our State's economy, we need to make sure that we are doing everything we can to support our family farmers and support Michigan agriculture.

As you know, Michigan agriculture employs over 65,000 people, and that doesn't count all the other impacts on Michigan's economy. This hearing today is very important, and it is important that

we have Michigan's story told. We are pleased to have the support of our Chairman, Tom Harkin, as we look at broadening the Farm bill. We certainly want to support our program crops, but we know that in Michigan when fewer than 50 percent of our farmers are receiving AMTA payments, we have a lot of other work to do in terms of support for all of the various specialty crops, all of our fruits and vegetables and dairy and sugar and all of our livestock and all of the other entities in Michigan. We need to really broaden, in my perspective, what we are talking about in terms of the Farm bill. We also are going to add an energy title to the Farm bill in the Senate, which will give us an opportunity to focus on biofuels. Certainly we are all familiar with ethanol, but we know that there are soy products and a lot of other opportunities for us where we can look at biomass fuels and ways for agriculture to really take advantage of a focus on energy.

I wanted to mention to you that it has been a while since there has been an official hearing of the U.S. Senate Agriculture Committee in Michigan. The last hearing in Michigan was in 1915. As I said this morning, I wasn't there then. I don't know if anybody in the room was. I am not sure, but it has been a while. In fact, to put that in perspective, there weren't gasoline tractors in 1915. It wasn't until 1916 that Henry Ford made his popular tractor, the Fordson. It has been a while since we had a formal Senate Agriculture Committee field hearing here. Now, as we know, our tractors have computers and satellites and all kinds of other technology, so we have come an awfully long way since 1915. I want you to know also that we are not going to wait another 86 years before we have another Senate Agriculture field hearing in Michigan, at least as long as I am on the Agriculture Committee. We are going to make sure that the committee comes back.

Let me introduce a few folks to you before we officially get started with our witnesses. Let me also say that because this is a formal committee hearing, we are conducting it the way it is done in Washington where people are invited to come representing various perspectives and present testimony and come officially before the committee, and then we will accept written information from anyone. If you feel like something wasn't covered today or you have some other important information that is important to you, you think we should be aware of it, we would like to receive that written testimony. Gloria, are you in charge of that?

Ms. DENNANG. Yes.

Senator STABENOW. OK. Great. Gloria Dennang from my office will be going around so don't just leave it on the table because we want to make sure we don't lose something in the process. If you could make sure that Gloria gets that testimony, then we will make sure something doesn't get misplaced by being set on a table someplace. Gloria will be doing that.

I also want to introduce other folks from my office: Kim Love, who many of you know from my staff in Washington, DC. Kim has been with me now since the U.S. House of Representatives and actually grew up in Genesse County and has a lot of farming in her family history. She was telling us a story on the plane on the way over that when she was in kindergarten and the teacher held up a picture of a cow and asked what it was, all the kids said "cow."

She said "Holstein." She has been immersed in agriculture since she was a little girl. As many of you know, Kim does a wonderful job and is really my eyes and ears and is just a phone call away. We hope that if you haven't already taken advantage of that, that you will give Kim a call.

Let me also introduce my chief of staff. Jean Marie Neal from Washington has flown in. We wanted to make sure that she had an opportunity to hear what you were thinking and to be involved in this process. Jean got delayed yesterday in her travels. We won't go into the challenges of flying, but I am glad you made it. It was difficult unfortunately, to get her to Michigan with some storms coming out of Washington.

Also Connie Feuerstein. Connie represents me in Flint, Saginaw, Bay City and into the Thumb area. Connie also focuses on agriculture, so there have been a number of Farm Bureau meetings and other hearings that Connie has been attending on my behalf.

Dave Lemmon is my communications director. Betsy Boggs is my West Michigan coordinator. Many of you have seen her at meetings as well. JoAnne Huls is controlling the time today. We are asking each of our presenters to stick to five minutes. JoAnne has been with me for a long time and does a great job. I also want to thank our court reporter who is here and making this official for us, Kim Van de Bogert. We thank you for being here.

We have a number of folks representing other offices, and we want to acknowledge them. From Congressman Pete Hoekstra's office, Heather Sandberg is here. Heather, we appreciate your being here today. From Senator Carl Levin's office, we have Daniel Feinberg. Where is Dan? Good to have you, Dan. Keith Brown, who is with Congressman Nick Smith's office is here. Nick is on the House Agriculture Committee. He and I served there together. One of the things that we know about agriculture, is that it is a nonpartisan issue. This is more about fighting for what is good for Michigan, and we work together very closely to make sure that that happens.

Did we miss anyone representing any elected officials? We had invited our State representatives and senators today, and I don't know if we missed somebody. Yes, sir?

Mr. CROUCH. I am here representing Scott Hummel, 86th District, House of Representatives.

Senator STABENOW. Great. Appreciate your being here today. Great. Well, we are glad to have everybody with us.

I did want to just mention that from a personal note, this is important. This hearing is important to me, and it is important to be on the Agriculture Committee because I grew up in Clare, and my family is involved in farming, dairy farming specifically, when I was growing up. If you know any Greers in Brown City or Gladwin or Clare, they are probably related to me. When I was growing up, people always talked about the Midwest as America's breadbasket. Well, I am here to say that we are the entire kitchen table here in Michigan. When we talk about whether it is meat or fish or fowl or over a hundred different commercial crops that we grow including our specialty crops, our cherries and apples and blueberries and asparagus and all of the wonderful specialty crops, we have everything in Michigan. We have the maple syrup that goes on the pan-

cakes in the morning, and when you get all done you can drink fresh milk from our Michigan milk producers. I would say we have the entire kitchen table represented in Michigan agriculture.

In fact, we are only second to California in terms of the diversity of our crops, which, frankly, from my standpoint, is really the challenge for us because in Washington, when we talk about the Farm bill, so much of it is focused on program crops, of course, program crops are important and I don't want to take away from our wheat and corn and soybeans and all of our other program crops, but not all Michigan farmers receive AMTA payments. Other parts of the Farm bill are incredibly important to us. I spend a lot of time focusing on those things in Washington. It is also important to note for the record that, according to the Department of Agriculture, between 1992 and 1997 we lost more than 215,000 acres of productive farmland in Michigan, which is of great concern to all of us, and just during that time period, we also lost over 500 family farms. We have to focus on our family farmers as we look at the new Farm bill.

We have a lot that we want to focus on in the Farm bill. In addition to specialty crop production, which I mentioned, we also want to hear about conservation measures, how we can improve upon the conservation title of the Farm bill. Senator Harkin, who chairs the committee, is very interested and has introduced legislation, which I am pleased to co-sponsor, that would expand and strengthen the conservation title of the Farm bill. Research, obviously, is very important. We will hear about that today also.

Let me just explain a little bit about what we are doing in terms of format. As I mentioned before, we are asking each of our panelists today to speak for 5 minutes and then we will have some questions for you. If you find that your testimony was longer than 5 minutes, we will submit it in its entirety in the record if you want to summarize it if it is longer than 5 minutes. We do want to have a chance to get some questions and answers for the official record today, but we will take whatever you have in its entirety.

[The prepared statement of Senator Stabenow can be found in the appendix on page 116.]

Senator STABENOW. Let me also introduce Alison Fox, who is here as counsel for the Senate Agriculture Committee, representing our chairman, who is very, very interested in what we have to say today. He has been very supportive of my efforts to speak to a broad range of issues in agriculture, and we really appreciate Alison being here to represent him. It is only because Chairman Harkin approved doing the formal hearing that we were able to be here today and have the resources to do this. Alison, would you like to say a few comments on behalf of Senator Harkin?

STATEMENT OF ALISON FOX, COUNSEL, SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Ms. FOX. I would just like to briefly say that I am very pleased to be here on behalf of Chairman Harkin. We are looking forward to this fall, working on a sustainable, long-term farm bill that has a national perspective, that is comprehensive, that addresses all needs of the agriculture community with new expanded titles like conservation, new titles like energy, as well as dealing with nutri-

tion. I just want to remind everyone, as Senator Stabenow just said, that since this is an official hearing of the committee, this hearing will become part of the Senate record and what Senator Harkin will look to, as well as the staff, as we work to develop the new Farm bill. I know Senator Harkin is very excited about this, and he appreciates all the work that Senator Stabenow is doing and is very excited to hear and see the record once we get back to Washington.

Senator STABENOW. Thank you, Alison.

Senator STABENOW. Well, let me introduce our panelists and then ask them to speak. We have a wealth of experience and history in front of us. We are pleased to have Dr. Ian Gray with us. Dr. Gray and I have worked for a long time together. He is director of the Michigan State University Agricultural Experiment Station, as you know. He oversees all operations of the experiment station, working closely with the department chairpersons and unit directors in developing and sustaining research programs and in maintaining strong ties between the experiment stations and the commodity groups. He received his Bachelor of Science and Ph.D. in food science from Queens University, Belfast, Northern Ireland. All you have to do is listen to him to know that there is a little Irish accent?

Dr. GRAY. I would say it is a brogue.

Senator STABENOW. It is a brogue. Dr. Gray is a member of a number of professional organizations, still maintains a research program, and in 1994 received the Michigan State University Distinguished Faculty Award.

Next we have Tom Butler, who is the manager of the Michigan Processing Apple Growers Division of the Michigan Agricultural Cooperative Marketing Association, an affiliate company of the Michigan Farm Bureau. I have always wondered how long your business cards were, Tom.

Mr. BUTLER. It is long; it is very long.

Senator STABENOW. You have the longest title of anybody I have ever seen.

Tom has served in this position for 20 years. He negotiates contracts and works on issues affecting the industry on behalf of the State's growers. In 1999 Tom received the Distinguished Service Award from the Michigan Horticultural Association.

Julia Hersey is here with Tom. She is a board member of the Michigan Apple Committee. She is the daughter, granddaughter, and great-granddaughter of apple growers. Julia was raised on the infamous fruit ridge in Michigan, and she and her husband, Buzz, grow approximately 800 acres of apples, peaches, and cherries in Kent, Muskegon, and Newaygo Counties. They have three boys. Their fruit-growing business is named Hersey Brothers, and their three sons are pictured on the logo, enjoying apples, of course. We are pleased to have you with us.

We are also pleased to have Perry DeKryger with us. Perry is the Executive Director of the Michigan Asparagus Advisory Board. The advisory board is a grower organization that represents 600 asparagus growers in the State. Perry is a native of Michigan, has worked in the industry for over 5 years, and is a graduate of Michi-

gan State University with a degree in horticultural science. Glad to have you with us.

Last but not least, Bob Green is the Executive Director of the Michigan Bean Commission. The Bean Commission is comprised of the 3,500 dry bean growers in the State of Michigan. Bob has worked nearly 30 years in the dry bean industry, and the last 4 of which have been with the commission. We are very pleased to have you as well with us, Bob.

Let's start with Dr. Gray. Ian.

Dr. GRAY. Thank you.

STATEMENT OF DR. J. IAN GRAY, DIRECTOR, MICHIGAN AGRICULTURAL EXPERIMENT STATION

Dr. GRAY. Well, thank you, Senator Stabenow, for inviting the Michigan Agricultural Experiment Station to testify. What I would like to do is to address the importance of Federal research investments in shaping a positive future for U.S. and Michigan agriculture in the rural communities. The Michigan Agricultural Experiment Station is a member of several national organizations, such as the National C-FAR and the ESCOP that are collectively working with this committee to double the Federal investment in food and agriculture research over the next 5 years. That is the theme that I would like to address, the importance of doubling the investment in food and agriculture research.

While many of my comments are directed or related to the Michigan Agricultural Experiment Station, of which I am extremely proud, many of the comments actually will relate to other State ag experiment stations across the country. The future of agriculture lies within the application of strategic research that links the power of new scientific discovery to the real world challenges and potential opportunities facing agriculture in rural communities. The complexity of today's challenges and tomorrow's opportunities requires a research approach that holistically integrates fundamental disciplinary science, applied agricultural sciences, economics and ecological considerations.

Furthermore, this approach needs to be closely tied to social science and public policy considerations. The nation, through the SAES system, the State ag experiment station systems, invests in food and agricultural research in two ways: through Federal and base funding, including Hatch funds, McIntire-Stennis forestry funds and animal health funds; and, second, through competitive grant programs, such as the National Research Initiative and the Initiative for Future Agriculture and Food Systems.

Federal base funding is very, very important. It provides the foundation for Michigan agriculture and natural resources, human nutrition, rural development and family and consumer well-being research programs. It provides infrastructure support for research done by State agricultural experiment stations, and the partnership between Federal- and State-supported programs ensures that strategic research is done to address local and regional concerns. Federal funding is the glue that holds multi-state research programs together. It gives States the necessary funding, flexibility to be proactive and to quickly address local agricultural problems as they develop. It permits us to maintain long-term research in areas

of fundamental importance to the State and to the Nation. Certainly we don't have to look beyond TB in deer and dairy cattle in Michigan to realize the importance of Federal research programs and as well as the molecular biology approach that we are integrating to solve some of the problems facing my companions to the left.

Yet Federal funding for agricultural research over the past two decades, when adjusted for inflation, has not increased. The proportion of Federal research funds that focus on agriculture and food has significantly declined during this period when compared to other Federal programs. To maintain and/or regain our competitive edge in the global marketplace, U.S. agriculture must be better supported via the Federal funding system.

Now, as a corollary to that, Federal-supported research also means unbiased research for the benefit of all citizens. If private funding replaces Federal funding, then the research priorities and focus on the expected outcomes will be significantly impacted.

Competitive grant programs, such as the National Research Initiative and IFAFS, must also be enhanced. Advances in the agricultural sciences will only come through the generation of new knowledge and advances in the basic sciences. Look at what is happening with molecular biology. The National Research Initiative goal of strategically advancing fundamental science that is linked to agricultural opportunities is appropriate but will need to be more inclusive by recognizing more fully the potential of social and behavioral sciences in agriculture and rural community work. Basic research and support of food and agriculture must not only be the domain of the USDA programs. Agriculture is the recipient of strong disciplinary research funded by the National Science Foundation and even the NIH.

Efforts by this committee to include food and other agricultural issues in the overall research portfolio of other Federal agencies such as NSF and NIH are to be encouraged and applauded. Unapplied knowledge is knowledge shorn of its meaning. That is why stakeholder engagement in research extension integration are key components of the initiative for future agriculture and food systems. These programs complement the National Research Initiative and provide the necessary integration and multi-disciplinary efforts required to comprehensively address contemporary challenges facing agriculture in the rural communities. In other words, scientific knowledge generated through the National Research Initiative and other disciplined research programs can be applied in a timely and effective manner in a way that makes a difference.

In summary, Federal competitive grant programs are a major component of the national agriculture and rural community research portfolio. It is critical that we maintain the appropriate balance between basic and integrated research to serve the citizens of Michigan and the United States. Formula funding provides the stability that enables State agricultural experiment stations to address locally important issues and to work collaboratively with surrounding State ag experiment stations on regional issues. Competitive grant programs for agriculture must be funded comparably to other national research efforts. Focus the best basic science available on food and agricultural issues and facilitate the integration of research, extension and educational programs across State

boundaries. A strong federally supported research program that has linked the future industry opportunities will serve the interests of all citizens.

The Michigan Agricultural Experiment Station is ready to be a leader with Michigan agriculture in creating a new and vibrant agricultural economy that will serve the security and economic interests of the entire Nation. Doubling Federal funding of food, nutrition, agriculture, natural resources and fiber, research extension and education over the next 5 years is critical to this effort.

Thank you.

[The prepared statement of Dr. Gray can be found in the appendix on page 119.]

Senator STABENOW. Thank you very much, Ian.

Tom.

STATEMENT OF THOMAS C. BUTLER, MANAGER, MICHIGAN PROCESSING APPLE GROWERS DIVISION OF MICHIGAN AGRICULTURAL COOPERATIVE MARKETING ASSOCIATION

Mr. BUTLER. Thank you, Senator Stabenow, for the opportunity to testify at your hearing. You are always welcome in Grand Rapids, Michigan, and I hope it isn't too long before you return again.

I manage an association of apple producers which produce the majority of the apple crop in Michigan. Apples are most of the time included in the area called specialty crops. Many of the so-called specialty crops do not desire to be included in a new farm bill. Apples, I guarantee you, desire to be included in the new Farm bill. I visited with growers from all of the producing States as early as last January in Chicago, and to a grower, these people desire to be included.

Apple growers didn't know how to pronounce the words "market loss assistance" until the past couple of years. They know now that that is what they need if they are going to survive the onslaught of the imports of foreign apple juice concentrate into the country, which has destroyed the very floor of our industry. The other thing is important, you just can't generalize on specialty crops. Apples are a huge crop. The citrus people in Florida might want something entirely different than would apply to apple growers, and yet they are a specialty crop also. This will help domestic producers stay in business over the long haul. If they don't get some kind of assistance, they will go out of business at a very fast rate.

There are some other things that we support also, and that is including apple orchard land and land in other tree fruits in the Conservation Reserve Program. As you are also expert in dealing with—we support the expansion of domestic feeding programs, and we will do anything we can to work with you on increasing the consumption of apples in the school lunch or other nutrition programs. We support the inclusion of a tree assistance program in the new Farm bill which would help to finance growers replanting trees that have been devastated by diseases and other weather-related causes, such as fire blight. The fire blight problem exists with us in Michigan almost uniquely and at any time can devastate the industry both here in the Grand Rapids area and in all the other producing areas of the State. We thank you for holding this hearing. I can assure you that the apple growers want to be included in this

new Farm bill with some kind of an ongoing market loss assistance program.

Every indication that we have says there will be tough times ahead for apple growers. We have been through 3 years in a row, and we know we are not on the upswing yet. We will see some temporary prosperity created by a short crop in the State of Washington or something of that sort, but I believe that the industry is going to need some Federal assistance to continue.

[The prepared statement of Mr. Butler can be found in the appendix on page 122.]

Senator STABENOW. Well, thank you very much, Tom.

Julia.

STATEMENT OF JULIA BAEHRE HERSEY, BOARD MEMBER, MICHIGAN APPLE COMMITTEE

Ms. HERSEY. Thank you, Senator Stabenow, for allowing me to testify today. For the record, my name is Julia Baehre Hersey, and I am an apple grower and a board member on the Michigan Apple Committee. Today I would like to speak to you from an apple grower's perspective. Apple growers have been facing extremely difficult economic conditions during the last 4 years. Markets have been weak, and grower prices have been quite low.

Here are some of the leading causes for our woes: the large and increasing world supply of apples; large volumes of imports, especially of apple juice concentrate, which has been dumped into the United States at extremely low prices; declining demand for U.S. exports, especially in certain receiving countries; stable, no-growth domestic demand for fresh and processed apples; large and frequently surplus U.S. supplies, especially from the State of Washington; and the mega-merger trend of U.S. retail grocery chains, making them very powerful in negotiating the price we receive for our fruit.

As a result of the combination of the above economic conditions, growers in the past few years have experienced low prices and considerable economic losses. A number of apple growers have been forced out of business during the last few years. More will probably follow, as sources report that they may not be able to repay their loans. Most growers and much of the apple industry as a whole are considerably worried about their economic future. Average prices received by Michigan growers, according to USDA statistics, show a preliminary average price of $4.03 per bushel for the 2000–2001 crop year. This is probably too high, and it will likely be revised downward when the marketing year for the 2000 crop is completed. The Michigan Apple Strategic Task Force unanimously supported efforts to provide our growers with Federal assistance through the Farm bill. Specifically, it supported efforts to secure a $500 million package for the growers in this country for their market and disaster losses. While such an amount now seems unlikely, we do applaud your efforts to resurrect the supplemental farm aid bill that included a $150 million relief effort for apple growers. Thank you.

Apples are Michigan's largest tree fruit crop and are ranked third nationally. Michigan would receive welcome relief from a proportion of this package for our growers. Some of the hardest hit growers from a national disaster aspect reside in southwest Michi-

gan where fire blight has literally wiped out numerous orchards. For these growers, we would support a TAP or the tree assistance program. We support increased funding from the Market Access Program for apples to help expand export sales of Michigan apples offshore through the U.S. Apple Export Council. We support increases to the federally funded WIC, or the Women, Infants and Children program, to facilitate the purchase of fresh apples. We support increased purchases of fresh and processed apples in the USDA domestic feeding programs. We support increases in federally funded research for nutritional research of apples. I want to thank you again for giving me the chance to provide you with this information. Apple growers are a proud group of citizens, and we have never asked for this kind of assistance before. However, when our livelihood is at stake, we have no other choice than to seek this help.

I want to tell you about a grower—or actually he is a dairy farmer in our area, a young man who is also a recording artist. He is a member of the group called The Lonesome Trailers, and a lot of his songs are about small-town folklore and the farming communities. He has one song that really strikes a chord with me, and it is called, "There Is No Family on the Family Farm." That is probably my biggest fear. There will not be families on farms at all. It is also important to point out that without us, the consumer does not have nutritious, reasonably priced fruit available to them. Apples are subjected to, as you know, some of the highest Government regulations and standards in the world. I would like to thank you for the support you have given the Michigan apple industry. We really appreciate it. Thank you for giving me the opportunity to speak today.

[The prepared statement of Ms. Hersey can be found in the appendix on page 123.]

Senator STABENOW. Thank you; thank you, Julia. I will just say that we did pass an emergency assistance bill out of the Senate committee, which I believe was much preferable to what ended up passing out of the full Senate and what was passed in the House. Unfortunately the final emergency bill did include dollars for apples as well as a number of other specialty crop. We were not successful in getting support from the House and passing it throughout the system, but we will be back. We will be bringing that back up, and I am confident we will achieve something here in the next go-round.

Ms. HERSEY. Thank you.

Senator STABENOW. Perry.

STATEMENT OF PERRY DeKRYGER, EXECUTIVE DIRECTOR, MICHIGAN ASPARAGUS ADVISORY BOARD

Mr. DEKRYGER. Thank you, Senator Stabenow, for the opportunity to participate here today. Not only does Kim know a black and white cow is a Holstein, but she has also had experience, she has told me several times, and has fond memories of harvesting asparagus. She is familiar with our crop somewhat, and we really appreciate the help that you and your staff give to our industry.

As you mentioned, my name is Perry DeKryger, and I am the Executive Director of the Michigan Asparagus Advisory Board. While

I have not polled every asparagus grower in the State, I have spoken with many industry leaders over the past several months and sought their opinions regarding whether minor crops such as asparagus should be included in some manner under a new Federal farm bill. The response I consistently received was that there should indeed be some provision in a new farm bill to provide a safety net for minor farm crops, such as fruits and vegetables. The Michigan asparagus industry is in need of a safety net at the present time. The industry is going through a transition period in terms of crop usage that is being driven by market forces far beyond grower control. It is our belief that inclusion in a new farm bill should be commodity specific. Many leaders in the asparagus industry have stated that they want asparagus to be included under a new farm bill. However, I have spoken with growers of other vegetable crops, and they are adamant that they do not want any type of Government program involved in their specialty crops. A farm bill should include some provision that would allow growers of a particular commodity, such as asparagus, to gain relief or protection in an area where they cannot be competitive with foreign producers.

For example, in growing asparagus, the price of labor is a big issue. In Peru, the standard wage rate for harvest labor is $4 to $5 per day. Our Michigan growers are compelled to pay over $5 per hour and, in fact, most good harvesting crews working on a piece rate earn $8 to $10 per hour. Still, an adequate labor supply continues to be the biggest challenge in producing asparagus here in Michigan. In many past farm programs, payments were based on what a producer did or did not harvest. In the future, we may need to focus these payments on a more highly defined target, such as the disparity between labor costs, as in the example I just cited. In other instances, the focus may need to be on how strong the U.S. dollar is compared to the currency of another country or some other market variable.

Another provision under a new farm bill that would benefit asparagus growers would be to expand the CRP to allow entry of old asparagus fields. Many old asparagus fields that are no longer profitable are on highly erodible ground. These could best serve the grower and the community by being in the CRP, which would take them out of production for at least 10 years. This would allow growers to retire on profitable fields, cut surplus crop poundage, and protect a natural resource that is highly prone to erosion.

In a new farm bill, the prerequisite for USDA purchases of commodity should be redefined. USDA has many feeding programs that benefit millions of people, both in and out of our country. It has been our experience, however, that USDA very seldom solicits asparagus for purchase, generally only after congressional prodding. This should not be the case. All commodities produced in the U.S. should be purchased routinely by USDA and used in feeding programs. These purchases should be accelerated in years when a particular commodity is in excess, especially when the excess is due to loss of market share caused by importation of cheaper offshore product.

Finally, as an additional safety net in a new farm bill, a provision should be made in the annual ag budget process to provide

money for market loss payments to specific commodity growers when unusual situations cause a loss of income greater than what they are able to sustain and continue a viable farming operation. Many different situations could prompt market loss payments, such as weather-related problems, depressed markets, or undue pressure from imports of that commodity. Whatever methods are used to attain a safety net, they must be able to respond quickly and decisively. If they are so cumbersome and involved that it takes a year or two to generate the needed relief, many of our U.S. producers may be out of business by the time relief is realized.

In closing, I would like to ask that you stop and consider where we want our food to be produced in the future. Do we want this country to become dependent on foreign producers of some of our foodstuffs similar to the way we depend on overseas crude oil? Or do we want to put in place some sensible farm programs that will enable U.S. farmers growing specialty crops to remain viable for the long run?

Thank you.

[The prepared statement of Mr. DeKryger can be found in the appendix on page 124.]

Senator STABENOW. Thank you, Perry. Appreciate it.

Bob Green.

STATEMENT OF BOB GREEN, EXECUTIVE DIRECTOR, MICHIGAN BEAN COMMISSION

Mr. GREEN. Thank you. The Michigan Bean Commission and I would certainly like to thank Senator Stabenow for this opportunity to both testify and talk about the agriculture difficulties that are happening in Michigan and the United States.

The Michigan Bean Commission, formed under Public Act 114 in 1965, is charged with doing market development, market research and promotion programs for Michigan dry beans and Michigan dry bean growers. We also gather and dispense information to growers pertaining to markets and market conditions. The Michigan Bean Commission is completely funded by growers of dry beans in the State of Michigan. Michigan is also No. 2 in the production of dry beans in the United States. It is also No. 1 in the production of black beans and No. 2 in the production of navy beans.

The current situation in agriculture is grim at best. The current prices on virtually all commodities and specialty crops are at "less than cost of production." The consistency of all commodities being in the same underpriced and overproduced situation and that situation continuing on for several years adds to the plight of the Michigan farmer. The options for a grower to produce a crop that will generate income above his cost is nearly zero. If you add into the equation the drought conditions that have severely hit the Michigan grower this year, you find that a farmer experiences his most serious financial situation of his life.

Under the current Farm bill, the farmer was told, "You produce it and we will sell it." The farmer did, but the sales did not happen. At the same time, consolidation of both the elevator and dealer segment of the dry bean industry and down the chain in the dry bean canner and packaging side has also had its effect on the opportunities a grower is presented when marketing his crop.

Fewer buyers have led to fewer opportunities for the grower in dry beans and in virtually all areas of agriculture, including agricultural inputs, as the Senator discussed this morning. Dry beans, which have had both boom and bust years over the last 20 years, is currently quoting prices that have not been this low in the dry bean industry since the 1970's. In dry beans, the overproduction of 2 years ago continues to plague us with anticipated carryover stocks of navy beans abundant enough to satisfy half of next year's needs. At the same time, our major competitor to the north, Canada, continues to gain acres of all pulses, including those of beans, on land that was traditionally wheat ground.

Dry beans have not been a program crop since the 1960's. At that time, the Government would buy the crop from the growers and sell it back to dealers as demand warranted. Since that time, dry beans have not been involved in the Farm bill and have been strictly a supply demand crop. The dry bean industry has promoted this fact around the world, proclaiming that dry beans are not subsidized in any way. Dry bean growers, because of their nonparticipation in the farm program, have also benefited by not allowing nontraditional growers to plant beans on program land. This benefit has helped the dry bean industry, and this benefit must continue. The time for dry beans' noninvolvement in the Farm bill is past. The dry beans based in this State and other States is diminishing yearly. Whether dry beans here compete for the same ground that soybeans and corn under LDP competes for, the dry bean industry is not uniform in its desires to be considered under the LDP program. At the same time, the exclusion of dry beans in the LDP program should not limit their involvement in other parts of the Farm bill or other Government programs. Dry beans and probably many other program and nonprogram crops would benefit from the following:

Export enhancement: The strong U.S. dollar, while good for imports and traveling, has been disastrous with the weaker currencies of other countries. With Michigan beans exporting every other row of beans, this has hit our industry especially hard. The program would allow the dry bean industry more access to export markets.

Quickly, on some other things, the cost of production insurance that the State directors of agriculture are looking at would certainly be something that we would like to have considered. Opening up new markets, we, as some others on this panel have indicated, keep running into the negative opportunities in other countries with the cost of duty on U.S. goods.

The last thing I will mention, which we talked about for a short time this morning, and that was Cuba, which could certainly add a vast amount of opportunity to Michigan growers, both of beans and other commodities.

Thank you, Senator.

[The prepared statement of Mr. Green can be found in the appendix on page 128.]

Senator STABENOW. Thank you. Thank you to all of you.

Bob, let me ask you, just to followup a little bit more as it relates to opening markets. We did talk about the issue of opening Cuba to food and medicine, and that will be an issue that will be coming

before us, probably in the form of an amendment on the floor of the U.S. Senate, and I would appreciate any other insights you would have or anything you would like to share with us about why you feel that is important.

Mr. GREEN. Well, last November I did have an opportunity, along with Congressman Barcia and Congressman Camp and two members of my board and a few other people, we did take a trip to Cuba and firsthand saw what was there. I guess the thing that hit me the most is that they are importing 100,000 metric tons of beans a year now. That 100,000 metric tons—excuse me. I will use this analogy, but to me it fits very well. They are loading it in our lakes up at Thunder Bay out of Canada, and they are putting it through our Locks down our seaway and sending it down to Cuba. That seems to be a little bit wrong to me.

At the same time, the beans that Cuba is importing is something that we grow here very well, and that is black beans. Half of that production that they are taking in there is of black beans, and the other is quite a bit of navy beans and some other beans. At the same time, they are importing 420,000 tons of rice, which they would certainly like to get from the Southern States; 200,000 metric tons of grain; 60,000 metric tons of oils; 45,000 metric tons of milk powder; and 40,000 metric tons of chickens. Their one factor that they keep saying is that it would work very well for them to be dealing with us also because the only thing that is really costing them is the freight because they are paying extra freight to get things in there. They are still able to get them.

Senator STABENOW. What about the issue of Mexico? We have worked together with you on the question of exporting beans to Mexico. There is a new agreement that was negotiated with the U.S. Trade Representative and the Mexican Government about just a little while ago. Is that going to make a difference? What do you see happening as it relates to that?

Mr. GREEN. We certainly see it as positive, but first I certainly have to thank you and Kim who were very active in that issue and bringing that to the forefront. I would have to say that as working for agriculture in Michigan, we have been very fortunate with our whole congressional delegation. I mean, they really came together on an issue that was very, very important to us and really helped out, so thank you.

As far as the agreement, we see it as positive in that as long as it is lived up to, of course, the Mexican Government has agreed to specific dates for the auction. There will be two dates and specific quantities for those auctions as a percentage of the quantity allowed. This is going to make a much clearer window for both the growers and the dealers in this State. Actually the Mexican importers themselves wanted to have the same thing because there was an awful lot of speculation going around that as far as when things were going to happen and how they were going to happen. Right now that is all laid out and will make it clearer for everyone.

Senator STABENOW. Perry, if might ask you about the U.S. Commodity Purchase Program. In the Senate committee version of the emergency bill that we attempted to pass right before the August recess, we added asparagus to the commodity purchase program. I

wonder if you could speak a little bit about why that is important to industry to do.

Mr. DEKRYGER. Well, asparagus is like many crops. You have years when you produce more than other years, and some of that extra production does get processed. It is available for the marketplace and has somewhat of a price-depressing effect on the marketplace. Our strategy has been to try and get some USDA purchases on those years when we do face some additional supplies and inventory. We haven't been real successful the last few years. We understand that there is a possibility of a purchase coming. Thanks again to your help and Kim's help and several of our other Michigan folks in D.C. there, the USDA is going to purchase some asparagus. Those little bit of surpluses need to be removed from the market on critical years to keep a stable and a balanced pricing structure. We see that as a very critical need and a role that USDA purchasing could fulfill.

Senator STABENOW. To followup in talking about trade with Bob, your industry has been hit specifically with unfavorable trade conditions. I wonder if you might speak a little bit about Peru and what has happened and why that trade issue is so important.

Mr. DEKRYGER. Yes. Back just about exactly 10 years ago now, a trade agreement was initiated called the Andean Trade Preferences Act, better known as ATPA. That trade act allowed four South American countries duty-free entry of products into the U.S. The impact it has had on asparagus is that the country of Peru has become a very efficient and proficient supplier of asparagus to this country. The theory behind instituting this trade act was to give these developing countries a legitimate marketable crop that they could sell in this country, generate revenue and income for their local economies, and that is an applaudable thing to do. However, the area where the coca was being grown in Peru is completely a long ways from the asparagus production area. They became very efficient, the asparagus producers, and they are now exporting 75 percent of their green asparagus into the U.S. market. As far as I know, the supply of coca probably haven't diminished too much. The situation is that while it was a good program in concept, it has had a devastating impact on our U.S. asparagus producers. It is an issue that we are watching and trying to get some relief on.

Senator STABENOW. Thank you.

Tom and/or Julia, speaking about apples a little bit more for a minute, Tom, you were talking about specialty crops, and we know it is a broad category. From your standpoint, specifically for apples, what do you think would be most helpful in terms of the Farm bill? Obviously market loss payments, but are there other things as well that you think would be particularly helpful to you for us to be aware of in terms of the Farm bill?

Mr. BUTLER. Well, yes. I believe that I did mention the Conservation Reserve Program, that if you could make tree fruit land, apple land, cherries and other tree fruits, to be part of the Conservation Reserve Program, I believe that growers would really benefit from that. That, however, is no substitute for the market loss assistance program. Certainly others like the TAP program where we have such devastation here in Michigan—I can't overemphasize—we have all these modern varieties of apples out here, and they are on

rootstocks and the varieties and the rootstocks that are quite susceptible to fire blight infection. Our climate is unique in that it favors fire blight infection. We have very limited amounts of material to control that, although thanks to you, we have a research program underway to develop a true cure for fire blight. That TAP program, tree-planting assistance, to help growers that are hit by fire blight, is very important, and I hope that that would be possible to include also.

Senator STABENOW. What is the latest in terms of the fire blight damage situation?

Mr. BUTLER. Well, last year it was the worst that anyone had seen in their lifetimes. As a result, many growers went out of business because they couldn't afford to replant the young trees that they had lost. This year the growers spent the most amount of money in the history of their production trying to control fire blight and because there were many infection periods early in the spring. The temperatures were cooler, which does not favor the development of fire blight. Then we have run into dry weather in Michigan throughout most of the summer here. I know Ian Gray and I were talking about this before we started, there is very little fire blight infection this year. It is by chance that there is not. It can show up again, and we have the varieties and the rootstocks in place to wipe out entire farms should we have the right set of weather conditions. It is a weather-related disease.

Senator STABENOW. It is nice to know that the dry weather benefits something.

Mr. BUTLER. Right.

Senator STABENOW. Julia, did you want to add anything to what Tom had said or anything else——

Ms. HERSEY. Tom has spoken very well. Last year was a very hard year for the growers in Southwest Michigan, and that was just piled on top of the economic distress that the fruit growers have in the State. We don't need many more natural disasters to put us where we are headed, so that is basically what I have to add.

Senator STABENOW. Great. Ian, I wonder if you could talk about involving stakeholders and how you decide what are research priorities. Obviously there are a lot of different issues. The first bill I introduced in the U.S. House of Representatives was on wheat scab. It was and is, a serious issue. We are pleased that we have been able to put together a national research consortium to be able to address wheat scab and to provide Federal funds for the research. When you are talking about everyone here and the different needs, I am wondering if you could speak a little bit about how you involve all the stakeholders and setting the priorities for research.

Dr. GRAY. Well, if it wasn't for blight, we wouldn't have any diseases at all. Everybody gives the name "blight" to all of these. Stakeholder engagement and involvement is very crucial. We have taken within the Michigan Agriculture Experiment Station a major effort, particularly through our State-funded plant initiative, Project Green. One of the requirements that we do engage are stakeholders and setting priorities, and that could be an example to be followed by the Nation. At the same time we have to define who we mean by stakeholders. Stakeholders are generally referred

to currently as commodity group leaders, the industry that they represent, and we do work very closely with them with respect to getting their input. Having web sites now and having growers and the industry priorities put there. What we may have tried to do was to overcome the disengagement that may have been a problem in the past so that we actually work with them so that their priorities, the industry priorities and our priorities are congruent. That is No. 1. Yet at the same time we have to more fully define what is meant by stakeholder involvement. Stakeholders will change. One can only look to the advances in molecular biology, and the advances in molecular biology far outstrip the manner in which we can socially and morally determine the outcomes of those efforts. We don't have to point more than molecular biology and the furor over biotechnology in general. We don't have to look further than the human genome cloning and the issues involving stem cell research to realize that there is a major social and moral issue that needs to be addressed as we look at the advancements of science. We have to broaden the role of stakeholders. We have to broaden who stakeholders are to really truly get them engaged in determining the outcomes of science and hopefully the acceptance. We need to have open dialog with stakeholders so that they are aware of scientific advances and the positive impacts of those advances on society as a whole. Stakeholder involvement, as far as we are concerned, is a very crucial point. That is why we strongly support IFAFS because that does truly engage participating farmers and growers in those types of programs. That is the wave of the research programs of the future even with basic research, we need to link them to the applications.

Senator STABENOW. What would you consider to be the key areas of research right now in Michigan to really strengthen our agricultural economy?

Dr. GRAY. There are specialty crops and we have heard a lot about specialty crops. They still continue to be and will continue to be a major focus of our research efforts. Molecular biology will help a little bit in alleviating some of the stresses and concerns of Tom and others. We are making inroads, that advances in the last 5 years have been phenomenal. You are going to see a greater advancement in the next 5 years in terms of the development of disease- and insect-resistant varieties. At the same time, we have to have a forward-thinking vision of what are the growth areas for Michigan. Well, mainly horticulture is a terminology that is used in Ireland. Really in terms of floriculture, ornamentals, nursery, sustainable agriculture, organic agriculture, organic farming, those are growth areas that must be addressed as we look at the future of Michigan agriculture. A healthy agriculture will also mean healthy rural economics. The interesting thing that is very, very important, is the role of agriculture in the 21st century. We will see major expansion beyond food, feed and fiber. We are going to be entering into a bio-based economy. This is where I see major growth advantages for agriculture. It is also going to link basic disciplinary research more closely to the applied problems and opportunities for agriculture. We will be looking at molecular biologists, mechanical engineers, chemists and biochemists to develop new products that will form the future of Michigan agriculture in terms

of increasing the potential for worldwide markets and so on. You are going to see—we are going to maintain or we are going to still enjoy food security, but we are going to see a greatly improved nutrition food. My colleague talks about improving the image of nutrition of apples, or how do we enhance apples? We are seeing that with cherries and blueberries now in terms of the health benefits from that. We will see more and more of those types of activities as we get into molecular biology. We are going to see hopefully less dependency on fossil fuel and looking at more bio-based energy derivatives that we can actually apply and also enhance our own profitability on our farms. There is major impact. We need to be seeing much more activity in revitalizing rural communities. Food and health is still going to be key because I do think we are still at the tip of the iceberg. When we look at food and health, we are looking at measuring that by the lost work days and so forth. That has a major negative impact on the overall economy in Michigan and the United States. As we look at the future of food safety, food health, nutritional genomics, nutritional immunology, we are at the very entry level of outstanding programs that is obviously going to help production agriculture overall.

Senator STABENOW. Well, on that note, I am going to thank each of you for coming in and speaking and appreciate your help. We look forward to reviewing all the information that you are giving us.

We have one more group of speakers that we have asked to join us, so we will take a break for a moment while we change panels. Thank you very much.

[Recess.]

Senator STABENOW. We will call the committee hearing to order once again and welcome our second panel. We very much appreciate all of you being here this afternoon. Let me introduce who the four people are that are joining us. Then we will ask each one of them to make a 5-minute opening statement, and we will go to questions again.

First, Dennis Fox is joining us. He is an environmental policy specialist for the Michigan United Conservation Clubs. He works on the issues related to land use, solid wastes and hazardous wastes. Prior to joining MUCC, he worked as a policy analyst for the Senate Democratic Caucus in Lansing for 7 years. Dennis received a bachelor's degree from Michigan State University, and in the interests of full disclosure, worked for me at one point when I was in the State senate. Dennis, it is good to have you. Appreciate your being here.

Ron Williams is the State Conservationist from the USDA, Natural Resources Conservation Service for Michigan. The NRCS is the Federal agency that works with Michigan's soil conservation districts and other Federal, State, and local partners to help landowners preserve and protect natural resources on private lands. As State conservationist, Ron is responsible for the direction and management of all NRCS operations within this State. He is a member of several professional organizations, including the Soil and Water Conservation Society, and we are very pleased to have you with us today.

David Armstrong is the Executive Vice President of Marketing for GreenStone Farm Credit Services. He has over 20 years of experience with Farm Credit Services in Michigan. In 1985, he transferred to Farm Credit Services of East-Central Michigan, assumed branch manager role until 1993 when he was promoted to vice president of sales and marketing; in 1996 he became Chief Executive Officer of East-Central Michigan and served in that role until 1999, when the four organizations merged. We are very pleased to have you with us and have your expertise today.

Joanne Werdel is a policy analyst and communications specialist at the Center for Civil Justice in Saginaw. The Center for Civil Justice is a nonprofit law firm specializing in public benefit issues. As a policy analyst and community educator, Joanne coordinates much of the center's policy, outreach, and training work on hunger issues and serves as a resource on food stamp policy issues to nonprofit organization, agencies and legal services programs throughout Michigan.

We are very pleased to have all of you with us this afternoon. Dennis, we will start with you.

STATEMENT OF DENNIS FOX, ENVIRONMENTAL POLICY SPECIALIST, MICHIGAN UNITED CONSERVATION CLUBS

Mr. FOX. Thank you, Senator. On behalf of the Michigan United Conservation Clubs, I want to thank you for holding a field hearing on agriculture in Michigan and also inviting testimony from the Michigan United Conservation Clubs. My name is Dennis Fox. I am an environmental policy specialist for the Michigan United Conservation Clubs. We are a conservation organization made up of around 100,000 members and 525 affiliate clubs, and we have clubs and members in every single county of Michigan.

My comments today are going to be on the conservation programs contained in the Federal Farm bill. To start off, I am going to talk really—my comments will be very brief. As far as the Conservation Reserve Program, we would like to see the acreage cap raised and also an extension of the contract length for CRP. We would also like to see some additional incentives for landowners who opened their property up to public access, whether it is hunting, fishing, trapping or those types of things.

Conservation Reserve Enhancement Program: This is a relatively new program for Michigan. It actually was authorized last year, and we would like, as part of the initial authorization, it was for three watersheds in Michigan. It was three pilot watersheds in Michigan: Saginaw Bay, Lake Macatawa, and also River Raisin. The contracts or the authorization allows for the enrollment of 80,000 acres in Michigan. We believe it is going to be a very successful program, and the contracts are set up for all to be enrolled, or it has been authorized until December 31st of 2002. We would like to see the CREP program for Michigan extended so it is available for the entire state.

Wetland Reserve Program: Michigan currently has 193 contracts and 21,000 acres enrolled in the Wetland Reserve Program. We again would like to see the reauthorization and expansion of this program. We would also like to see an emphasis on 30-year contracts and permanent easements for that program.

Environmental Quality Incentive Program is one that Michigan United Conservation Clubs strongly supports. We are an education-based organization, and we believe the best means to address and solve and take care of a lot of our environmental and conservation programs is by providing people with assistance, both technical assistance and education. EQIP is a very important program. We would like to see dollars for the water quality and comprehensive approaches to farm management and the development of comprehensive nutrient management plans. As Michigan United Conservation Clubs has been involved with the MAEAP program, which is the Michigan Agricultural Environmental Assurance Program, which is aimed at working on and controlling and solving a lot of on-farm pollutions that had to do with runoff, primarily animal manure. We would like to see funds available for these types of programs through the Federal level. The steering committee—and this is pretty ambitious—but the steering committee, we believe, thinks it is a very good program. We have identified the needs to have 85 percent of Michigan's livestock producers insured through the MAEAP program will cost about $63 million through 2005. We would like to see some dollars as part of the Federal Farm bill for those type of voluntary programs, not just Michigan but other States also.

Wildlife Habitat Incentive Program: MUCC would like to see the funds at least doubled from the initial authorization. It was initially authorized at $50 million. Those dollars were essentially spent in 2 years, so there is a great demand out there. We would like to see funding increased at least to $100 million for the entire Nation because we believe there is a demand out there.

With that, I will end my comments, and thank you again for inviting MUCC's comments on the Federal Farm bill.

[The prepared statement of Mr. Fox can be found in the appendix on page 131.]

Senator STABENOW. Thank you very much.

Ron Williams.

STATEMENT OF RON WILLIAMS, STATE CONSERVATIONIST, NATURAL RESOURCE CONSERVATION SERVICE

Mr. WILLIAMS. Madam Chairman and members of the committee, I am Ron Williams, State Conservationist for the Natural Resources Conservation Service here in Michigan. Thank you for the opportunity to appear today and provide an update on the conservation programs assisted by the agency that I represent.

Farmers are good stewards of the land, and NRCS's mission is to help them meet the conservation challenges while maintaining productivity. The backlog of program requests is a testament to landowner interest. Today I would like to highlight the many ways our conservation programs are making a difference. Our programs are voluntary and help farmers meet regulatory pressures. In short, I believe the conservation programs are a win-win for the farmer and the country as a whole.

Before I outline those, I want to say a word about the cornerstone of our work, the conservation technical assistance provided by the NRCS work force. The assistance that we provide to land users is contingent upon the talents and technical skills of our field

staff around the country. They are the trained professionals who have the technical tools, the standards and specifications to get the job done. The partnership we have with individuals and State and local governments is as important today as ever before. There is still a great demand for the conservation technical assistance provided by NRCS's staff. NRCS works with local conservation districts, American Indian tribes, resource conservation and development councils, and State and local governments, all of whom combine substantially to complement NRCS's technical and financial assistance.

Next I would like to highlight the accomplishments of the Wetlands Reserve Program, or WRP. WRP preserves, protects, and restores valuable wetlands. The WRP is also making a substantial contribution to the restoration of the Nation's migratory bird habitats. The 1996 act authorized the total enrollment of 975,000 acres in the program. At the conclusion of fiscal year 2000, the program had almost reached maximum enrollment. In fiscal year 2001, the appropriations provided an additional 100,000 acres. From inception of the program, interest in WRP has been strong. There is five times as many acres offered than can be enrolled in the program. WRP continues to be very popular and has strong support around the countryside.

The Farmland Protection Program protects prime or unique farmland, lands of State or local importance, and other productive soils from conversion to nonagricultural usage. It ensures that valuable farmland is preserved for future generations and also helps maintain a healthy environment and sustainable rural economy. The program was initially funded in the 1996 act at a level of $35 million. To date, those funds have been exhausted, and local interest in the program continues to be very strong. For fiscal year 2001, additional funding provided in the Agricultural Risk Protection Act of 2000 will fund the Farmland Protection Program at $17.5 million. On June 5, 2001, this funding enabled USDA to approve grants to 28 States, including Michigan, to protect approximately 28,000 acres of farmland nationwide.

The Environmental Quality Incentives Program, known as EQIP, provides technical, financial, and educational assistance to farmers and ranchers who face serious concerns with soil, water and related natural resources on agricultural land and other land. The program continues to be successful. Over 76,000 farmers and ranchers applied for assistance in fiscal year 2000. After the applications were ranked based on criteria developed at the local and State level, 16,443 long-term contracts were approved. Since inception of the program, demand for the program has remained high around the country.

Madam Chairman, in closing, I would note that good conservation does not just happen. It takes all of us, including Congress, conservation partners in the States, and counties, and most importantly, the farmers and ranchers who make a living on the land working together to make it happen. As exemplified through the many programs and activities that are underway, there is a great deal happening on the ground here in Michigan. The conservation measures that are being applied and maintained on the land are not only helping farmers and ranchers build more productive and

economically viable operations, they are also building a better natural resource base for the future. We are proud of their accomplishment and look forward to working with you to build on all that has been accomplished in the past.

This concludes my statement, Madam Chairman, and I thank you again for the opportunity to appear. I would be happy to answer any questions that your committee may have.

[The prepared statement of Mr. Williams can be found in the appendix on page 133.]

Senator STABENOW. Thank you very much.

Dave Armstrong.

STATEMENT OF DAVID ARMSTRONG, EXECUTIVE VICE PRESIDENT, MARKETING, GREENSTONE FARM CREDIT SERVICES

Mr. ARMSTRONG. Thank you for the opportunity to participate today in the Senate Ag Committee field hearing regarding the upcoming Farm bill. I commend you, Senator, for seeking input as the public policy debate regarding this issue needs the input and decision of a wide array of constituents. Again, I am Dave Armstrong, and I am the Executive Vice President of Marketing for GreenStone Farm Credit Services.

GreenStone Farm Credit Services is the largest provider of credit to agriculture in the Lower Peninsula of Michigan. Currently we have loans outstanding of $1.6 billion to over 10,000 customers and members. We are a cooperative lending institution and part of the national Farm Credit System. We have had many successes in serving farmers and rural residents within the Lower Peninsula of the State. We have built our capital, positioned over 15 percent of risk-adjusted assets, and maintained a market share that is one of the highest in the United States. When totaling lending to agriculture by banks and GreenStone, we estimate our market share at over 60 percent.

My comments today will cover the following topics: a brief overview and status of GreenStone Farm Credit Services, the condition of agriculture as seen on behalf of GreenStone, and some thoughts regarding agricultural public policy.

GreenStone FCS is a sound lender to agriculture and rural Michigan. GreenStone currently has a capital position of $250 million. Our net earnings remain sound with a pre-tax ROA of near 2 percent while credit quality remains sound at 96.6 percent acceptable and mention paper. Interest rates are very competitive with a majority of rates for commercial lending at prime to three-quarters percent above prime with a majority of our mortgage lending at three-quarters to one-quarter below prime. That is well received by farmers in times of economic stress, believe me.

Agriculture has many challenges as seen through the eyes of its lender. One positive for Michigan agriculture is our diversification. While many sectors have challenges, others continue to perform well. Today significant challenges exist in the cash crop or, quote, the "program crop sectors," as we call them. Without Government payments, this entire sector would be unprofitable, and credit quality would have eroded. Other challenging areas, as we heard earlier, are dry beans, asparagus, and certainly the apple industry. In

general, Michigan agriculture remains sound with concerns on the horizon regarding oversupply of the basic commodities.

Agriculture is a dynamic industry, and it has changed dramatically over the past 10 to 20 years. Modern agriculture has three distinct segments. Commercial farms, which are a core set of large operators, produce 70-plus percent of all the production. This sector continues to grow and is made up primarily of large family operations. The traditional farm segment is static to shrinking with lower average annual sales with over half of their income derived from nonfarm sources. They account for approximately 17 percent of sales. The remaining sector is part-time or ag consumers, which make up 82 percent of the farms, with only 13 percent of sales. These market segments are critical for analyzing agriculture and serving their needs. The large commercial operations have a significantly different challenge compared to ag consumers and part-time farmers, a key point that needs to be considered in the upcoming Farm bill.

Thoughts on the agricultural public policy include that the commercial farm sector is a very efficient and well-managed group of producers that are very few in number. These units needs risk management, trade expansion, and the ability to participate in or purchase a safety net. Federal crop insurance plays a key role and should continue to play this role in the future. Government subsidy in this arena can eventually lead to self-insurance of risk and decreased Government support payments. Key to its success is expanding crops eligible for participation and underwriting the coverage appropriately.

Crop insurance is not a tool to collect government payments. The least-cost insurance is always the one in which you never collect. Government trade agreements and enhancing the opportunities for agriculture to participate in world trade are also key areas for Government involvement in agriculture. A global economy with fair trade provides opportunities for all. Finally, a future public policy that contains supply controls has proven unsuccessful as recognized in the last Farm bill. U.S. agriculture becomes the world's supply control mechanism which, in a global economy, only supports more production outside of the U.S. In the long run, our export markets will be lost to foreign competitors.

In summary, there are many challenges facing agriculture, ag lenders, and ag businesses. Early discussion regarding public policy in the next Farm bill are critical to carve out a policy that is market driven with opportunities for safety nets for commercial agricultural producers. I commend you, Senator Stabenow, for beginning the process and look forward to providing additional information as appropriate. Thank you.

[The prepared statement of Mr. Armstrong can be found in the appendix on page 139.]

Senator STABENOW. Thank you, Dave.

Joanne.

STATEMENT OF JOANNE WERDEL, POLICY ANALYST AND COMMUNICATIONS SPECIALIST, CENTER FOR CIVIL JUSTICE

Ms. WERDEL. Good afternoon. My name is Joanne Werdel. I am a policy analyst with the Center for Civil Justice. I should point out

that in addition to our organization and our clients, I am also providing testimony today on behalf of the Building Bridges Network, which is a statewide coalition of persons and organizations concerned about hunger in Michigan. I have the honor of being the only person talking about the consumer side of agriculture and food issues. We work with low-income clients in Michigan.

I want to talk first about some of the positive things that are happening in the food stamp program. As many things as need improvement, there are always good things to talk about. The food stamp program is a critical program for Michigan. It supports Michigan working families, it supports children and seniors with special nutritional needs, and it also targets very effectively families who need assistance the most. I want to touch on each of those a little bit.

It is written out in my written testimony to you, but we have a client who has been very gracious about allowing us to share her story. There is often a stigma that is attached to food stamps, and she has been able to see the value of sharing this story and has been very gracious about letting us do that. Her name is Karen Robuck. She and her husband Earl live in Midland, Michigan. Earl had, for many years, been able to support the family in his work in the construction trades, but several months ago injured his back; but he didn't injure it at work and so hasn't been able to receive workers' compensation. Karen went to work. They have three children. She has been able to find part-time work at their local Target and working about 30 to 35 hours a week at $6 an hour, which, you can imagine, doesn't provide enough barely even for shelter expenses much less to feed a family of five. Because of their family size and her low wages, they have been able to get slightly over $400 a month in food stamps, which has been able to keep them housed and fed and has been an incredible support for their family. She has said, "You know, if it weren't for food stamps, we'd be out on the street. We wouldn't be able to feed our children." They provide a really compelling example of how important food stamps is for families who have low wages, generally who are working really hard but struggling, and also families who, from time to time, may have temporary emergency needs.

The other thing that the food stamp program does is pay special attention to individuals with special nutritional needs. It is about food and nutrition and so that is appropriate. It pays special attention to very young children, especially those whose brains and whose bodies are developing at amazing rates and provide special exceptions from work rules for parents who have children under the age of 6 because the food stamp program understands how important it is to protect the nutritional access or access to nutrition for very young children. It also provides special rules for individuals who have disabilities or for seniors. There is a special medical deduction for seniors. There are special housing exemptions for folks who are seniors or have disabilities because the food stamp program understands that folks who are spending money on medicine or have special needs in those groups can't then also spend their money on food. Finally, it targets very effectively those families who need assistance the most. Through a series of different deductions, the program takes into account that money you spend on

one expense can't then be spent in the grocery store to purchase fresh fruits and vegetables and other necessities. The biggest deduction for Michigan, hands down, is the shelter deduction. You know, we all know how much we all spend on our own rents and utilities each month. About 70 percent of all the households in Michigan who get food stamps receive the shelter deduction. Those are some of the good things that are happening in the program.

You will find on the last page of the written testimony some suggestions for moving forward, some positive provisions that exist in the House bill already, and some areas where we feel that the House bill fell short. I will just kind of list those really briefly.

One is that legal immigrants, who are here completely lawfully and completely legally, if they have an emergency, can't get access to food stamps. This affects not only them but also citizen children. We have seen in Michigan, just in the last couple of years, the number of citizen children who live with legal immigrant parents who have access to food stamps drop by about 57 percent. These are folks—these are children who should be getting food stamps but are not. Individuals who are able-bodied and childless have very restrictive special rules in the food stamp program and generally lose food stamps after 3 months, even though they may be looking for work, are more than willing to work, and would like to work.

Finally, benefits, because of cuts in 1996 and because of inflation adjustments that were stripped from the program, have lost value then every year from there on out. We are suggesting that on the Senate side the inflation adjustments be restored and also that the cap on the shelter deduction for those families who don't have senior or disabled members be removed.

Thank you again for the opportunity. It is an honor.

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

Senator STABENOW. Thank you, Joanne. I will just mention that this morning we did have someone from Focus: HOPE who has the commodity program there joining us as well. It was an important part of the testimony this morning. The nutrition title and the issue of food stamps is a very important part of the Farm bill, so we appreciate your being here.

I am wondering if you could speak to how low-income families that are working in general are doing in Michigan right now and what you see in terms of making the food stamp program more effective or accessible for our low income working families.

Ms. WERDEL. Sure. I would be happy to. Well, first, folks are definitely working. There is no question that families in the wake of welfare reform are absolutely at work and working hard. Unfortunately, most of them are still struggling. The average wage for folks who leave welfare for work in Michigan is about $6 an hour. It varies from area to area from $5.85 to $6.22, but that is not enough to raise a family, clearly. It doesn't bring a family of three or four even to the poverty level. Nationwide, studies indicate that about half of the working families who should be receiving food stamps or who could be receiving food stamps are actually participating. There is no State-level data right now for Michigan on that, but we do know that pressure from the quality control system and

the evaluation system in the State has caused Michigan and other States to make choices about policies that restrict access to working families.

For example, in 1998, Michigan created a rule that required families with earnings to re-apply every 3 months, whereas families who have more stable income are not as error-prone and only had to re-apply every 12 months. You can imagine that by the time you have on food stamps a month goes by, you are starting paperwork and interviews all over again, and applying for food stamps is a complicated and burdensome process, often taking up to 5 or 6 hours reading and interviewing and filling out the application. Once that policy was instituted between fiscal year 1998 and fiscal year 2000, we saw working families drop from, like, 98,000 in Michigan to about 64,000. It clearly had an impact in preventing access to the food stamp program.

Senator STABENOW. Well, thank you very much for being here.

Ms. WERDEL. You are welcome.

Senator STABENOW. We appreciate all of your testimony.

Ms. WERDEL. My pleasure.

Senator STABENOW. I know that you are under a time constraint so if you——

Ms. WERDEL. I do have to run. I apologize. I feel rude but——

Senator STABENOW. If you need to leave, we certainly understand but appreciate your being here.

Dave, I wonder if you might respond to a couple of questions. You have talked about crop insurance and its effectiveness as a risk management tool. We know that many of Michigan's specialty crops are not covered. That is one of the challenges for us in Michigan, is so much of what happens—we have too many crops that aren't able to have access to the federal programs. We have made some changes last year in the reform of crop insurance. There was an effort to both increase the federal subsidy but also to expand to some specialty crops. In meeting with some folks last night on this issue, one of the things that they were talking about was the fact that the costs in Michigan, particularly if you are getting up to above 50 percent coverage, are so much higher that people just aren't purchasing those plans. There is a question of how do we expand the number of people purchasing to bring the price down. It is one of those things where if you only have sick people buying health insurance, then the cost is going to be higher than if you have healthy people and have everybody participating in the insurance pool, then the price goes down. We are seeing that in Michigan as it relates to crop insurance right now. I am wondering if you might speak for a moment as it relates to specialty crops that aren't covered on crop insurance and the impact that you see that that has on them.

Mr. ARMSTRONG. Well, that is a huge question. Certainly, crop insurance—we look to crop insurance as a mitigator of risk in our loan portfolio. The amount of money that we are able to loan to our customer who has high levels of crop insurance far exceed those who may not have the financial position or safety net of that particular risk management tool. When you look at diversity in Michigan, it is very obvious how we need to expand it to other crops. As I recall, Michigan is second only to California in our diversity.

When you consider corn, soybeans, and some of the other smattering of crops that today are approved in Michigan, it is only a finger in the dike of what we need in terms of risk management in this state. We need to expand to crops that are already approved in other States or crops that are approved in other counties, or we need to accelerate pilot testing of different programs. We need to be innovative in developing new programs, like the crop cost to production policies that were mentioned earlier today. They just have a huge impact to manage the risk. It is a good win for everyone. The farmer actually puts some dollars down to cover their own risk and at the same time, the Federal Government is stepping in to subsidize. Then, of course, we have a pretty good system of delivery through the partnership of the Federal and private delivery system. We just need to continue to develop innovative products and make a system that is in place today better.

Senator STABENOW. In general, you are involved with our current agricultural economy and see what is happening. What would you say in terms of what is happening and how our farmers are doing today versus 10 years ago?

Mr. ARMSTRONG. Well, I would say that they are probably doing about as well, if not a little better, as we speak today. Our credit quality, as I said, was over 95 percent—96.6 percent acceptable and mention paper. That is relatively high. That compares to that same percentage being in the mid 50's at the depths of the crisis of the mid-1980's. Our credit quality has improved dramatically for many reasons.

Of course, in most recent years, those reasons include the continual increase in Government payments, ad hoc payments, and those have been critical to our core commodities. Certainly we have seen some sectors that have had success, poultry and some others, whose exports have increased. By and large, most of our producers in Michigan are going to have a tough time of it come the fall of 2001 because of the weather disasters that we are seeing out there and some of the other issues that have hit the asparagus growers, the apple growers. When people say, "How is agriculture doing in Michigan?" we almost have to say, "Well, which crop are you talking about?" It makes it a very difficult problem to solve.

Senator STABENOW. Well, thank you.

Ron, let me talk for a moment about conservation. As I mentioned earlier, we are going to see an emphasis really on strengthening our conservation programs in the country under the leadership of Senator Harkin. That is really a priority for him and for me and many members of the committee, and I appreciate your work. We are going to need your constant involvement in this as we move through the process of writing this. I am wondering if you could share with me the impact of the WRP in terms of the impact on landowners in Michigan and to what extent there is a continued need. You spoke about it a little bit in terms of WRP, but if you could talk a little bit more about that program and the impact and the compelling need for landowners and producers to enroll marginal lands in the WRP.

Mr. WILLIAMS. Thank you, Madam Chair, once again. We certainly do appreciate your continued support for conservation. You

provide very strong support and leadership, and we really do appreciate that.

As it relates to the Wetland and Reserve Program, or the WRP program, this has been a very popular program for Michigan landowners, as it has been across the country. There is a large amount of altered hydrology that has taken place over the years in the State of Michigan. There is a great opportunity for wetland restoration. These restored wetlands offer to landowners not only environmental benefits related to water quality and also wildlife habitat, but there are also economic returns for offering an easement into this program.

Currently the Wetland Reserve Program in Michigan has about 210 contracts. We have restored about 22,500 acres. This is providing about $22.7 million to Michigan landowners. The backlog of pending applications to the WRP program, as we speak today, is about 110 applications for about $12.5 million. There is a continued need for the WRP program to make it very important as it relates to the conservation tool kit that Michigan has to provide assistance to producers on those types of lands. You asked the question also about the marginal lands——

Senator STABENOW. Right.

Mr. WILLIAMS [continuing]. For the WRP program. The benefits of restoring and protecting Michigan's wetland resources for water quality improvement, sediment filtration, floodwater retention, groundwater recharge, wildlife habitat, and recreational opportunities are very strong motivations for landowners. In addition to these environmental benefits, the payments that the landowners receive for the WRP conservation easement is very critical to their bottom line from an economic standpoint. Many of the lands that go into the WRP program are marginal because they are subject to being wet. They are subject to flooding. In some cases, producers only may reap a crop from those lands once every 3 to 4 years. The WRP program does give them some way to manage their land, hold on to it, preserve it, conserve it, and at the same time reap some economic benefit from it.

Senator STABENOW. When we look at our conservation programs, do you think, when we are looking at the Farm bill, that we should be looking at strengthening what we have, or do you see gaps and needs for developing whole new programs?

Mr. WILLIAMS. There is probably a need for all of the above, certainly for strengthening what we have and as it relates to some of the existing program infrastructure, like the Wetland Reserve Program, the Conservation Reserve Program, the Wildlife Habitat Incentive Program, the Environmental Quality Incentive Program. A big concern with the Environmental Quality Incentive Program has been that there has not been enough dollars there to really provide adequate financial assistance to producers. Several years ago, if you combined all the programs that went into the Environmental Quality Incentives Program, there was probably over a billion dollars back some years ago combined. That program was reduced to about $200 million annually. There is a need to do that, but I also believe that we need to be looking at opportunities, particularly with the new technologies that we have and the way things that science is currently advancing, we do need to be looking for other

opportunities as we look to the 21st century that we can expand some of the programs and also develop new programs and new opportunities for producers.

Senator STABENOW. Dennis, from MUCC's perspective, when we look at the conservation part of the Farm bill, do you see the current programs in place needing to be strengthened as the major focus, or are there areas that you would see where we should be looking to develop something new?

Mr. FOX. I would have to echo Ron's comments all of the above. I mean, strengthen the existing programs, but, there are other areas—other conservation areas that could be strengthened or even further built upon. One area that we are working on at the State level is called a private reserve or Private Forest Reserve Act. It is a State program that provides technical assistance to private landowners on how to manage wood lots, the forest resources on their property. That, on the State level, has been a marginal program just simply because a lot of the dollars and a lot of the technical assistance isn't there. We are working on the State level to buildupon that program and probably revise it so that it works better. You know, something along the lines of that on the State level or on a Federal level would be very beneficial.

I know another program that I have been reading about—and I don't know how much it would impact Michigan—would be grassland restorations. There was in Michigan prior to its development, a lot of grasslands, prairie lands, in the Battle Creek area. I don't know if there is any in existence any more, but restoration projects that would look at the grasslands, prairie lands in Michigan would be beneficial also. I know it would be very beneficial on a national level.

Senator STABENOW. One of the things that Dennis talked about was creating incentives for landowners to open CRP lands for public access. Do you have suggestions on the kind of incentives that you would suggest?

Mr. FOX. As you mentioned between 1992 and 1997, we lost roughly 200,000 acres of farmland where it went. It is a good question: Was it developed, was it turned into forest land or what? Our concern is the loss of land for recreational opportunities. Our membership relies on land for their recreational opportunities, whether it is hunting and fishing during the fall and the winter or hiking and biking and canoeing. You have to have access during the summer, spring months. One of the ways that we could possibly increase or have is make public access attractive to private landowners who are enrolled in the Conservation Reserve Program would possibly be adding some criteria or a criteria to the Environmental Benefits Index. We were actually successful last year with having additional points added to a person's application for enrollment in the state's Purchase and Development Rights Program, which is administered through Michigan's Farmland and Open Space Preservation Program. We were successful in getting two additional bonus points added to a person's application if they would open their property up to public access. We think those types of incentives can allow people who are interested in enrolling in these programs make the cut because a lot of these applications are decided by one or two points or certain criteria and stuff. That is

what we hope would be the type of direction to go to enticing private property owners to increasing the amount of lands available for public access.

Senator STABENOW. Anything, Ron, you would want to add to that?

Mr. WILLIAMS. I would just like to add something, if I could.

Senator STABENOW. Sure.

Mr. WILLIAMS. Not so much to that, but I would like to make a statement. One of the things that I would recommend the committee be very cognizant of, as you are moving forward, is the need for conservation technical assistance. I mentioned that earlier on, and that is the trained men and women who work right alongside producers on a day-to-day basis in the field to help transfer the technology and the information, provide them with good decision-making information that we can help them get good conservation on the ground. If you look at the Natural Resources Conservation Services work force from the national perspective over the last probably 20 years, we have lost considerable staff. The same, of course, has transcended into Michigan from that perspective.

There is a partnership work load analysis that was conducted about a year and a half ago, and that work load analysis indicates that there is a need for about one and a half times the number of professionals out in the field than we currently have. The conservation activities and the issues that we are dealing with today are much more complex than they were in the past also. We are dealing with nutrient management-type issues, livestock waste management-type issues, water quality issues really have emerged and come to the forefront—carbon sequestration and other kinds of issues. The need to have a sound technical assistance work force in place in the field is very critical. I would urge you to consider investing in and perhaps even restoring the Natural Resources Conservation Service work force in the field back to pre-1985 levels. As we talk about more programs, as we talk about expanded amounts of financial assistance, that also increases the burden on the staff to provide assistance in the field.

Senator STABENOW. David, did you have anything else you wanted to add?

Mr. ARMSTRONG. Yes. Just briefly, I would like to just kind of talk about some areas where we believe some attention needs to be paid to the credit title of the Farm bill, specifically with reference to FSA guarantees. Guarantees are our first line of defense, so to speak, against a deteriorating ag economy in order to help extend the economic viability of some of our customers. We have used these here in Michigan extensively over the years. Currently we have about $115 million in guaranteed loans in our portfolio, and that is about 7 to 8 percent of the portfolio. We expect that certainly to rise as we encounter some difficult times ahead in early 2002.

We have been growing about 10 percent a year, even in good economic times, so to assist many of producers. With that, we would like to see an increase in the limit on the FSA guaranteed loans to any one individual raised from 750,000 to 1.5 million to just simply recognize this continued consolidation in, quote, "family farm operations." Family farms are getting larger, and they need that

kind of assistance. We would like to see increased FSA funding for interest rate buy-downs on guaranteed loans to small, beginning, and young farmers. That is a critical component of our public policy, and those folks need some assistance, and that is one way we see we can do that. Also reduce the paperwork burden now associated with the assignment of USDA benefits.

We would also like to create a guaranteed lending program for on-farm storage in addition to existing direct loan programs and raise the ceiling on low documentation FSA guaranteed loan apps from 50,000 to 100,000. These steps would be great in order for us to better serve our producers during tough economic times. Thank you.

Senator STABENOW. Well, we have come to the close. I want to thank our panelists again and everyone who was able to be here today. If you were not playing a speaking role today but would like to add some information or testimony, we very much want to hear from you, as I have indicated before.

Gloria Dennang, who is over here from my staff, will be glad to take whatever you have in writing or you can mail it to us. If you don't have something today and you want to followup based on something that you feel needs to be stressed or was not said today that should be said, we want to hear from you and want you to have a chance to do that.

As a member of the Senate Agriculture Committee, I take my assignment very seriously, and we are going to be working very hard along with Senator Levin. Senator Carl Levin and I work very closely together in partnership on all of these issues. We are going to do our very best to make sure that Michigan's voice is not only heard but that the final Farm bill reflects the needs of Michigan families and Michigan agriculture. We are definitely going to take this information back and put it to work.

It has been very, very helpful to me today to have everybody participate. We will officially draw this field hearing to a close. Thank you.

[Whereupon, at 3:55 p.m., the committee was adjourned.]

APPENDIX

AUGUST 13, 2001

Remarks Prepared for Senator Debbie Stabenow
Agriculture Committee Field Hearing
Grand Rapids, Michigan
August 13, 2001

Good afternoon. I want to thank you all for coming to this Senate Agriculture Committee field hearing on the next Farm Bill.

We held a similar hearing this morning in Frankenmuth and the advice and ideas I heard are going to be invaluable.

Now I'm looking forward to hearing your thoughts on this industry that contributes about $40 billion to our state's economy and employs about 65,000 people so I can share your ideas with my colleagues in the Senate when we sit down to draft legislation.

As a member of the Agriculture Committee, I will be working closely with Chairman Tom Harkin to make sure Michigan is treated fairly on a range of farm issues like specialty crops, dairy production, sugar beets and livestock.

But there are other important farm issues to address as well . . . issues like biofuels, nutrition programs, food safety research and conservation and rural development

We're going to cover a lot of ground in this bill and I want to be sure the Senate hears from Michigan . . . because it has been a while.

In fact, the last time the Senate Agricultural Committee held a hearing like this in Michigan was in 1915.

1915!

Let me give you an idea how long ago that was. In 1915 most farmers didn't own a gasoline-powered tractor. In fact, Henry Ford didn't even start mass-producing his popular tractor – the Fordson – until 1916.

Now, not only are tractors everywhere, they often carry computers and are linked to satellites.

So it's been a long time. But I promise you that now that I am sitting on the Agriculture Committee, we will not wait that long to come back here again.

Before we begin, I would like to a moment to acknowledge some of the people in the audience who have taken the time to come but who are not on our speaking program for today.

Again, thank you all for coming and showing your support.

This hearing is important to me. I was born and raised in Clare and family farming was a big part of our community.

And ever since I was a little girl, I was always amazed by the diversity of our Michigan farm products. You know, sometimes I hear people refer to the Midwest as "America's Breadbasket."

In the case of Michigan, I think that's a bit of an understatement. We're more than the breadbasket. We're the whole kitchen table.

We've got meat, fish and fowl.

We produce more than 100 commercial crops – including a variety of specialty crops like cherries, apples, blueberries and asparagus.

We've even got maple syrup for your morning pancakes.

And you can wash all this down with a glass of fresh delicious milk from our milk producers.

In fact, Michigan is second only to California in the diversity of our agricultural production.

That means that agriculture in this state is important not only to Michigan, but to families across the nation – and around the world.

That's the good news. But there are concerns.

According to the Department of Agriculture, between 1992 and 1997 we lost more than 215,000 acres of productive farmland.

As part of that loss, about 500 family farms vanished and with them about thousands of full-time farmers literally left the field.

These numbers disturb me greatly and I'm looking forward to hearing our panelists talk about what we need to do to keep Michigan a fertile state for our family farmers.

I believe one way to accomplish that is to see that specialty crop production is offered more support.

I'm also interested in hearing about what conservation measure we need to take so that our farms remain productive and our environment protected.

I'd also like to hear about any research into making our fields more productive and increasing our overseas markets.

Before we begin, I'd like to take a moment to explain the format

We have divided this afternoon's session into two panels. Each panelist will speak for about five minutes.

We have asked the panelists to stick as closely as possible to the five minute limit so that each panelist has a full chance to present their testimony, with time left over questions when all the panelists have finished.

If anyone here would like to add something to what we hear today, I do invite you to submit written testimony that will become part of the official Committee record. If you would like to submit testimony, you can talk to Kim Love of my Washington office to make arrangements.

Again, thank you all for coming. And I promise you we will be back more frequently than just once every turn of a century.

Now I'd like to introduce Allison Fox from the Agricultural Committee who will say a few words on behalf of Chairman Tom Harkin, who could not be here today.

STATEMENT BY DR. J. IAN GRAY, DIRECTOR OF MICHIGAN AGRICULTURAL EXPERIMENT STATION AT MICHIGAN STATE UNIVERSITY
BEFORE THE
SENATE AGRICULTURAL COMMITTEE FIELD HEARING
ON AUGUST 13, 20001 IN GRAND RAPIDS, MICHIGAN

Thank you, Senator Stabenow for inviting the Michigan Agricultural Experiment Station to testify. I am Dr. Ian Gray, Director of the Michigan Agricultural Experiment Station at Michigan State University. I will address the importance of research investments in shaping a positive future for U.S. and Michigan agriculture and rural communities. The Michigan Agricultural Experiment Station is a member of several national organizations such as National C-FAR and Experiment Station Committee on Operations and Procedures (ESCOP) that collectively are working with this Committee to **double the federal investments in food and agricultural research over the next five years** of the Farm Bill.

The Michigan Agricultural Experiment Station has the mission of conducting research for Michigan's future. The future of agriculture lies within the application of strategic research that links the power of new scientific discovery to the real world challenges and opportunities facing Michigan's agriculture and rural communities. The Michigan Agricultural Experiment Station works closely with many of the organizations testifying today to ensure that publicly funded research is targeted to meet contemporary and future needs of Michigan citizens. The complexity of today's challenges and tomorrow's opportunities require a research approach that holistically integrates fundamental disciplinary sciences, applied agricultural sciences, economics, and ecological considerations. Furthermore, this approach needs to be closely linked to social science and public policy activities. The Michigan Agricultural Experiment Station is uniquely positioned to combine the power of these sciences and the strength of Michigan's agricultural and community leaders to chart a sustainable future that is profitable and ecologically responsible, while providing a quality life for all members of society.

The nation invests in food and agricultural research through a two-pronged approach of formula funds to state agricultural experiment stations and competitive grants. **Federal base funding** (such as Hatch, McIntire-Stennis, and Animal Health) provides the foundation for state experiment station' research programs in agriculture, natural resources, human nutrition, rural development, and family and consumer studies. Hatch funding provides infrastructure support for research executed by the Michigan Agricultural Experiment Station. The partnership among federal, state and private funding sources ensures that strategic research is accomplished to address state and national concerns. Federal funding is the glue that holds our research programs together and provides the flexibility to proactively address local agricultural emergencies. We sincerely appreciate the federal funding appropriated in past Farm Bills. However, the federal contribution to the partnership has not increased to meet inflationary costs, thus compromising our ability to aggressively serve the research needs of Michigan and the nation. Federal funding for agricultural research over the past two decades when adjusted for inflation has not increased. The portion of federal research funds that focus on agriculture has significantly declined during this time period when compared to other federal research programs. For example, the ratio of public funds allocated by the Michigan legislature are approximately 7-fold greater than federal

formula funds. The contributions of other funding partners such as agricultural commodity groups further skews the balance among partners. As disturbing as this trend is, the truly alarming reality is that other countries are increasing their support of agricultural research, while we have essentially de-emphasized agricultural and rural development research. In the global marketplace, U.S. agriculture is now facing greater competition from other countries because of these enhanced investments in agricultural research. A healthy partnership among funding sources must be based upon equal participation.

An over-reliance on private funding sources for agricultural research will shift the importance among the funding partners in setting future priorities. Will the priorities of private agribusiness match the interests of the general public or will this trend of declining federal support for food and agricultural research unduly influence our research priorities? I am concerned that a proportional shift away from public funding will threaten the historic hallmark of food and agricultural research conducted by land-grant universities; that is, unbiased research for the benefit of all citizens.

Competitive grant programs funded via the Farm Bill include the National Research Initiative (NRI) and the Initiative for Future Agriculture and Food Systems (IFAFS). Scientists from the Michigan Agricultural Experiment Station are among the best in the nation. I am proud of their ability to compete effectively for competitive grants as individual principal investigators and as collaborators on integrated multi-state proposals. Funding for the NRI programs must be increased to the levels originally planned by Congress and the USDA (i.e., 500 million dollars) if they are to accomplish their full potential. Future innovations in the agricultural sciences will come through the application of new advances in the basic sciences. The NRI goal of strategically advancing fundamental science that is linked to agricultural opportunities is appropriate, but will need to be more inclusive by fully recognizing the potential of social and behavioral sciences in agricultural and rural community research. Additionally, basic research in support of food and agriculture must not be restricted to USDA programs. Efforts by this Committee to include agricultural issues in the research initiatives sponsored by other federal agencies such as the National Science Foundation, National Institute of Health, Department of Energy and Department of Defense will assure that technological gaps are not created between agriculture and other sectors of the national economy.

Stakeholder engagement and research-extension integration is a key component of the IFAFS and the Integrated Research, Education, and Extension Competitive Grants Programs. These programs complement the NRI and provide the necessary integration and multi-disciplinary efforts required to comprehensively address contemporary challenges facing agriculture and rural communities. Without such programs, scientific knowledge generated through the NRI and other research programs will not be applied in an effective and timely manner.

In summary, federal competitive grant programs are a major component of the national agricultural and rural community research portfolio. It is critical that we maintain the appropriate balance between basic and integrated research to serve the citizens of Michigan and the United States. **Formula funding** provides the stability that enables state agricultural experiment stations to address locally important issues and to work collaboratively with surrounding state agricultural experiment stations on regional issues. **Competitive grant**

programs for agriculture must be funded comparably to other national research efforts, focus the best basic science available on food and agricultural issues, and facilitate the integration of research, extension, and educational programs across state boundaries.

I see a bright future for U.S. agriculture if we capitalize on our historic strengths of bountiful and diverse natural resources, proximity to thriving sectors of our economy, and the entrepreneurial spirit of our citizens. Strong innovative and forward-looking research programs are an essential precursor to this scenario. In Michigan we will focus strategically linked research programs in the following six crosscutting initiatives:

1. Food and Society Health;
2. Product Agriculture and Natural Resources;
3. Profitability of Agriculture and Natural Resource Industries;
4. Environment and Ecological Sciences;
5. Emerging and Infectious Animal Diseases; and
6. Families and Community Prosperity.

Concentration of research efforts on these themes will allow Michigan to be a production and processing leader in the emerging sectors of the new economy such as biobased materials and fuels, functional foods, and nutraceutical products. These research themes are consistent with national initiatives.

A strong, vibrant, agriculturally based economy will provide a greatly benefit the citizens of Michigan's urban and rural communities. Many of the societal challenges currently plaguing Michigan communities and agricultural industries are the result of the absence of a profitable agricultural economy and limited future options. A strong federal research program that is linked to future industry opportunities will serve the interests of all citizens. The Michigan Agricultural Experiment Station is ready to be a leader with Michigan agriculture in creating a new and vibrant agricultural economy that will serve the security and economic interests of the entire nation. **Doubling federal funding of food, nutrition, agriculture, natural resource, and fiber research, extension, and education programs over the next five years** is critical to this effort.

Again, I appreciate the opportunity to share my views. I look forward to working with you and the members of this Committee in support of these important long-term objectives. I would be pleased to respond to any of your questions at this time.

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STATEMENT OF THOMAS C. BUTLER, MANAGER, MICHIGAN PROCESSING APPLE GROWERS DIVISION OF MICHIGAN AGRICULTURAL COOPERATIVE MARKETING ASSOCIATION. (MICHIGAN FARM BUREAU AFFILIATE) REGARDING 2002 FARM BILL TO U.S. SENATE AGRICULTURE NUTRITION AND FORESTRY COMMITTEE FIELD HEARING, GRAND RAPIDS, MICHIGAN
AUGUST 13, 2001

My name is Tom Butler. I manage an association of apple growers who produce 65 percent of the apple crop in Michigan. We represent the grower in negotiations with Michigan Apple Processors and also provide a sales function for our members to the processor community. I can assure you that my testimony represents the producer point of view. Some organizations appear to represent the grower when in reality they have other interests to represent. For example brokers, shippers and some trade associations always refer to growers as "our growers" but they really represent interests other than that of the grower.

The following is a short list of items apple producers desire to have included in the 2002 Farm Bill.

1. We support including apple producers in an on-going market loss assistance program which when needed will help domestic apple producers to survive the onslaught of cheap foreign concentrated apple juice and cheap foreign fresh apples. Attached is a letter to Burnette Foods, Inc., a Michigan apple processor, which illustrates the problem with Chinese apple juice in the US Market.

2. We support including apple orchard land and land in other tree fruits in the Conservation Reserve Program.

3. We support expansion of the domestic feeding programs which will use up excess fresh and processed product inventory and provide nutritious food to those in need.

4. We support including a Tree Assistance Program in the farm bill to reimburse apple producers for the cost of replanting including the purchase of trees to reestablish orchards destroyed as a result of natural disasters including fireblight and other tree diseases.

The apple industry is plowing new ground in asking to be included in the new Farm Bill. These are difficult times in the apple industry. There is every indication that tough times will continue in the future. We appreciate Senator Stabenow holding this hearing and ask that she work diligently to include these points when the Senate Agriculture Committee develops its 2002 Farm Bill.

Testimony by Julia Hersey for Agriculture Field Hearing
Hosted by United States Senator Debbie Stabenow
Monday August 13, 2001
Western Michigan, Grand Rapids, Michigan

Thank you Senator Stabenow for allowing me to testify today. For the record, my name is Julia Hersey and I am an apple grower and a board member on the Michigan Apple Committee. Today I'd like to speak to you from an apple grower's perspective.

Apple growers, have been facing extremely difficult economic conditions during the last four years. Markets have been weak and grower prices have been quite low. Here's some of the leading causes for our woes:

- *Large and increasing world supplies of apples,*
- *Large volumes of imports, especially of apple juice concentrate, which has been dumped into United States at extremely low prices,*
- *Declining demand for U.S. exports, especially in certain receiving countries,*
- *Stable, no growth domestic demand for fresh and processed apples,*
- *Large and frequently surplus U.S. supplies, especially from the state Washington,*
- *Mega-merger trend of U.S. retail grocery customers*

As a result of the combination of the above economic conditions, growers in the past few years have experienced low prices and considerable economic losses.

A number of apple growers have been forced out of business during the last few years. More will probably follow their brethren as sources report that they may not be able to repay their loans.

Most growers and much of the apple industry as a whole are considerably worried about their economic future.

Average prices received by Michigan growers according to USDA statistics show a preliminary average price of $4.03 per bushel for the 2000-2001 crop-marketing year. This is probably too high and will likely be revised downward when the marketing year for the 2000 crop is completed.

The Michigan Apple Strategic Apple Task Force unanimously supported efforts to provide our growers with federal assistance through the Farm Bill.

Specifically, it supported efforts to secure a $500 million package for the growers in this country for their market and disaster losses. While such an amount now seems unlikely we applaud your efforts to resurrect the supplemental farm aid bill (***S. 1246***) that included a $150 million relief effort for apple growers. Michigan, being the state's largest tree fruit crop and ranked 3rd nationally, would receive welcome relief from a proportion of this package for its growers.

Some of the hardest hit growers from a natural disaster aspect reside in Southwest, Michigan where fireblight has literally wiped out numerous orchards. For these growers we would support a TAP (tree assistance program).

- *We support increased funding from the Market Access Program (MAP) for apples to help expand export sales of Michigan apples off-shore through the US Apple Export Council.*

- *We support increases to the federally funded WIC (Women, Infants and Children) program to facilitate the purchases of fresh apples.*

- *We support increase purchases of fresh and processed apples in the USDA domestic feeding programs.*

- *We support increases in federally funded research for nutritional research of apples.*

Apple growers are a proud lot and have never asked for this kind of assistance before. However, when our livelihood is at stake we have no other choice than to seek this help. As important to point out, is the fact that without us, the consumer would not have a reasonably priced, and nutritious fruit available to them that is subjected to some of the highest government standards and scrutiny in the world.

Thank you so much Senator Stabenow for giving me a chance to provide you with this information. And again, thank you for all of your help in assisting the state's largest tree fruit crop.

MICHIGAN ASPARAGUS ADVISORY BOARD
12800 Escanaba Drive, Suite A, DeWitt, MI 48820
517-669-4250 (Phone) 517-669-4251 (Fax)
http://www.asparagus.org

Thank you for this opportunity to express our thoughts on a new Farm Bill as it may relate to the inclusion of minor crops and specifically, Michigan asparagus.

My name is Perry DeKryger and I am the Executive Director of the Michigan Asparagus Advisory Board. We are the commodity check-off program for asparagus in Michigan, operating under Michigan Public Act 232.

While I have not polled every asparagus grower in the state, I have spoken with many industry leaders over the past several months and sought their opinions regarding whether minor crops, such as asparagus, should be included in some manner under a new Federal Farm Bill.

The response I consistently received was that there should indeed be some provision in a new Farm Bill to provide a safety-net for minor farm crops such as fruits and vegetables. The Michigan asparagus industry is in need of a safety net at the present time. The industry is going through a transition period in terms of crop usage which is being driven by market forces far beyond grower control.

Traditionally, the majority of Michigan asparagus has been processed with only a small portion going into the fresh market. The demand for processed asparagus has been steady in most years and supplies have, for the most part, been in balance with this demand. This balance is now being disrupted by imports.

In the past, importation of processed asparagus was generally limited to white asparagus from Peru or China. Recently, a trend has developed of importing green asparagus in addition to the white. Every pound of green asparagus imported displaces one pound of processed Michigan asparagus since the market for processed asparagus has no growth potential.

Greater quantities of imported green asparagus are directly related to two trade agreements implemented by our government. Those agreements are NAFTA as it benefits Mexican produced asparagus, and ATPA as it benefits Peruvian produced asparagus.

With this loss of market share, it is imperative the Michigan asparagus industry pursue other marketing avenues more aggressively, while at the same time, seek help from a Federal Farm Program to help carry the industry through this transition period.

It is our belief that inclusion in a new Farm Bill should be commodity specific. Many leaders in the asparagus industry have stated that they want asparagus to be included under a new Farm Bill. However, I have also spoken with growers of other vegetable crops and they are adamant that they do not want any type of government program involved with their specialty crops.

A farm bill should include some provision that would allow growers of a particular commodity, such as asparagus, to gain relief or protection in an area where they cannot be competitive with foreign producers. For example, in growing asparagus, the price of labor is a big issue. In Peru, the standard wage paid for harvest labor is $4 to $5 per day. Our Michigan growers are compelled to pay over $5 per hour, and in fact, most good harvesting crews working on a piece rate earn $8 – 10 per hour. Still, an adequate labor supply continues to be the biggest challenge in producing asparagus.

In many past Farm Programs, payments were based on what a producer did or did not harvest. In the future, we may need to focus these payments on a more highly defined target, such as the disparity between labor costs, as in the example I just sited. In other instances, the focus may need to be on how strong the US dollar is compared to the currency of another country or some other market variable.

Another provision under a new Farm Bill that would benefit asparagus growers would be to expand the CRP to allow entry of old asparagus fields. Many old asparagus fields that are no longer profitable are on highly erodible ground. These could best serve the grower and the community by being in the CRP which would take them out of production for at least 10 years. This would allow growers to retire unprofitable fields, cut surplus crop poundage and protect a natural resource that is highly prone to erosion.

In a new Farm Bill, the prerequisites for USDA purchases of commodities should be redefined. USDA has many feeding programs that benefit millions of people, both in and out of the country. It has been our experience however, that USDA very seldom solicits asparagus for purchase,generally, only after Congressional prodding. This should not be the case. All commodities produced in the US should be purchased routinely by USDA and used in feeding programs.

These purchases should be accelerated in years when a particular commodity is in excess, especially when the excess is due to loss of market share caused by importation of cheaper, offshore product.

Finally, as an additional safety net in a new Farm Bill, a provision should be made in the annual Ag budget process to provide money for market loss payments to specific commodity growers when unusual situations cause a loss of

income greater than what they are able to sustain and continue a viable farming operation. Many different situations could prompt market loss payments such as weather related problems, depressed markets or undue pressure from imports of that commodity.

Whatever methods are used to attain a safety net, they must be able to respond quickly and decisively. If they are so cumbersome and involved that it takes a year or two to generate the needed relief, many of our US producers may be out of business by the time relief is realized.

In closing, I would ask that you stop and consider where we want our food to be produced in the future. Do we want this country to become dependent on foreign producers for our foodstuffs, similar to the way we depend on overseas crude oil, or do we want to put in place some sensible Farm Programs that will enable US farmers growing specialty crops to remain viable for the long run.

SENATE AGRICUTURE, NUTRITION & FORESTRY COMMITTEE
Official field Hearing
Senator Debbie Stabenow, Chairperson
Grand Rapids, Michigan
August 13, 2001

My name is Bob Green and I am Executive Director of the Michigan Bean Commission. The Michigan Bean Commission and I would like to thank Senator Debbie Stabenow for this opportunity to testify and talk about the agricultural difficulties that are happening in Michigan and the United States. Thank you Senator

The Michigan Bean Commission, formed under Public Act 114 in 1965, is charged with doing market development, market research, and promotion programs for Michigan Dry Beans. We also gather and dispense information to growers pertaining to markets and market conditions. The Michigan Bean Commission is completely funded by growers of Dry Beans in the state of Michigan.

Situation: The current situation in agriculture is grim at best. The current prices on virtually all commodities and specialty crops are at "less than cost of production". The consistency of all commodities being in the same under priced and over produced situation, and that situation continuing on for several years, adds to the plight of the Michigan Farmer. The options for a grower to produce a crop that will generate income above his costs is nearly zero. If you add into the equation the drought conditions that have severely hit the Michigan grower this year, you find that a farmer is experiencing his most serious financial situation of his life.

Under the current farm bill, the farmer was told, "you produce it and we will sell it". The farmer did, but the sales did not happen.

At the same time, consolidation in both the elevator/dealer segment of the dry bean industry, and down the chain in the dry bean canner/packager side, has also had its effect on the opportunities a grower is presented when marketing his crop. Fewer buyers have led to fewer opportunities for the grower in dry beans and in virtually all areas of agriculture, including agricultural inputs.

Dry beans, which has had both boom and bust years over the last 20 years, is currently quoting prices that have not been this low in the dry bean industry since the 1970's. In dry beans the over production of two years ago continues to plague us, with anticipated carry over stocks of navy beans abundant enough to satisfy half of the next year's needs.

At the same time our major competitor to the north, Canada, continues to gain acres of all pulses, including those of beans, on land that was traditional wheat ground.

Dry Beans and the government program: Dry beans have not been a program crop since the mid 1960's. At that time the government would buy the crop from growers and sell it back to dealers as demand warranted. Since that time, dry beans have not been involved in the farm bill and have been strictly a "supply/demand" crop. The dry bean industry has promoted this fact around the world, proclaiming that dry beans are not subsidized in any way. Dry bean growers, because of their non-participation in the farm program, have also benefited by not allowing non-traditional growers to plant beans on program land. This benefit has helped the dry bean industry and this benefit must continue.

Time for change: The time for dry beans non-involvement in the Farm Bill has passed. The dry bean base in this state and other states is diminishing yearly. While the dry beans here compete for the same ground that soybeans and corn under LDP competes for, the dry bean industry is not uniform in their desires to be considered under the LDP programs. At the same time, the exclusion of dry beans in the LDP program should not limit their involvement in other parts of the farm bill or other government programs.

What Dry Beans would like: Dry beans, and probably many other program and non-program crops could benefit from the following:

Export Enhancement: The strong U.S. dollar, while good for imports and traveling, has been disastrous to our exports, causing already depressed markets to compete world wide with the weaker currencies of other countries. With Michigan dry beans exporting every other row of beans, this has hit the dry bean industry especially hard. This program would allow the dry bean industry more access to export markets and would include a program designed to offset the strong dollar and offset the added cost of U.S. goods in foreign countries because of this strong dollar. This would promote a government funded program that would allow U.S. exporters to be competitive around the world, (thus not a farm subsidy), by only spending on the 30% of the commodities exported, and then only on commodities that are defined as in "excess supply".

Cost of Production Insurance: This insurance, which would be partially funded by both the U.S. government, and the farmer, would guarantee the grower 100% of his cost of production. Parameters would be put in place to insure that only growers of the crops specified for 5 of the last 7 years would be eligible.

Food and education program inclusion: Non program crops would be allowed on certain food aid programs such as "Food for Global Education", which does not currently allow non program crops to be used. Commodity Credit Corporation and Private

Volunteer Organizations would be encouraged to purchase crops on the "excess supply" list.

Open up existing markets: Open up current markets by negotiating out the current duties charged on dry beans in several potential markets such as Venezuela and Brazil. The duties associated with these two markets limits our ability to be competitive. Our major competitor, Argentina, does not have the added cost of duties and thus gets a definite competitive advantage.

Open up new markets: Open up Cuba to allow the importation of food and food items to this country. Cuba is a net importer of over 100,000 metric tons of beans annually, plus 1.2 million metric tons of corn, 420,000 metric tons of rice, 200,000 metric tons of grains, 60,000 metric tons of oils, 45,000 metric tons of milk powder and 40,000 metric tons of chickens. Cuba is currently importing these items from other countries, thus our embargo of Cuba only makes the Cuban costs of these items higher (Freight), and we lose the opportunity to fulfill the needs of this market with U.S. produced food items.

Domestic food support: Encourage the use of "excess supply" commodities in purchases for domestic food support programs. With the excess supply available in dry beans and other commodities, these items make them an excellent value. Add to that the nutritional value of dry beans, this is just a win win for the purchases.

The Michigan Dry Bean Industry believes that farming and the production of food in this country is a National Security issue. We must protect our agricultural industry in this country to insure that all U.S. citizens can continue to enjoy the inexpensive, high quality food that is available to them now.

StabenowTestimony

MUCC

Uniting Citizens to Conserve Michigan's Natural Resources and Protect OUR Outdoor Heritage

Home of:

Michigan United Conservation Clubs

2101 Wood St. • P.O. Box 30235 • Lansing, Michigan 48909 • 517/371-1041 • FAX: 517/371-1505 • www.mucc.org

July 30, 2001

The Honorable Debbie Stabenow
United States Senator
476 Russell Senate Office Building
Washington D.C. 20510

Dear Senator Stabenow:

The Michigan United Conservation Clubs (MUCC) is writing to provide our comments and suggested changes regarding conservation programs contained in the 2002 Federal Farm Bill. MUCC is actively uniting citizens to conserve Michigan's natural resources and protect OUR outdoor heritage. We are very excited to work with you to ensure the inclusion and support of adequate conservation practices and incentives in the 2002 Federal Farm Bill. MUCC is specifically interested in the following conservation programs:

- **Conservation Reserve Program (CRP)** – As of October 2000, Michigan had 278,629 acres enrolled in CRP. MUCC wants to ensure that adequate funding and incentives are included for continuation of this program. As part of the 2002 Federal Farm Bill, MUCC would like to see the acreage cap raised and an extension of contract length. MUCC also supports some type of additional incentives to landowners who open CRP lands to public access.

- **Conservation Reserve Enhancement Program (CREP)** – MUCC is very excited about this new program that will further enhance the benefits of the traditional CRP program. As part of the 2002 Federal Farm Bill, MUCC would like to see an expansion of CREP to include funding for the entire state of Michigan, so the state can expand beyond the three existing "pilot" watersheds – Saginaw Bay, Lake Macatawa, and River Raisin.

- **Wetlands Reserve Program (WRP)** – Michigan currently has 193 contracts and 21,767 acres enrolled in WRP. Currently 124 unfunded offers are backlogged representing 17,000 acres and $19 million. As part of the 2002 Federal Farm Bill, MUCC strongly supports the reauthorization and expansion of this program to allow for increased acreage enrollment, with an emphasis on 30-year and permanent easements.

- **Environmental Quality Incentive Program (EQIP)** – MUCC is a strong supporter of educational efforts and supports EQIP. Emphasis for EQIP should be placed on improving water quality, comprehensive approaches to farm management, and the development of comprehensive nutrient management plans. MUCC is a supporter of the Michigan Agricultural Environmental Assurance Program (MAEAP). MAEAP was designed by a coalition of agricultural, conservation, and environmental representatives to assist producers in developing farm-specific pollution prevention practices. MUCC believes the 2002 Federal Farm Bill should include provisions to allow programs like MAEAP to receive Federal assistance. The MAEAP steering committee has identified a funding need of $63 million to have 85 percent of Michigan's farms verified through MAEAP by December 31, 2005.

- **Wildlife Habitat Incentive Program (WHIP)** – Michigan currently has 4,163 acres and 312 contracts enrolled in WHIP. MUCC supports the reauthorization of WHIP in the 2002 Federal Farm Bill. In the last Farm Bill, WHIP was authorized for seven years at a funding level of $50 million for the entire nation. MUCC suggests the program receive a funding increase to $100 million to meet the expected demand for the program.

Thank you again for allowing MUCC to provide you with our comments and suggested changes to the conservation programs contained in the 2002 Federal Farm Bill. If you have any questions I can be reached by phone at (517) 346-6487, or by Email at dfox@mucc.org.

Sincerely,

Dennis Fox

Dennis Fox
Environmental Policy Specialist

STATEMENT OF RON WILLIAMS
STATE CONSERVATIONIST, MICHIGAN
NATURAL RESOURCES CONSERVATION SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE
Before the
SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

August 13, 2001

Madam Chairman and Members of the Committee. I am Ron Williams, State Conservationist for the Natural Resources Conservation Service in Michigan. Thank you for the opportunity to appear today and provide an update on the conservation programs assisted by the agency that I represent.

As you know, America's farmers are among the most productive in the world. They not only feed our population with the highest quality, safest, and most affordable food anywhere, but also feed others all around the world. American agriculture has been first to adopt new technologies and to change their processes to adapt to changes in the marketplace, to consumer demands, and to changing societal objectives. Today, farmers face a wide array of new concerns, many associated with the use of natural resources. These include the health of our soils, water supply and quality, and air quality issues.

We know that farmers and ranchers want to be good stewards of the land. They know that stewardship is in their best interest of long-term productivity of farming operations. It is an important factor in the maintenance of farm productivity and influences the effective farmability of their land. It is also important to farmers and ranchers who want to leave improved natural resources and a better environment for future generations. The mission of NRCS is to help farmers and ranchers meet the challenge of sustaining their natural resources while maintaining a productive and profitable business.

Today, I would like to highlight the many ways our conservation programs are making a difference around the countryside. Over the past 15 years there has been an increase in the demand for participation in conservation programs. Farmers are utilizing the programs that Congress has provided for a variety of benefits, including managing

nutrients to save on input costs and protect water quality, restoring and protecting wetlands to create wildlife habitat, installing grassed waterways to control erosion, designing grazing systems to increase forage production and manage invasive species, and many other conservation measures.

Land users are using conservation to improve the productivity and sustainability of their operation, while also improving the asset value of their farms and ranches even during times of economic strain. The programs that NRCS manages are for the most part voluntary. We are helping farmers and ranchers meet some of the regulatory pressures they may face. In turn, benefits from conservation programs go well beyond the edge of the farm field. The public also benefits because of cleaner water and improved environmental condition. Madam Chairman, I believe that the conservation programs Congress included in the 1985, 1990, and 1996 Acts, when coupled with our historic conservation programs are proving winners for the farmer, and the country as a whole.

Conservation Technical Assistance

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

While America's farms and ranches are accomplishing much through the existing financial assistance programs, it is important not to lose sight of the need for ongoing Conservation Technical Assistance. For more than 60 years, the NRCS has provided conservation technical assistance and built a foundation of trust with people who voluntarily conserve their natural resources. On average, the Agency's conservation

assistance leverages more than $1 in contributions for every Federal dollar invested. And through the National Cooperative Soil Survey, approximately, 22,000,000 acres are being mapped each year, so that natural resource decisions are based upon sound science with accurate information.

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

Wetlands Reserve Program (WRP)

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

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

The 1996 Act authorized a total cumulative enrollment of 975,000 acres in the program. At the conclusion of FY 2000, the program had almost reached maximum

enrollment. The FY 2001 appropriations legislation for the Department of Agriculture provided authority for funding an additional 100,000 acres, raising the cumulative enrollment cap to 1,075,000 acres and allowing 140,000 acres to be enrolled in FY 2001.

From inception of the program interest in WRP has been strong. Historically, there have been more than five times as many acres offered than could be enrolled in the program. It is clear from the experience to date that WRP continues to be very popular with farmers and ranchers and is a program that has strong support around the countryside.

Wildlife Habitat Incentives Program (WHIP)

The Wildlife Habitat Incentives Program provides up to 75% cost-share for implementing wildlife habitat practices to develop upland wildlife habitat, wetland wildlife habitat, threatened and endangered species habitat as well as aquatic habitat. It also helps landowners support wildlife habitat development, and to develop new partnerships with State wildlife agencies, and nongovernmental entities.

The program was initially funded at a total of $50 million in the 1996 Act, to be spent over a number of years. As a result of strong interest, those funds were exhausted at the end of FY 1999, at which time 1.4 million acres were enrolled in 8600 long-term wildlife habitat development agreements. For FY 2001, $12.5 million will be provided for WHIP from funding in Section 211(b) of the Agricultural Risk Protection Act of 2000, as authorized by the FY 2001 appropriations legislation.

Farmland Protection Program (FPP)

The FPP protects prime or unique farmland, lands of State or local importance, and other productive soils from conversion to nonagricultural uses. It requires matching funds from States, Tribes, or local government entities or nonprofits that have farmland

protection programs. It ensures that valuable farmland is preserved for future generations and also helps maintain a healthy environment and sustainable rural economy. The program was initially funded in the 1996 Act at a level of $35 million. To date, those funds have been exhausted, and local interest in the program continues to be strong. For FY 2001, additional funding provided in the Agricultural Risk Protection Act of 2000 will fund the FPP at $17.5 million. On June 5, 2001, this funding enabled USDA to approve grants to 28 states, including Michigan, to protect 28,000 acres of farmland.

Environmental Quality Incentives Program (EQIP)

EQIP provides technical, financial, and educational assistance to farmers and ranchers who face serious concerns with soil, water, and related natural resources on agricultural land and other land. Consistent with the authorizing legislation, the program is primarily available in priority conservation areas. The priority areas consist of watersheds, regions, or areas of special environmental sensitivity or which have significant soil, water, or related natural resource concerns that have been identified through a locally-led conservation process. For FY 2000, nearly 85 percent of the EQIP financial assistance funding was provided within priority areas.

The program continues to be successful. Over 76,000 farmers and ranchers applied for assistance in FY2000. After the applications were ranked, based on criteria developed at the local and state level, 16,443 long-term contracts were approved. Since inception of the program, demand for the program has remained high around the country.

Conclusion

Madam Chairman, in closing, I would note that good conservation doesn't just happen. It takes all of us, including Congress, conservation partners in the States and Counties, and most importantly, the farmers and ranchers who make a living on the land working together to make it happen. As exemplified through the many programs and activities

that are underway, there is a great deal happening on the ground. The conservation measures that are being applied and maintained on the land are not only helping farmers and ranchers build more productive and economically viable operations, they are also is building a better natural resource base for the future. We are proud of the accomplishments and look forward to working with you to build on all that has been accomplished in the past. This concludes my statement, Madam Chairman, and thank you again for the opportunity to appear. I would be happy to answer any questions the Committee might have.

GreenStone Farm Credit Services

David Armstrong, Executive Vice President Marketing

Senator Stabenow Field Hearing
U.S. Senate Agriculture, Nutrition, and Forestry Committee
Upcoming Farm Bill Issues
August 13, 2001

Thank you for the opportunity to participate in the Senate Ag Committee Field Hearing regarding the upcoming Farm Bill. I commend Senator Stabenow for seeking input as the public policy debate regarding agriculture and the upcoming farm bill needs the input and discussion of a wide array of constituents. Agriculture is a dynamic and important industry. We as a nation are blest with farmers and ag businesses that provide an abundance of high quality food and fiber that sustains each of us everyday.

GreenStone Farm Credit Services is the largest provider of credit to agriculture in the Lower Peninsula of Michigan. Currently we have loans outstanding of $1.6 billion to over 10,000 customers/members. We are a co-operative lending institution, part of the national Farm Credit System. We have had many successes in serving farmers and rural residents within the Lower Peninsula of Michigan. We have built our capital position to 15.09% of risk adjusted assets and have maintained a market share that is one of the highest in the United States. When totaling lending to agriculture by banks and GreenStone, we estimate our market share at about 60%.

My comments today will cover the following topics:

- A brief overview and status of GreenStone Farm Credit Services.
- The condition of agriculture as seen from GreenStone FCS, the largest agricultural lender.
- Some thoughts regarding agricultural public policy.

The Status of GreenStone Farm Credit Services

GreenStone FCS is a sound lender to agriculture and rural Michigan. As mentioned earlier, we have loans outstanding of $1.6 billion with a capital position of $250 million or 15.09% of risk adjusted assets. Our net earnings remain sound with a pre-tax ROA near 2%. Net operating cost rate is currently 1.05%, and credit quality remains sound at 96.6% acceptable and mention paper.

Last year we completed a consolidation of four separate service centers into one organization that serves the entire Lower Peninsula of Michigan. Interest rates are very competitive with the majority of rates for commercial lending at prime to ¾% above prime. The majority of mortgage lending is ¾% to ¼% below prime. Operating

efficiencies and diversity of risk as a result of our consolidation, plus lower costs of funds, contributed to this successful, competitive lending environment.

Condition of Agriculture

Agriculture has many challenges as seen through the eyes of its lender. One positive for Michigan agriculture is its diversification. While the many sectors have challenges, others continue to perform well. Today, significant challenges exist in the cash crop or "program crop" sectors. Without government payments, this entire sector would be unprofitable and credit quality would have eroded. Other challenging areas are dry beans and the apple industry. Also, the asparagus industry is showing signs of stress as well. Dairy and hogs have rebounded from challenges of one to two years ago, and it appears that the forestry industry is also showing modest improvements.

In general, Michigan agriculture remains sound with concerns on the horizon regarding over supply of basic commodities.

Agriculture is a dynamic industry and has changed dramatically over the past ten to twenty years. Modern agriculture has three distinct segments. Commercial farms, which are a core set of large operators, produce 70+% of all production. This sector continues to grow and is made up primarily of large family operations. The traditional farm segment is static to shrinking with lower average annual sales with over half of their income received from non-farm sources. They account for approximately 17% of sales. The remaining sector is part-time or ag consumers which make up 82% of farms with 13% of sales. These market segments are critical for analyzing agriculture and serving their needs. The large commercial operations have a significantly different challenge compared to ag consumers and part-time farmers.

I would encourage everyone to read a discussion paper presented by Sparks Companies, Inc. entitled "Agricultural Policy Discussion Paper" dated January 2001. This paper discusses these farm segments and provides a foundation for discussion in developing public policy going forward by farm/agricultural market segment.

Thoughts on Agricultural Public Policy

Some general thoughts regarding public policy which will be debated in developing the next farm bill are as follows:

- The commercial farm sector is a very efficient, well-managed group of producers that are very few in number. These units need risk management, trade expansion, and the ability to participate in or purchase a safety net. Federal crop insurance plays a key role and should continue to play this role in the future. Government subsidy in this arena can eventually lead to self-insurance of risk and decreased government support payments. Key to its success is expanding crops eligible for participation and underwriting the coverage appropriately. Crop insurance combined with marketing has significantly assisted farm operations the past few years. Crop insurance can be used appropriately as a tool to manage risk and market commodities effectively. It is

not a tool to collect government payments. The least-cost insurance is always the one in which you never collect. This is true also with a well-managed crop insurance and marketing program.

- Government trade agreements and enhancing the opportunities for agriculture to participate in world trade are key factors for government involvement in agriculture. American agriculture is heavily dependent on exports for income. A global economy with fair trade provides opportunity. Conversely, a trade policy not monitored which allows countries to dump commodities into our market can be devastating. (I.e. the apple industry.)
- The future public policy that contains supply controls has proven unsuccessful as recognized in the last farm bill. US agriculture becomes the supply control which in a global economy only supports more production outside of the US. In the long run, our export markets will be lost to foreign competitors.

The use of marketing loans is appropriate but needs to be managed at a level that does not promote over production. Supplemental payments, while good for farmers and lenders in the short run, cause significant long-term problems. Long term, some discipline by government and recognition by agricultural commodity groups that support artificially high prices are not good for agriculture. Competition with safety nets including crop insurance programs is a better answer.

In summary, there are many challenges facing agriculture, ag lenders, and ag businesses. Early discussion regarding public policy and the next farm bill are critical to carve out a policy that is market driven with opportunities for safety nets for commercial agricultural producers. I commend Senator Stabenow for beginning the process and look forward to providing additional information as appropriate.

Thank you.

The Food Stamp Program in Michigan

Testimony before the U.S. Senate Agriculture, Nutrition and Forestry Committee

Monday, August 13, 2001
Grand Rapids, Michigan

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Making Food Stamps work for Michigan

Senator Stabenow, Chairman Harkin and members of the committee, thank you for the opportunity to testify before the Senate Committee on Agriculture, Nutrition and Forestry about the impact of Food Stamps in Michigan. My name is Joanne Werdel and I am a policy analyst with the Center for Civil Justice, a non-profit law firm specializing in public benefits issues. The Center provides direct legal representation and advocacy to low income clients in a 10 county area of eastern Michigan, which includes the urban areas of Saginaw, Bay City, and Flint, as well as surrounding rural areas and counties. In addition to the full range of services we provide locally, the Center also provides advocacy, training and technical assistance on anti-hunger and nutrition issues on a statewide basis, with particular emphasis on Food Stamps.

I am submitting testimony today on behalf of both the Center for Civil Justice and its clients, as well as the Building Bridges Network, a statewide coalition of organizations and persons concerned about hunger in Michigan, of which the Center is a member. Other members of the Building Bridges Network include statewide groups such as the Food Bank Council of Michigan, the Hunger Action Coalition, and Michigan State University Nutrition and Extension Service, as well as numerous local organizations such as ACCESS (All County Churches Emergency Support System) of Kent County, some of whose member are here today.

Food Stamps support Michigan's working families, children, seniors and persons with disabilities

Karen Robuck lives with her husband Earl and their three children in Midland, Michigan. In February of 2001, Karen's husband, who had previously earned enough working in construction to support the entire family, severely injured his back and has not been able to work since. With her husband unable to work, Karen took a job at the local Target, where she currently works 30 hours a week at $6.00 an hour. With her earnings barely able to cover the family's shelter costs, much less food for a family of five, Karen and her husband applied for Food Stamps for the first time in their lives. Their family's size and Karen's low wages meant that they were able to receive over $400 per month in Food Stamp benefits to help make ends meet. According to Karen, "if it weren't for the Food Stamps, we wouldn't be able to feed our kids. I don't know what we would have done."

Karen and her family are just one of the 300,000 households (over 600,000 children and adults) who rely on Food Stamps every day to put food on the table. Working full time at $6.00 an hour – the average wage of parents leaving welfare for work in Michigan – a family of four barely approaches the 63% of the poverty level. Even with the earned income tax credit, that family still only reaches 85% of poverty. However, Food Stamps can raise that family out of poverty and help make ends meet, making Food Stamps a critical **work support** for low-income Michigan families.

The Food Stamp program also protects our most vulnerable Michiganders; children for whom adequate nutrition is critical for their mental and physical development and seniors and persons with disabilities who may have special nutritional needs.

Over half of all persons receiving Food Stamp benefits in Michigan are children under the age of 18, a third of whom are very young children under the age of 6. In Fiscal Year 1999, over 115,000 children between the ages of 0-5 received Food Stamps in Michigan. Proper nutrition is important in any stage of a child's growth and development, but it is especially critical for infants and pre-school age children. The Food Stamp program places special emphasis on the nutritional needs of children from birth to 5, when children's brains and bodies are developing at an extremely rapid pace and during which time poor or inadequate nutrition can permanently impair a child's future abilities. For example, the Food Stamp program recognizes that parents of children under 6 years old may have special needs and challenges juggling work and child-rearing, such as difficulties finding appropriate and affordable child care or arranging work schedules around a toddler or pre-school age child. The Food Stamp program therefore does not subject a family with a child under 6 years to work-related rules that could put that child's access to food at risk during such a critical developmental stage. Food Stamps differs from the TANF program (Temporary Aid for Needy Families) in this respect. When "welfare" (Aid to Families with Dependent Children or AFDC) changed from a program of income maintenance to a program focuses primarily on labor force attachment, the Food Stamp program

The Food Stamp program also protects Michigan's seniors and persons with disabilities from hunger. Approximately one third of households receiving Food Stamps include an individual with a disability and sixteen percent of households include a senior citizen. The Food Stamp program recognizes that seniors and persons with disabilities often have special needs, such as exceptionally high medical costs far beyond those of the average healthy individual. To prevent seniors and persons with disabilities from having to choose between buying food and paying for necessary medical care, the Food Stamp program deducts monthly medical expenses of senior and/or disabled household members over and above $35 per month when determining a household's eligibility for Food Stamps. This special consideration of medical costs is only applied to seniors and persons with disabilities.

Finally, the Food Stamp program is extremely effective in targeting critical nutrition assistance to those most in need. The Food Stamp program takes into account that money a family spends on necessary expenses, such as housing, child care or child support, is no longer available to spend on food, thereby targeting assistance to those families and individuals who need it the most. Of the various "deductions" for necessary expenses allowed in the Food Stamp program, the excess shelter deduction is by far the most important and most valuable for Michigan, with over 70% of households in Michigan receiving this deduction. The combination of cold Michigan winters that result in high heating and utility costs and fairly high housing costs in general means that Michigan sees more benefits from the shelter deduction than any other state other than New York and Maine.

What is happening to families who need Food Stamps?

Unfortunately, for thousands of Michigan families, the Food Stamp program is not working nearly as well as it is for the Robucks. Between 1995 and 2000, the number of households receiving Food Stamps in Michigan declined by over 38%, far exceeding any decline that could be associated with a decline in poverty rates or even with the loss of Food Stamps to entire groups, such as legal immigrants. At the same time, demand for emergency food assistance has risen in Michigan by over 50% just in the past few years. Unfortunately, the decline in Food Stamp rolls does not mean that families are no longer hungry. In our experience working with families, individuals and organizations throughout Michigan, there seem to be several reasons for this decline.

Burdensome and confusing procedural rules

Many of the rules in the Food Stamp program make it extremely difficult and confusing for families, particularly working families, to receive Food Stamps. While approximately one third of all households receiving Food Stamps in Michigan are working households, studies estimate that nationwide, only slightly more than half of those working families who would be eligible for help actually participate in the program. In Michigan, fear of high error rates and pressure from the Food Stamp Quality Control system has led the state to institute policies and procedures that prevent working families from receiving the Food Stamps they need. For example, because the Food Stamp Quality Control system evaluates states almost solely on payment accuracy, and because earnings of low-income households fluctuate far more frequently than other sources of income, Michigan began requiring working households to reapply for Food Stamps every 3 months. Other households with more stable income, such as TANF benefits or Social Security, are only required to reapply every 12 months. Between 1998, when the 3-month re-application rule began, and 2000, the number of working families receiving Food Stamps in Michigan dropped by 28%.

Decline of immigrant households

One or the most harmful provisions of the 1996 changes to the Food Stamp program was the provision denying Food Stamp benefits to all immigrants residing legally in the United States. In 1997, Congress restored Food Stamp benefits to children, elderly and disabled immigrants who arrived before 1996, but most legal permanent residents remain ineligible for Food Stamp benefits. While not California or New York, Michigan does include substantial immigrant populations who were severely impacted by the 1996 cuts. Between 1996 and 1999 the number of legal immigrants receiving Food Stamp benefits in Michigan fell by 40%, according to Food Stamp quality control data. Of equal concern is the effect that Food Stamp cuts had on poor children, many of them U.S. citizens whose parents happen to be legal immigrants. In the same 3-year time period, the number of citizen children living with a legal permanent resident parent who received Food Stamps dropped by 57% in Michigan.

Decline of adults without dependent children

The second broad category of low-income Michigan residents who lost eligibility for Food Stamps in 1996 were able-bodied, non-elderly adults without dependent children. Federal law now limits eligibility for Food Stamps to 3 months within a 3 year period unless an individual is working at least 20 hours per week. This rule denies Food Stamp benefits not only to individual's unwilling to work but also to those individuals who want to work but who simply cannot find work, or cannot find it within 3 months. While the USDA has provided states with broad waiver authority to exempt areas experiencing high unemployment, Michigan has been unwilling to take advantage of this option, despite the fact that many areas in the state would qualify. Michigan has also neglected to take advantage of the USDA option to grant individual exemptions up to a certain percentage of the caseload. Michigan could tailor these exemptions however they choose, such as exempting persons without transportation to get to work. To date, however, Michigan has not taken advantage of this option at all, forgoing millions in federal nutrition assistance every year.

Inadequacy of current benefits

In 1995 and 1996 the Senate voted to retain inflation adjustments in the Food Stamp program, which were subsequently lost in the conference committee. With the loss of the program's former sensitivity to inflation, the benefits a family receives to help them put food on the table lose more of their value every year. As a result, current benefits are no longer sufficient for even the most basic of nutritionally adequate diets.

Additionally, because the Food Stamp program caps the shelter deduction at $340 for households without a senior or disabled member, many low-income working families who live in areas with high housing costs are unable to receive the nutritional assistance they genuinely need.

Positive provisions in H.R. 2646

- Increased standard deduction takes into account greater nutritional needs among larger households

  Larger families have greater food needs. The farm bill passed by the House Agriculture committee recognizes this reality and adjusts the standard deduction to provide additional benefits to families with 4 or more members. Nearly all the benefits under this provision will go to families with children, more than half to working families and almost 2/3 of the benefits will go to very low-income families below 75% of the poverty line.

- 6 months of transitional Food Stamps for families moving from welfare to work

  Much of the dramatic decline in Food Stamp participation among eligible households has been attributed to confusion and misinformation about Food Stamp eligibility when families left welfare for work. In an attempt to ease this transition and prevent eligible working families from losing critical nutritional assistance, new USDA rules give states the option to provide an automatic 3 months of transitional Food Stamp benefits to families who leave welfare for employment without any further paperwork from the family. The farm bill passed by the House Agriculture committee expands this option from 3 to 6 months and simplifies the reporting rules, making the option easier for states to administer.

- Improved quality control systems

  The Food Stamp program's focus on total and absolute payment accuracy has led states to make policy choices that dramatically restrict access to working families, whose incomes fluctuate significantly more than households with more stable sources of income, such as Social Security, SSI or TANF benefits. The farm bill passed by the House Agriculture committee makes concrete improvements to the Food Stamp program's Quality Control (QC) system so that states can improve access for working families without fear of incurring high QC error rates.

Making Food Stamps work for Michigan – Recommendations

- Restore Food Stamp benefits to all legal immigrants
- Restore Food Stamps to able-bodied adults without dependents
- Ensure that benefits are adequate to meet families' needs by:

  1. Restoring inflation adjustments removed from the program in 1996
  2. Removing the cap on the excess shelter deduction

DOCUMENTS SUBMITTED FOR THE RECORD FROM FRANKENMUTH AND GRAND RAPIDS, MICHIGAN

AUGUST 13, 2001

FARM BILL FORUM
Frankenmuth - August 2, 2001

Statement of
National Farmers Organization

Thank you for the opportunity to testify on behalf of National Farmers Organization. Our members are involved in grain, livestock, dairy and speciality grain production. Grain prices influence most areas of agriculture production and the agriculture economy.

The widening gap between livestock prices and grain prices is due in part to the large LDP program. The present agriculture government program subsidizes corporate livestock input costs increasing their profits and forces taxpayers to pick up the expenses. These program costs have soared to 8 billion for 1999 and 6 billion for 2000 crop so far, according to the Price Support Division of the Farm Service Agency. In combination of market transition payments and other special subsidies over 40 billion was spent in 1999 and 2000 to supplement commodity prices according to USDA.

Our 1999/2000 ending stocks (line 6) prior to Freedom to Farm and implementation of the marketing loan, were only 18% of usage compared to 26.5% in 1989/90. The following chart shows that our farm price (line 5) was substantially better in 1989/90 than in 1999/2000 despite increased usage (line 3) and reduced ending stock inventories (line 4). Please note usage was increased by domestic usage not exports (line 1).

	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.

Low grain commodity prices, advanced by the current farm program, hover at levels of 20 years ago. The NFO promotes higher market price levels by isolating a portion of grain supplies from the market until trigger levels are achieved.

National Farmers proposes eliminating the marketing loan program and establishing a Food Security System (FSS) combined with a price support commodity loan that would:

1. Provide consumer security in our grain system for industrial feed and food usage.
2. Be price supportive for the agricultural commodities.
3. Save taxpayers as much as $20 billion annually through reduced payments to farmers.

Suggested trigger prices would be $3.25 per bushel for corn. $6.50 per bushel for soybeans, and $4.00 per bushel for wheat. The grain placed in FSS would be grain that had been under the Commodity credit Corporation (CCC) nine-month loan and grain producers would be compensated at 25 cents per bushel annually for storage and quality maintenance.

If we announced a farmer owned Food Security System today, which would extend the amount of time before grain went to market, commodity prices would immediately improve, leading to improved economic conditions in rural communities across the land.

The security portion of the proposal is important, because world supply and demand data reveals the lowest grain inventory in recent history. USDA figures show that if a major shift in supply occurs because of a drought or other disaster in the United States, the country has, on average, less than 100 days supply (based on current usage) of the three major crops produced, corn, soybeans and wheat.

A flexible fallow program would complement the FSS program, because farmers have the choice of reducing the percentage of their normal crop acres planted in return for a higher loan rate. That would promote best management practices and improve commodity prices.

In dairy, the organization proposes three key recommendations.

1. Establishing a supplemental payment program to insure dairymen receive a minimum of $11.08 per hundredweight for Class III and IV milk.
2. Reducing negative price effects of Milk Protein Concentrates by restricting imports.
3. Establishment of a nation voluntary Johne's disease eradication program.

TESTIMONY OF WILLIAM BORTEL ON BEHALF OF THE MONITOR SUGAR BEET GROWERS

"THE FUTURE OF SUGAR POLICY"

AGRICULTURE FIELD HEARING HOSTED BY UNITED STATES SENATOR DEBBIE STABENOW FRANKENMUTH, MICHIGAN AUGUST 13, 2001

Senator Stabenow and staff for the Senate Agriculture Field Hearing. Thank you for the opportunity to testify before you today.

I am William Bortel, Executive Director for the Monitor Sugar Beet Growers. I am proud to speak on behalf of the growers – over 1000 farm families producing sugar beets.

First of all, may we congratulate you once again upon being elected U.S. Senator from your friends of the sugar beet industry. You provided tremendous leadership in Congress and now we are

fortunate to have your leadership in the Senate. This hearing speaks for itself in that it's been over 85 years since there was an Agriculture Committee official field hearing in Michigan. We need your voice in Washington to stand up and totally support agriculture and especially the sugar beet industry.

I would like to briefly outline the sugar policy we have requested for the sugar industry. The sugar farmers have been facing a financial crisis with extremely depressed sugar prices. As a result of low prices, last year, for the first time in nearly two decades, sugar producers forfeited a significant quantity of sugar to the government. The forfeited sugar remaining under government ownership overhangs the domestic market. Additional forfeitures are likely this year.

We recommend the following policy path to restore balance and economic stability to the U.S. sugar market – at no cost to the U.S.

government and in full compliance with our WTO and NAFTA obligations.

1. Solve the stuffed molasses import problem. Legislation pending in the Senate – the Breaux-Craig Bill (S 753) will accomplish this.
2. Resolve the sugar provisions of NAFTA with Mexico, to help restore balance to both the U.S. and Mexican markets. NAFTA reduces the so-called second-tier tariff on Mexican sugar, and Mexican sugar only, to zero by 2008. Second-tie entries from Mexico have occurred and virtually unlimited amounts are possible.
3. Resume an inventory management mechanism. The managed policy would balance domestic sugar markets with domestic demand and import requirements, would provide stable market prices at a level sufficient to avoid sugar loan forfeitures, and can be administered by the government at little, or no, budgetary cost.

The sugar industry is working with Congress and the Administration to solve the immediate sugar policy threats --- stuffed molasses and Mexico, and to address the current surplus sugar situation.

We are eager to work with Congress and the Administration on the basic changes to the U.S. sugar policy that will restore long-term economic viability to the American sugar farmers with ample benefit for our consumers, and at little or no cost to the American taxpayers.

Once again, thank you for convening this special hearing and providing us the opportunity to testify.

Statement of
Jeff Eisenberg
Senior Policy Advisor for Agriculture
For
THE NATURE CONSERVANCY

Before the
Committee on Agriculture, Nutrition, and Forestry
United States Senate
August 13, 2001

I. INTRODUCTION

The Nature Conservancy, America's largest conservation organization, appreciates the opportunity to provide testimony on 2001 Farm Bill legislation. The Nature Conservancy views the many important programs under the jurisdiction of this committee as part of a larger mosaic in rural America – programs that help support economic development and the conservation of the natural resources necessary for production agriculture and the welfare of Americans everywhere.

The Nature Conservancy is dedicated to preserving the plants, animals and natural communities that represent the diversity of life on Earth by protecting the lands and waters they need to survive. The Conservancy has more than 1.1 million individual members and over 1,900 corporate sponsors. We currently have programs in all 50 states and in 27 nations. To date our organization has protected more than 12 million acres in the 50 states and abroad, and has helped local partner organizations preserve millions of acres abroad. The Conservancy itself owns more than 1,340 preserves - the largest private system of nature sanctuaries in the world. Our conservation work is grounded on sound science, strong partnerships with farmers and ranchers and others, and tangible results at local places.

Currently, the Conservancy is working at approximately 150 sites around the country to implement conservation through community-based projects. Our plan is to increase this number to 500 sites within the next decade. Because much of the privately held land is used for agricultural production, we are naturally working ever more closely with crop and livestock producers. This work will only succeed if it is built on a foundation of fundamental trust with producers.

The American public appreciates the role that conservation must play in agriculture policy. A recent poll conducted by The Tarrance Group on behalf of the American Farmland Trust showed that 78% of voters approve of government income support programs for producers to correct low market prices and 88% approve of these payments in cases of drought or flood damage.

At the same time, 75% of voters believe that the payments should be tied to implementation of conservation practices. The Conservancy is advocating funding only for voluntary conservation programs in the Farm Bill. Still, we agree with the broader point made by the poll results that conservation should play an important role in agriculture policy.

We are seeking funding for three programs: the Wetland Reserve Program (WRP), the proposed Grassland Reserve Program (GRP), and the Conservation Reserve Program (CRP). Our experience on the ground has shown these three conservation programs to have the greatest potential for meeting the needs of conservation and production agriculture. Other programs such as the Environmental Quality Incentives Program, the Wildlife Habitat Incentives Program, the Farmland Protection Program, and proposed stewardship incentive payments have merit as well. The Nature Conservancy is also interested in promoting carbon sequestration and making improvements to the rural development and research titles. These programs and activities benefit production agriculture and the environment and deserve the thoughtful support of the Committee in formulating long-term agriculture policy in the next Farm Bill.

II. **Principal Recommendations**

A. **Wetland Reserve Program (WRP)**

The WRP is one of the best examples of a program that serves conservation and production agriculture interests. Wetlands are one of the more important natural features found on private lands. They maintain the land resource base by absorbing excess water flows, they provide important filtration functions for groundwater, rivers and streams, and they provide habitat for fish and wildlife.

These ecological benefits also provide direct support for production agriculture. The absorption function of wetlands mitigates the severity of flooding events thereby reducing the loss of valuable farmland. On needs only look at recent flooding events in the upper Mississippi watershed to gain an appreciation for the value of intact wetlands. The filtration function reduces non-point source runoff and helps producers avoid regulatory sanction. As sure as highways and bridges are important infrastructure for commercial vitality in this country, soil and water resources are indispensable infrastructure for agriculture vitality.

Because of these important benefits, the Nature Conservancy considers WRP to be the most important conservation program authorized by the Agriculture Committee. The case for expanding the program is strong. At one time, there were more than 220 million acres of wetlands in this country. This number has now been reduced to 110 million acres on private land and approximately 20 million acres on public land. To date, the Wetland Reserve Program has restored 1 million of these acres. The demand for

participation in the program has far outstripped the availability of funding by approximately a 4:1 ratio.

Producers embrace the WRP for a number of reasons. Some producers simply love the land. They have worked all their lives and want to preserve its natural character. Some producers are in financial distress and need the cash infusion made available by the program. Other producers decide to retire flood-prone land and use WRP money to purchase more productive land. Some producers use the money to make additional capital investments in their operation or save the money for their retirement. Many producers generate additional income through the program by renting WRP land to hunting groups.

As indicated, the current program is very popular and much needed. The need for a robust reauthorization of the program was further increased by the Supreme Court's recent decision in Solid Waste Agency of Northern Cook County (SWANCC) v. Army Corps of Engineers, which weakened protection for isolated wetlands on agricultural and other lands. For these many reasons, the Conservancy recommends authorizing the enrollment of 1.25 million new acres through the structure of the existing program.

B. **Grassland Reserve Program**

The Nature Conservancy has been working hand in hand with the National Cattlemen's Beef Association to create a program that protects grasslands. The Grassland Reserve Program, S. 1153, was introduced by Senators Craig, Thomas, and Feinstein on June 29, 2001, and has since been co-sponsored by Senators Crapo and Dayton. The bill protects grasslands through permanent and thirty-year easements. It imposes no regulation on grazing. The principal prohibition in the bill is against breaking the soil for crops or any other purpose. The bill also allows private entities, such as ranching land trusts, to hold easements under the program,.

The Nature Conservancy and the Cattlemen share a strong commitment to keeping working landscapes intact. The Conservancy understands that unless there is economically viable activity in rural America, the land could be lost to less desirable uses such as development. The Nature Conservancy's number one conservation goal in the west is to keep large grass landscapes intact. The Cattlemen want to keep their ranchers on the ground. Our interests in this matter are thus very much in alignment.

The Nature Conservancy, the Cattlemen, and Ducks Unlimited, co-sponsored a study of grass issues entitled "United States Grasslands and Related Resources: An Economic and Biological Trends Assessment". An executive summary of the study's conclusions is attached to this testimony. The study itself is available upon request.

The study documents that the pre-European settlement coverage of grasslands in the contiguous 48 states was approximately 923 million acres, about half of the total land.

Most of this potential grassland (883 million acres) was west of the Mississippi River and about 582 million acres of it was on land that is now privately owned. By 1997, USDA reported only 402 million acres of "rangeland" in the 22 states west of the Mississippi River, excluding federal lands.

Losses of grasslands have been greatest in the Tall Grass Prairies and Savannas because these lands were better suited for crop production. Thus, states like Iowa, Illinois, and Indiana have virtually lost all of their potential grasslands. However, conversions to cropping and other land uses are not confined to just the Tall grass areas, Mixed and Short Grass Prairies have also been lost. For example, Oklahoma had only about 14 million acres of "rangeland" in 1997 compared to its 38 million acres of potential grasslands. Similar comparisons for Kansas (16 remaining from 47 million); Nebraska (23 left from 44 million); South Dakota (22 remaining from 46 million) and North Dakota (11 left from 37 million) show similar or even greater losses.

Grasslands provide both ecological and economic benefits to local residents and society in general. The importance of grasslands lies not only in the immense area they cover, but also in the diversity of benefits they produce.

The ecological services provided by grasslands include nutrient cycling and storage of substantial amounts of atmospheric carbon. In general, these ecological functions can be sustained under moderate to light grazing. However, following cultivation grassland soils are likely to lose up to 50% of their original carbon within the first 40 to 50 years.

Grasslands are also key to an efficient hydrologic cycle. The quality and quantity of water runoff and infiltration is dependent upon the quality of ground cover. Converting grasslands to other uses, like cropping, results in increased soil erosion and decreased water quality through increases in sedimentation, dissolved solids, nutrients, and pesticides.

Native grasslands and rangelands directly support the livestock industry. Over 86% of the breeding sheep in the United States are located west of the Mississippi River along with numerous domestic goats and horses whose main feed source is derived from grasslands. The annual inventory of cows that have calved in states west of the Mississippi River have averaged over 25 million head this past decade. Grasslands make up over 95% of the deeded acreage it takes to maintain beef cattle in the Great Plains and Western United States.

Grasslands also support recreational based activities. According to the United States Fish and Wildlife Service, more than 27 million people in the states west of the Mississippi River participated in fishing, hunting, and wildlife observation in 1996. Expenditures related to these activities exceeded $37 billion.

The benefits of open space and scenic amenities afforded by private grasslands are increasingly recognized. Land prices bordering open space have been found to be seven

to thirty-two percent higher than those not bordering open space. Large working farms and ranches also make fewer demands on community services than the rural residential development that often replaces them.

Unfortunately, the biotic diversity of North American grasslands is probably the most altered by human impact of any of the continent's terrestrial ecosystems. The ecological status of many existing grassland systems are heavily influenced at the local level by combinations of habitat fragmentation, undesirable habitat changes due to fire exclusion, declining range conditions due to improper grazing management, and loss of habitat values due to the spread of invasive and non-native plants. Further complications arise from demographic trends related to changes in land ownership. As a result, many species endemic to grasslands have declined substantially in the recent past.

Moreover, grassland losses continue to occur. Historically, the greatest threat to grasslands in the United States was the plow. Conversion of grass to cropland remains an important threat today largely as a result of federal policy providing perverse incentives to convert grass. Government programs such as loan deficiency payments, subsidized crop insurance and disaster relief can act as powerful incentives to convert grass to cropland. The effect of these incentives is particularly pronounced for land that is marginally suited for cropping.

Other land use conversions, population and income driven, have become more important sources of grassland losses in recent times. Many of the remaining grasslands are located in areas with high natural amenities. Low direct economic incentives to an aging population of grassland owners combined with the longest economic boom in United States history and advances in telecommunications and other socioeconomic changes, contribute pressure to convert grasslands into large lot, rural or x-urban homesites.

Unless abated, these programmatic, income, and population based demands will not only continue to remove grasslands from their historical uses, but will continue to fragment the grasslands that remain to the point that they may not be of sufficient size to support their natural biodiversity. Additionally, ranchers need large blocks of land to form ranches of the right size to run economic operations.

The Nature Conservancy recommends enactment of S. 1153 with an initial enrollment of five million acres. The House Agriculture Committee recently approved a version of the Grassland Reserve Program that includes only short-term contracts for the protection of 2 million acres of grass. While we are grateful for that Committee's recognition of the need to protect grass resources, we nevertheless believe that a program with only short-term contracts does little to address conversion of grass because of cropping or demographic pressure.

Some members of the agriculture community have suggested that grass could be afforded adequate protection by simply expanding eligibility for the Farmland Protection Program (FPP). We do not share this view. The FPP is aimed primarily at stopping urban sprawl

by protecting farms under threat of development. The grass program is aimed at protecting a resource, grass, for biodiversity and forage. Many of the areas the Conservancy would seek to protect through a grass program will be in remote areas of the country. While there is some overlap between the FPP and GRP, grass is primarily focused on protecting a natural resource, not on addressing patterns of urban development. This basic focus on conserving valuable habitat for plants and animals is the reason a grass program has enjoyed the broad support of the Sportsmen's Caucus, most if not all wildlife groups, and many well-known environmental groups.

C. **Conservation Reserve Program (CRP)**

CRP and its constituent parts, continuous sign-up and the enhanced program, provide significant wildlife, water quality, and income benefits to producers and the public. CRP provides the security of a stream of income for the life of a contract, which will be available regardless of what happens with commodity prices. The Conservancy particularly favors the enhanced and continuous sign-up components of CRP because of the environmental benefits delivered by protecting riparian zones. CRP is unique among Farm Bill conservation programs because of its potential to effect landscape-scale benefits along riparian corridors.

The Conservancy supports making CRP more economically accessible to producers while also maintaining environmental benefits. One example of such an accommodation would be to allow the use of CRP land to produce seeds for native grasses. Additionally, we support haying and grazing of CRP acres provided appropriate measures are taken to protect rivers and streams and haying occurs after the nesting season for birds. Finally, the contract dollar cap for individual participants should be raised to make possible the realization of conservation benefits on large landscapes.

The Nature Conservancy recommends increasing to 45 million the acres for enrollment in CRP.

D. **Other Conservation Issues**

EQIP is an important source of cost-share dollars to help producers abate non-point source runoff. The Nature Conservancy understands that many producer groups want to ensure that all their members have a chance to enroll in the program regardless of whether they reside in a conservation priority area. We share the view that the program should be simplified.

A proposal the Conservancy has previously shared with the committee would allocate dollars to the various states on the basis of producer demand, rather than a national mandate as is currently the case with conservation priority areas. Incentives could be introduced in areas that have special resource concerns, principally clean water, to

promote producer response to the concern. The proposal is an effort to reasonably balance producer frustration with limited eligibility to participate in the program with the need to ensure that some conservation benefits are actually being delivered with program dollars.

We also seek to raise the dollar caps on the amounts individual landowner can receive under EQIP program contracts. The dollars should be allocated in the first instance on the basis of resource needs. Farm run-off and clean water is the most serious issue facing producers and Americans. Public dollars should be used where they are most needed for this important task.

We appreciate the support the Committee has shown for agriculture conservation through the years, and this opportunity to present testimony written statement to you. The Conservancy looks forward to working with you on these important issues.

United States Grasslands and Related Resources: An Economic and Biological Trends Assessment

Executive Summary

Richard Conner, Andrew Seidl, Larry VanTassell, and Neal Wilkins

Where are the grasslands?

Historically, grasslands occupied approximately one billion acres in the US—about one half of the landmass of the 48 contiguous states. The vast majority of the grasslands were found west of the Mississippi River. However, some native grasslands were scattered throughout the Midwestern and Southeastern States.

Most existing privately owned grasslands are in the Central Plains region between the Mississippi River and the foothills of the Rocky Mountains. At pre-settlement, 64% of the US grasslands were east of the Rocky Mountains. Grasslands west of the Rocky Mountains (approximately 332 million acres) were largely retained under federal management, while more than 90% of those lands east of the Rockies (approximately 565 million acres) were placed under private ownership.

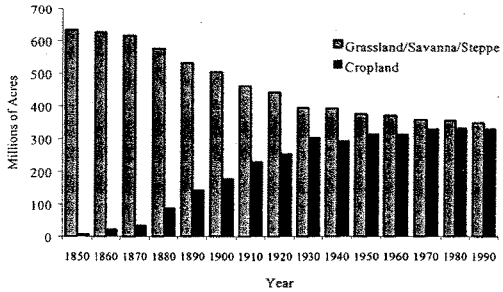
Over 80% of the pasture and rangeland in the 22 western states is in operations whose owners are sole proprietorships, partnerships, or family-held corporations and are operated by persons over 45 years of age. Approximately 90% of the pasture and rangeland is in farms or ranches that contain 6,000 or more acres and have operators who own either all or part of the land they operate.

Why are grasslands important?

Grasslands provide both ecological and economic benefits to local residents and society in general. The importance of grasslands lies not only in the immense area they cover, but also in the diversity of benefits they produce.

Ecological Significance

Grasslands provide valuable ecological services such as nutrient cycling and storage of substantial amounts of atmospheric carbon. In general, these ecological functions can be sustained under moderate to light grazing. However, following cultivation grassland soils are likely to lose up to 50% of their original carbon within the first 40 to 50 years.



Estimated land coverage by native grassland/savanna/steppe *versus* croplands in the US west of the Mississippi River, 1850-1990.

Grasslands are key to an efficient hydrologic cycle. The quality and quantity of water runoff and infiltration is dependent upon the quality of ground cover. Converting grasslands to other uses, like cropping, results in increased soil erosion and decreased water quality through increases in sedimentation, dissolved solids, nutrients, and pesticides.

The biotic diversity of North American grasslands is probably the most altered by human impact of any of the continent's terrestrial ecosystem. The ecological status of many existing grassland systems are heavily influenced at the local level by combinations of habitat fragmentation, undesirable habitat changes due to fire exclusion, declining range conditions due to improper grazing management, and loss of habitat values due to the spread of invasive and non-native plants. Further complications arise from demographic trends related to changes in land ownership. As a result, many species endemic to grasslands have declined substantially in the recent past.

Economic importance of grasslands

Native grasslands and rangelands directly support the livestock industry. Over 86% of the breeding sheep in the US are located west of the Mississippi River along with numerous domestic goats and horses whose main feed source is derived from grasslands. The January 1 inventory of cows that have calved in states west of the Mississippi River have averaged over 25 million head this past decade. Grasslands make up over 95% of the deeded acreage it takes to maintain beef cattle in the Great Plains and Western US.

Grasslands also support recreational based activities. According to the US Fish and Wildlife Service, more than 27 million people in the states west of the Mississippi participated in fishing, hunting, and wildlife observation in 1996. Expenditures related to these activities exceeded $37 billion.

The benefits of open space and scenic amenities afforded by private grasslands are increasingly recognized. Land prices bordering open space have been found to be 7 to 32% higher than those not bordering open space. Large working farms and ranches also make fewer demands on community services than the rural residential development that often replaces them.

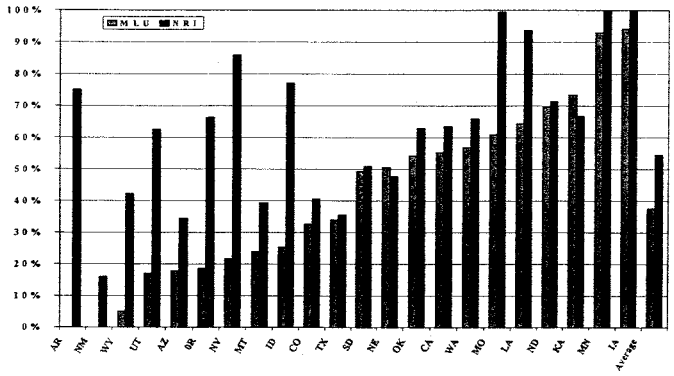
Trends in grasslands

In the 100 years from 1850 to 1950, grasslands west of the Mississippi River declined by 260 million acres as shown above, with the majority converted to cultivated cropland. In the 40 years from 1950 to 1990, another 27.2 million acres of grassland was lost. About 36% (9.8 million acres) of these recent losses were conversions of grasslands to uses other than cropland.

Differences in the definition of grasslands make estimating current acreage difficult. The following figure compares the percent of potential grassland acres lost as indicated by the 1997 Major Land Use (MLU) and 1997 National Resources Inventory (NRI) reports. Federal grasslands are included in the estimate of potential grassland acreage and in the MLU data, but excluded in the NRI data. The MLU and, to some extent, the NRI include non-native seeded pastures. Thus, the NRI will underestimate the area of remaining grasslands for states with federal lands, while the MLU, and possibly the NRI, will overestimate remaining native grasslands in states with relatively more non-native pasture. Despite these discrepancies, it is clear there are few native grasslands remaining in Arkansas, Iowa, Louisiana, Minnesota, and Missouri. Many other western states still have significant acreage of native grasslands remaining, much of which is under private ownership. By 1997, USDA reported 402 million acres of "rangeland" in the 22 states west of the Mississippi River, excluding federal lands.

Examination of areas in Colorado, Idaho, Montana, North Dakota, South Dakota, and Texas not only supported a general decline in grasslands, but also showed the dynamics involved. While 4 to 9% of the land classified as rangeland in each state was converted to other uses (mostly cropland, pastureland or urban land) between 1982 and 1997, in aggregate, loss in rangeland was less because of land being converted back to rangeland. While this reversal softens the total loss

in rangeland, the ecological function of re-converted rangeland is reduced compared to undisturbed native grasslands. Converted rangeland is also more likely to be in smaller, discontinuous parcels, reducing its value as wildlife habitat relative to native grasslands. A variation in loss of rangeland within areas of each state also existed, with some areas experiencing a greater than 20% loss in rangeland and pastureland.



Percent of potential grasslands lost as indicated by 1997 Major Land Use (MLU) report of grassland pasture and range and National Resources Inventory (NRI) report of non-federal rangelands for the 22 western states.

Factors influencing grassland use

Pressure from growth in human population and per capita income, and the resulting demand for property and services, is an ever-increasing threat to the traditional use of grasslands. Between 1990 and 2000, the 22 states west of the Mississippi River gained more than 16.5 million people—a 17.3% increase. This growth was achieved in spite of nine Great Plains states growing by less than 10%.

In general, the policy of the federal government has been to support US production agriculture through protection or subsidization. A common, unintended result of many agricultural support policies has been to provide incentives to convert grasslands to crop production and/or to thwart the re-conversion of cropland back to grass. These "perverse" incentives are provided anytime a policy is the cause of land being more profitable if used as cropland in lieu of grassland. The Federal Estate Tax has also been cited as a cause of fragmentation of rural landholdings, although

the presence of this tax creates incentives to retain lands in agriculture using perpetual conservation easements.

Many of the remaining grasslands are located in areas with high natural amenities. Low direct economic incentives to an aging population of grassland owners, combined with the longest economic boom in US history, advances in telecommunications and other socio-economic changes, contribute pressure to convert grasslands into large lot, rural or x-urban homesites.

Between 1990 and 2000, the market price of agricultural land increased 66% in the western US, indicating a significant increase in the demand for land. Most of this demand originated from non-agricultural interests as prices notably exceeded the productive value of the land.

Conclusions

Historically, the greatest threat to grasslands in the US has been the plow. While the trend of converting rangeland to cropland is still important in some areas, during the past several decades other trends have arisen that continue to threaten the existence and health of grasslands. Among these are relatively low returns to the ranching industry, coupled with an increased demand for grasslands for development purposes. Unless abated, these demands will not only continue to remove grasslands from their historical uses, but will continue to fragment that land so that the remaining grasslands may not be of sufficient size to support their natural biodiversity. One way to abate these pressures for fragmentation is to develop government programs to provide mechanisms and financial incentives to private grassland owners to facilitate grassland retention and restoration (e.g., conservation easements).

Revising government policies to ensure that they do not provide incentives to retain marginal cropland, or convert grassland to cropland, would enhance retention and restoration of grasslands under private ownership. Expanding programs that provide incentives to retain or restore wildlife habitat and encourage wildlife-based land use enterprises could also benefit the restoration and retention of grasslands (e.g., USDA-NRCS's Environmental Quality Incentives Program).

Testimony of

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Submitted to the U.S. Agriculture, Nutrition and Forestry Committee
Thursday, August 16, 2001

Concerning

New Farm Bill Issues

Senator Stabenow, I am a farmer from Michigan. Farmers across the United States are facing an increasing amount of obstacles. Low farm commodity prices, increasing fuel prices, world trade issues. Some of the larger farm groups are addressing these issues. You mentioned that the committee is looking at an Energy section to the New Farm Bill, this is the area I would like to address.

In the U.S. our electrical infrastructure has been in place in the rural areas since the late 1930's and in many areas it has never been updated. For example on our road in 1968 we had 7 houses, today we have 17 houses. The increased electrical demand has been covered by the utilities by increasing the voltage on the wires, but as a result, the antiquated wires are too small to return the current back to the substations. The utilities have begun using the earth as a current carrying conductor. There are No studies that show this practice is SAFE. In Michigan and Wisconsin as much as 60-75% of the return circuit is going by way of the earth. The demand for electricity has also changed, as technology has made leaps and bounds to the computer age. The loads on the electric lines have become unbalanced. Computers, microwaves, hairdryers, TV's all use 120 volts and this is causing a lot of distortion on the electrical wires. Industry has recognized this problem. In Fortune magazine, July 5,1999 issue, Karl Stahikeopf, (EPRI) Electric Power Research Institute states "this dirty power costs U.S. industry anywhere from $4 billion to $6 billion a year." Other estimates put the damage as high as $12 billion a year, including $10 million at one Detroit automaker. In Agriculture in certain areas, we are plagued with low voltage, which burns up motors, shuts down equipment and dairy farmers have problems with their animals eating, drinking, and producing milk. With all the other issues, low prices, weather, trade issues; we do not

need another economic burden placed on our farmers in rural America. If the utility would upgrade their distribution systems with 200% neutral wires, new technology transformer and fuses, we in rural America would have one less issue to have to solve. According to John Benditt of Technology Review in a Wall Street Journal Review interview, today's transmission lines which run at 60% capacity could use new technology to upgrade the existing lines to as much as 85% capacity. Andrew Lundquist, Executive Director of the President's Energy Task Force says the New Mexico LOSES enough electricity off its transmission lines to supply California with its energy needs. The emphases in the next few years will be on building new power plants and only about 4% of the existing infrastructure will be updated.

Why don't the utilities want to upgrade their distribution systems? When voltage goes down, current goes up and meters read current. Therefore, the utilities make more money off outdated wires. We upgrade our highways so we can move our grain to market and now we must address the antiquated electricity infrastructure throughout the United States. Thank you for the opportunity to make the committee aware of a problem plaqueing rural America, it is only going to get worse, as we increase our demand for electricity and we don't address our outdated distributions systems. The wheels of progress must keep turning, but each part of the equation must be responsible for bringing their industry into the 21 century or we should still be driving Model T's or milking cows by hand.

We are requesting that tomato growers, (fruit & vegetable growers-FAV) be relieved of the *three times the AMPTA payment fine*, for growing tomatoes on "contracted acreage", as a result of the 1996 farm bill. Fruit and vegetable (tomato) growers should be given parity with growers of program crops.

In particular we are addressing how such regulations of the 1996 Freedom to Farm Bill, negatively effect production of vegetable crops grown in Indiana and the entire Midwest.

Red Gold is a rapidly growing, value-added agriculture company based in Indiana. As our production needs increase, it is imperative that Red Gold be able to attract growers for our product. *Several of our growers are south Michigan family farms.*

According to 2000 Indiana Agricultural Statistics published by Purdue University, Indiana ranks second in the nation growing tomatoes for processing. However, contracted crop regulations discourage new growers to enter the tomato growing business, or land owners to permit tomato growing on their property if their land does not have an established "base" history prior to the 1996 Farm Bill.

A. The farm program as written in 1996, allows for any crop, *other than* fruits and vegetables (FAV's), to be grown on contracted acreage. Corn, beans, hay and other grazing crops can be grown on contracted acres however, FAV's cannot, except under penalty. If a farmer plants FAV's on specific acreage listed in the contract program, the owner is penalized.

B. Many of our growers *lease* acreage on which to grow tomatoes. If the acreage happens to be contracted acreage ***with no history of tomato growing prior to 1996****, the grower is required to reimburse the federal government deficiency payments.* For this reason, attracting new growers for the tomato industry is made difficult. The landlord will disallow the planting of tomatoes for fear their "base" will be altered.

C. Farm production history of fruit and vegetables was determined during the years of 1991-1995. Most farms in Indiana and the Midwest, have no production history for FAV's, or very little, prior to that period.

D. Agriculture experts continually promote the planting of alternative crops as part of the rotation schedule. The farm program as it is structured, takes vegetable growing out of that rotation.

E. This inequity in the 1996 Farm Bill discourages entrance of young and aggressive farmers into a most viable and profitable crop alternative.

This phenomenon in the farm bill puts Michigan and other Midwestern FAV growers and producers at a competitive disadvantage. Western FAV lobby groups should not be given an advantage in the production marketplace.

We advocate the allowance of tomatoes to be grown on contracted acreage WITHOUT THE *THREE TIMES THE AMPTA PAYMENT FINE.*

Other possible alternatives to the contracted versus non-contracted crop issue created in the Agricultural Marketing Transition act of 1996, to create parity with other crop industries could be as follows.

1. Retain the payments based on number of acres in program crops.
2. Allow flexibility with non-program crops.
3. Eliminate the penalty for growing tomatoes, a non-program crop.
4. Reduce payments on a per acre basis for those acres planted to non-program crops.

We respectfully submit this request to the Agriculture, Nutrition, and Forestry Committee and the Honorable Senator Jesse Helms.

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AGRIBANK POSITION PAPER

CREDIT TITLE OF THE 2002 FARM BILL

What follows are several recommendations we believe Congress should consider when writing the Credit Title of the Farm Bill:

- Increase the limit on the Farm Service Agency's (FSA) guaranteed loans to any one individual from $750,000 to $1.5 million. The current limit is restrictive on many family farm operations, especially dairy and pork producers.

- Increase FSA funding for interest rate buy-downs on guaranteed loans to small/beginning/young farmers.

- Reduce the paperwork burden now associated with the assignment of USDA benefits. At present, the Department of Agriculture requires that the lender and borrower sign an FSA assignment form and file it with the local FSA office each time Congress authorizes a new payment program (as they did in 1998, 1999, and 2000). We recommend that Congress simplify this process by:

    1. Authorizing FSA to create a blanket assignment form that would cover all USDA program benefits.

    2. Allowing the assignment of USDA benefits without using an FSA assignment form. Instead, allow the lender to protect his position by a UCC filing on program benefits in the same manner as a security interest is obtained in other contractual transactions.

- In addition to the existing direct loan program, authorize a guaranteed lending program for on-farm storage facilities.

- Raise the ceiling on low documentation FSA guaranteed loan applications from $50,000 to $150,000.

- Include report language to express the intent of Congress that programs designed to assist small/beginning/young farmers are fully funded.

Prepared Statement
by

United Fresh Fruit & Vegetable Association

Review of Federal Farm Policy Programs
Specialty Crop Issues

Committee on Agriculture
United States Senate

August 13, 2001

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Introduction

Good morning Mr. Chairman and Members of the Committee. United Fresh Fruit & Vegetable Association greatly appreciates the opportunity to testify this morning regarding the future direction of farm policy and views on specific policy recommendations supported by the fruit and vegetable industry.

As the national trade association representing the views of producers, wholesalers, distributors, brokers, and processors of fresh fruits and vegetables, United has provided a forum for the produce industry to advance common interests since 1904. Over the years, the produce industry has gone through tremendous changes in an effort to remain profitable, satisfy consumer demands, conform to new technology, and compete in an increasingly global market place. While the perishable nature of our products present unique challenges and highly volatile markets, the industry has not relied on traditional farm programs to sustain the industry. Rather, we have relied on the economics of supply and demand. However, many of the economic stresses inherent to other commodity sectors are impacting the fruit and vegetable sector as well as other issues unique to our industry. Virtually all commodity sectors of the U.S. produce industry are distressed and American producers have suffered economic damages over the past few years as a consequence of:

- Increase trade competition from subsidized foreign competitors and a strong U.S. dollar;
- Increased cost of production in large part tied to government regulations and mandates in the United States; and
- Adverse consequences of consolidation in U.S. retail trade and other markets reducing the number of supplier customers and reducing access to consumers.

With the combined fruit and vegetable industry in the United States at over $30 billion farm gate value, it is extremely important that all issues affecting our industry be laid on the table for consideration and appropriately acted upon.

Fruit and Vegetable Industry Overview[i]

As we enter this next century, the U.S. fresh fruit and vegetable industry is focused on adding value and decreasing costs by streamlining distribution and understanding customer needs. This dynamic system has evolved towards predominantly direct sales from shippers to final buyers, both food service and retail, with food service channels absorbing a growing share of total volume. The make-up of the industry is also changing as more produce companies introduce value-added products like fresh-cut produce, designed to respond to the growing demands for convenience in food preparation and consumption. In turn, fresh produce also continues to be a critical element in the competitive strategy of retailers, and its year-round availability is now a necessity for both food service and retail buyers.

Because produce's highly perishable nature, the industry's distribution system has evolved in order to move product quickly and efficiently from the major production areas to the retail markets. A number of different, often competing industries form the produce distribution system that procures, packs, ships, warehouses, facilitates transactions between buyers and sellers, and distributes to local retailers and foodservice outlets.
After being harvested, fresh produce is handled and packed either by a shipper or by the grower. For instance, bulk lettuce is often washed and packaged in the field; grapes are pre-cooled and shipped; and potatoes are stored, packed, shipped, and often repacked near the point of harvest.

To estimate the value of fresh fruits and vegetables at the production level, these handling and packing costs are added to growing costs to derive the total value of fresh produce before it is shipped to market. Because the production of fresh produce is highly integrated with the harvesting, packing, and shipping systems, production values are estimated using the shipping point, or f.o.b. (free-on- board), values.

The value of U.S. production of fresh fruits and vegetables by grower-shippers reached $16.8 billion in 1997, up from $10.7 billion in 1987, a 57-percent increase. Fresh fruit production rose from $6.0 billion to $7.1 billion, while fresh vegetables jumped from $4.7 billion to $9.7 billion.
To arrive at the total value of grower-shipper shipments (sales) to the U.S. domestic food marketing system, we must account for imports and exports. Imports of fresh fruits and vegetables equaled $4.1 billion in 1997, a 105-percent increase over 1987's total of $2.0 billion. Both grower-shippers ($2.6 billion) and merchant wholesalers ($1.5 billion) took delivery of 1997's produce imports (See Attachment 1 and 2).

Exports by both grower-shippers ($1.6 billion) and merchant wholesalers reached $3.1 billion in 1997, up 158 percent over 1987. Thus, the net value of produce imports minus exports in 1997 by grower-shippers is $1.0 billion, which, when added to domestic production of $16.8 billion, gives total shipments to the U.S. distribution system of $17.8 billion. One decade earlier, the total value of produce entering the U.S. distribution system from grower-shippers was $11.2 billion.

Although shipments of both fruits and vegetables increased between 1987 and 1997, vegetable shipments jumped 102 percent, versus 19 percent for fruits. The top three vegetables shipped for fresh use were lettuce, tomatoes, and potatoes. These accounted for 52.9 percent of total shipments in 1987, but for only 33.4 percent in 1997. This is partially due to the reporting of more vegetable items beginning in 1997. Among fresh fruit shipments, those with the highest value in 1987 and 1997 were apples, oranges, and strawberries. The leading fruits accounted for 48.4 percent of shipments in 1987 and 51.8 percent in 1997.

Grower-shippers serve a number of domestic produce customers, including wholesalers, self-distributing retailers, foodservice firms, and direct markets. The share of fresh vegetable purchases by wholesalers was estimated to vary from 35 to 55 percent in 1994, by retailers 20 to 40 percent, and by foodservice establishments 25 to 45 percent.

Produce Industry Outlook[ii]

U.S. Farm Receipts – Between 2001 and 2010, projections indicate that total farm value of produce will increase at an average rate of 2.3 percent per year, reaching $37.0 billion in 2010. The farm value of fruits is expected to reach $16.7 billion by 2010, while the value of vegetables and melons is expected to reach

$20.3 billion. These increases over time, though, contradict the current situation in the fruit and vegetable sector.

To put it mildly, the U.S. fruit sector is hurting. This year, for instance, lower prices are expected due to an expected bumper grape crop in California which is likely to put downward pressure on grape prices; frost in Florida is expected to reduce production of oranges in that state; and lower prices are expected for apples due to large supplies in Washington and tougher competition in the global apple market. These large supplies have produced persistent low grower prices during the last few years and recovery is not expected for at least another four years for some crops. Unfortunately, the recovery will not be helped much by domestic demand.

Consumption Increases Expected to be Modest – While produce farm receipts are expected to rise a total of about 23.3 percent during 2001-2010, per capita domestic use is expected to increase a total of only 4.0 percent during the same period. Domestic per capita use of the major vegetables and melons is projected to grow at a faster rate than the major fruits. For the major vegetables and melons (including potatoes), domestic use will increase by about 5.0 percent during 2001-2010, while the increase in domestic fruit use will be less than 1.0 percent. Total consumption of vegetables (all vegetables, including potatoes, and melons) is projected to reach about 473.0 pounds, while per capita consumption of fruits (including citrus and non-citrus fruits, and berries) is expected to reach 310 pounds. As in the recent past, much of the rise in domestic per capita use is attributed to the processing sector (mainly potatoes, sweet corn and tomatoes for vegetables, and apples, grapes and oranges for fruits). On average, potatoes are expected to make up 35.0 percent of all domestic consumption of vegetables during 2001-2010. Further, processed potatoes (mainly frozen) will account for about 49.0 percent of all domestic processed vegetable use during the period. Total potato consumption is expected to increase at an average rate of 1.6 percent per year compared to an average rate of 2.1 percent per year for processed potatoes.

Export Demand Important to U.S. Produce Industry – With production of the major fruits and vegetables increasing in recent years and domestic consumption of these commodities remaining flat, U.S. growers have relied on export demand for some major fruits (e.g. apples, grapes, oranges, sweet cherries, and prunes) and vegetables (e.g. potatoes) to soften downward pressures on domestic prices. Effort in the form of product introduction and promotion abroad had started paying off when the Asian economic crisis hit. The affected Asian economies are now recovering well, and several other developing economies in Asia, Central and South America, Eastern Europe, and Africa are also showing growth. In the future, though, it is the overall world economic growth that will greatly influence U.S. fruit and vegetable exports. It is expected that the developing countries of the Pacific Rim region, Eastern Europe and South America have more potential for U.S. export growth, as their economies are likely to grow faster than the mature economies of Western Europe and North America.

This year projections on trade are in line with those published by the U.S. Department of Agriculture (USDA). Specifically, the value of fruit imports is expected to grow at an average rate of 3.2 percent a year, while that of vegetable and melon imports may grow at an average rate of 4.1 percent a year during 2001-2010. Exports of the major fruits and vegetables will also grow during this same period. The value of fruit and vegetable exports are expected to grow at an average rate of 4.3 percent and 3.6 percent, respectively, per year during 2001-2010. This resumption in growth partly explains the recovery in price for some products in the next two to four years. Export growth may also be influenced by developments in trade and production support policies at home and abroad.

Farm Bill Working Group

In September 2000, produce industry leaders met at United's Washington Public Policy Conference to discuss the industry's participation in developing policy positions for the Farm Bill debate during the 107th Congress. These leaders agreed that as a significant contributor to our nation's agricultural production and positive trade balance it is extremely important that the issues affecting the produce industry be considered and the industry play a major role in the development of the nation's farm policy. As a result, the *Farm Bill Working Group* was created with 40 industry members representing 24 produce organizations from every fruit and vegetable producing region in the United States participating in this effort (See Attachment 3).

Mr. Chairman, let me be clear about this process, the working group took seriously the call from the industry to work and find solutions to the economic concerns expressed over the last several years by our industry. In turn, what we present to the House Agriculture Committee today is the most comprehensive effort to date by the produce industry to develop federal farm policy which elevates the federal government's financial investment into program priorities for the produce industry.

The *Working Group* was charged with identifying specific issue items and deciding what would be the most effective way to participate in order to advance our policy positions. The results of that work are contained in a "blue print" as the produce industry's recommendations for developing farm policy which would be beneficial to the fruit and vegetable industry. Consequently, we also took heed of the message from Congress and examined federal farm programs from top to bottom in developing over 50 legislative recommendations covering 11 key issue areas.

Produce Industry Farm Policy Recommendations

Overall the produce industry strongly supports the development of farm policies that will sustain financial stability and viability of our nation's agriculture industry while maintaining appropriate flexibility for our producers. Ultimately, we believe the goal of any farm policy developed by Congress, the Administration, and commodity groups should not advocate recommendations which distort the market place, but rather promote the development of policy from a "market basket" approach. This market basket approach will look to advance policy that promotes consumption and demand for our agricultural products while developing tools for the agriculture industry that will drive utilization of the tremendous resources we offer the world. Simply stated, the produce industry's Farm Bill Working group supports the overall farm policy goal:

> *Federal farm policy should be developed for the produce industry which ensures good producers are not put out of business due to forces beyond their control. In turn, the federal government should elevate its financial investment into program priorities for the produce industry and work cooperatively in achieving the industry's continued growth and prosperity. Ultimately, the goal of any farm policy should be to enhance the tools necessary to drive demand, utilization, and consumption of our agricultural products and not distort the growth of U.S. agricultural products in the domestic and international market place. Therefore, Congress should utilize the Farm Bill to allocate funding that ensures the produce industry receives a proportionate share of outlays for our industry program priorities. This investment would fund program priorities including:*

conservation incentives; loan mechanisms; nutrition; international market access and food aid; pest and diseases prevention initiatives; marketing and fair trading priorities; risk management tools; infrastructure investments; research priorities; food safety initiatives and, other initiatives.

In following this overarching framework the produce industry is advocating policy changes within the Farm Bill within six primary policy areas that we believe are much needed to address the economic stresses facing the industry. These include: conservation, nutrition, international market Access and food aid, pest disease and exclusion, domestic agriculture policy, and USDA's inspection services and ensuring fair trading practices. Additional issues where the industry has identified policy recommendations that are equally important include: research, food safety, marketing orders and promotion programs, retail trade practices, and risk management tools.

We believe that substantial policy modifications in these areas are much needed to address the economic challenges facing the U.S. produce industry. Commodity prices for many fruit and vegetable crops remain very low, with many at or below the cost of production and we expect that continued pressures from due to increasing costs of production and pressures from subsidized imports will continue to negatively impact the specialty crop sector. To address this unfortunate situation recognizing the unique perishable nature of our products, our industry is requesting that the Committee consider both traditional and non-traditional policy alternatives to help sustain the financial stability and viability of the produce industry while ensuring appropriate flexibility for our producers. The following policy options supported by the produce industry aim to drive demand and consumption rather than ensure support levels that could distort the marketplace.

Agriculture Research

Research serves as a foundation for the advancement of any industry. Unfortunately, over the years, investment in federal agricultural research specifically targeted to meet the needs of the fresh produce industry has been directed to limited priorities and areas of need. Investments in federal research should be re-examined to meet the unique research and development needs of the fresh fruit and vegetable industry including competitive prominence in both the domestic and international marketplace. In particular, research should be focused in the areas of nutrition; new technological enhancements to production and processing systems; new variety and quality improvements; environment and conservation benefits of produce production; crop protection tools and alternatives; and, prevention of exotic pests and diseases.

Policy Statement – T*o further increase economic efficiency within the fruit and vegetable sector as well as document applicable health and environmental benefits to all Americans, the produce industry supports a coordinated federal research agenda to further promote produce consumption and competitive prominence in both the domestic and international marketplaces.*

Legislative Recommendations:

A. Legislation is requested authorizing funding and directing the USDA Agriculture Research Service (ARS), Cooperative State Research, Education, and Extension Service (CSREES) and Economic Research Service (ERS) to expand ongoing research in the area of human nutrition to specifically address:

⇒ The impact of increased fruit and vegetable consumption toward preventing chronic diseases, including reducing obesity, diabetes, diverticulosis, cataracts, cancer, heart disease, stroke, and hypertension, and the overall benefits of whole food consumption including documentation of certain phytonutrients found in fresh produce that may help prevent such chronic diseases;

⇒ Development of more effective behavior-based dietary interventions and health promotion programs within federal nutrition programs to increase consumption of fruits and vegetables based on federal dietary guidelines, including environmental influences, strategies for overcoming barriers to behavior change, and food preference development for children and adolescents; and

⇒ Influences on food choices and options for providing an optimal environment for making informed healthy food choices in a free-market economy including evaluation of different health communications and delivery mechanisms to reach underserved and nutritionally "at risk" populations.

B. Legislation is requested authorizing funding and directing ERS to quantify the clean air benefits of the specialty crop industry in relation to urban sprawl or fallow land.

C. Legislation is requested authorizing funding and directing the ARS and CSREES to conduct research in the areas of mechanized harvesting and new production and processing methods for fresh fruit and vegetable commodities.

D. Legislation is requested authorizing funding and directing the ARS and CSREES to conduct pre-harvest and post harvest research specifically targeted to maintain and enhance the quality of fresh produce, including taste and appearance.

E. Legislation is requested authorizing funding and directing USDA to conduct additional research to develop cost effective and efficacious new crop protection tools and Integrated Pest Management (IPM) systems to address the loss of key pesticides through the implementation of the Food Quality Protection Act (FQPA) and related measures.

F. Legislation is requested that would authorize funding for USDA to conduct specific research to identify and prioritize the harmful economic/health impact of foreign invasive pests and diseases now threatening the U.S. and for the development of corresponding eradication/control programs.

G. Legislation is requested directing USDA to elevate the priority of current methyl bromide alternative research and extension activities and reexamine the risks and benefits of extending the current phase-out deadline for methyl bromide based on the economic impact of leaving U.S. farmers and the food industry with no viable alternative.

H. Legislation is requested requiring greater transparency and coordination in the planning and dissemination of federal research findings between federal research agencies and private sector commodity associations and related produce companies.

Conservation

Today, consumers have affordable access to the most abundant and diverse food supply in the world. However, aside from market diversity and competitive prices, consumers demand that food be held to a very high standard. Likewise, consumers want an agricultural production system that not only produces abundant, affordable and safe food and fiber, but also conserves and enhances the natural resource base and protects the environment.

Unfortunately for producers, investments in natural resource management and conservation are rarely recouped. The short-term economic value for the farmer does not compare to the ecological and fiscal benefits for the public and for future generations. The benefits increase for the public in the form of a more stable and productive farm economy and an improved environment. Protecting the environment and productivity today will mean less cost for producing products in the future and will therefore assist in ensuring sustainability in the years ahead.

For the produce industry, there continues to be mounting pressures of decreased availability of crop protection tools that can be used to provide the abundant and safe food supply the consumer demands. In turn, environmental regulations continue to put pressure on the industry's ability to be competitive in a world economy. Because of these factors, the industry should consider any available assistance that encourages producers to invest in natural resource protection measures they might not have been able to afford without such assistance.

Policy Statement – *The federal government should offer a basic level of funding assistance and credit to preserve its commitment to support conservation initiatives to guarantee a safe, healthy and sustainable environment within produce production areas.*

Legislative Recommendations:

A. Legislation is requested to provide for the expansion of the Conservation Reserve Program, Conservation Reserve Enhancement Program, and Conservation Buffers cost-share programs. Acreage eligible to be enrolled in the CRP should be increased to 39 million acres. New acreage should be targeted towards conservation buffers, filters strips, and increases in state designation CRP priority areas from 10 percent to 15 percent. Particular focus should also be given to addressing the need to address participation rates in regions of the U.S. were land values are higher than the national average, thus discouraging participation.

B. Ultimately, the goal of conservation and environmental programs is to achieve the greatest environmental benefit with the resources available. As has been indicated in previous testimony before the Committee, there is a tremendous backlog of unfunded EQUIP proposals. Arbitrarily setting numerical caps that render some producers eligible and others ineligible is

not an effective utilization of policy priorities. Given the importance of the EQUIP program in providing cost-share assistance to the produce industry, we request legislation to:

⇒ Increase the funding for the Environmental Quality Incentives Program providing that 25% of overall funding be provided for specialty crop conservation projects.
⇒ Remove funding limitations between livestock and crop producers and funding availability for all agricultural producers.
⇒ Remove size restrictions of producer's operation.

C. Many fruit and vegetable producers would like to enroll in various USDA conservation programs including the CRP and CREP. Unfortunately because of the current conservation priorities established under previous Farm Bills for conservation programs, it remains difficult for produce farmers to utilize these important programs effectively. Consequently the produce industry would strongly encourage Congress to consider initiatives such as the Conservation Security Act which would provide an economic incentive-based program for voluntary participation in developing and implementing conservation management plans. Through the implementation process, a producer would then become eligible for government assistance based on the environmental benefit gained from the implemented conservation management plan and the cost associated with this plan. Conservation management plans would look to address clean air, water quality, and conservation, soil erosion, currently defined Integrated Pest Management practices, and wildlife habitat restoration.

Due to the inherent nature of the produce industry and various production practices, we ask the Committee to work with the produce industry in the development of program guidelines and funding allocations to meet the specific and unique conservation needs of the specialty crop growers.

Domestic Agriculture Policy

In an effort to control farm spending, give farmers greater planting flexibility, and be consistent with trade agreements to lessen subsidies and production controls, the 1996 farm law discontinued production controls, capped marketing loan assistance, and broke the link between farm payments and market prices. Eligible farmers were guaranteed annual, lump sum "market transition" payments that declined in amount each year until 2002, when they were to be phased out entirely. These annual contract payments were made regardless of market prices and production, and farmers were given almost total planting flexibility – with the exception of the limitation of planting fruits and vegetables. For the first two years after the Farm Bill, prices for many farm commodities and farm income reached record highs. However in late 1997, prices and income began to fall as supplies grew and demand fell. The absence of a so-called "safety-net" to counter economic downturns put pressure on Congress to approve a series of "emergency" farm aid measures to shore up farm income.

The fact that large supplemental payments were adopted three years in-a-row has caused a critical examination of domestic support policy. A substantial portion of the farm relief was disaster assistance, which is not related to commodity support policy, however, about $27 billion in supplemental relief was paid to farmers. In general, the produce industry agrees that fruit and vegetable producers should be an

equal participant in federal assistance programs that neutralizes forces beyond its control such as weather, disease, or other natural disasters.

Policy Statement – *The federal government should elevate its financial investment into program priorities for the produce industry and work cooperatively to ensure U.S. fruit and vegetable producers are competitive in domestic and international markets. In turn, the goal of any farm policy should be to enhance the tools necessary to drive demand, utilization, and consumption of fruits and vegetables, and not distort the production and marketing these commodities in the United States.*

Legislative Recommendations:

A. The current planting restrictions for fruits and vegetables, as prescribed under the Federal Agricultural Improvement Act of 1996 (FAIR), **should be maintained**.

B. The current limit on direct operating loans of $200,000 should be increased to $500,000 for producers of perennial fruit and vegetable crops.

C. The current limit on guaranteed operating loans of $731,000, which is adjusted annually for inflation, should be increased to $1.5 million for producers of perennial fruit and vegetable crops.

Federal Nutrition Policy

Fruits and vegetables are more than simply an agricultural crop – these products are the keys to health for millions of Americans. Today, between 300,000 and 600,000 Americans die each year due to unhealthy eating and physical inactivity. The greatest opportunity to exert some budgetary control over the soaring health care costs associated with these premature deaths is to invest in prevention efforts through healthy eating. For the first time, the *Dietary Guidelines for Americans 2000,* jointly published every five years by the U.S. Department of Health and Human Services (HHS) and the USDA, includes individual guidelines urging all Americans to eat a minimum of five-to-nine servings of fruits and vegetables daily. While nutrition policy is not solely a Farm Bill issue, we have a unique opportunity to make sure that policies under the purview of the House and Senate Agriculture Committees are carefully considered so that the new *Guidelines* are fully implemented. To this end, future farm policy will not only support American agriculture; it will support and encourage the health and well-being of all Americans.

Policy Statement – *Across the life span, proper nutrition is critical in promoting health, preventing disease, and improving quality of life. Therefore, agriculture policies and related domestic and international nutrition assistance programs should support incentives and key strategies that help Americans reach national health goals and ultimately reduce health care costs.*

Legislative Recommendations:

A. To optimize the amount of fresh fruits and vegetables in the USDA feeding programs (including School Lunch, School Breakfast, Child and Adult Care, TEFAP, FDPIR, Elderly Nutrition Programs, and CSFP) authorize $200 million per year for increased purchases of surplus produce commodities for distribution in USDA food distribution programs.

B. Establish a Food Stamp supplemental benefit for the purchase of fresh produce at participating retailers and farmers markets. To improve the diets and reduce chronic disease health risks of individuals who are eligible to receive Food Stamps, a supplemental benefit of $10 per week would be provided on their Electronic Benefit Transfer (EBT) card. This supplemental benefit would be added onto the current Food Stamp participants EBT card and could be utilized to purchase only fresh fruits and vegetables.

C. Legislation is requested that aims to improve the health of WIC participants who are found nutritionally at risk in vital nutrients. This provision would require USDA to incorporate into the WIC monthly food package a variety of produce commodities which provide vital nutrients needed for eligible WIC participants. Presently, WIC food package produce commodities are limited to fruit and vegetable juices and carrots.

D. To begin to address the increasing problem of obesity among children and associated risk of cardiovascular diseases, diabetes, and other serious health problems, a supplemental increase per meal shall be provided for fresh produce purchases. Increase reimbursements to local school districts for additional purchases of fresh produce include the expansion of salad/fruit bars within appropriate nutrition assistance programs.

E. Legislation is requested to authorize funding and directing USDA to conduct a study of procurement, contracting, and delivery procedures to be completed within 12 months, aimed at increasing produce purchases within the USDA feeding programs based on the Dietary Guidelines for Americans 2000. The study should specifically examine AMS procurement and contracting procedures to optimize the amount of fresh produce purchased through USDA. This study should also have the direct participation of produce industry experts.

F. Legislation is requested to authorize funding and direct USDA to create a public/private matching program to initiate a nationwide education program to promote increased fruit and vegetable consumption. Similar to the MAP program, produce companies and association would provide a detailed proposal which would be used to elevate the awareness and educate the targeted audience on the importance of proper diets and physical activity. If approved USDA would match (up to 50%) of the implementation cost for this program.

G. Legislation is requested to expand USDA's Global Food for Education pilot program, formally announced in September 2000, to allow the purchase of U.S. fresh produce commodities in order to meet nutrient deficiencies of under-served populations.

Food Safety Initiatives

The *Federal Food, Drug, and Cosmetic Act* (FFDCA) provides' ample authority to FDA to assure the safety of fresh fruits and vegetables. Under the FFDCA, FDA is granted wide latitude to refuse food into interstate commerce if it appears from an examination, or otherwise, that a food is adulterated, misbranded, or has been manufactured, processed or packed under unsanitary conditions. The produce marketplace is highly intolerant of unsafe food and will react swiftly to outbreaks of foodborne illness. Today, grocery retailers and restaurant operators routinely ask their produce suppliers what measures have

been implemented to assure safety and likewise, insurance carriers ask their grower, packer and shipper clients to take appropriate steps to minimize food safety related risks. The produce industry has made great strides domestically and internationally to identify potential sources of microbial hazards in fresh fruits and vegetables, and the industry has and is willing to implement prudent measures to prevent the outbreak of problems in the future.

Policy Statement – *The fresh produce industry is committed to reducing the risk of foodborne illness and is highly intolerant of unsafe food that may result in foodborne illness and can affect public perception about the health benefits of increased produce consumption. Stringent voluntary measures should continue to be employed to identify and reduce potential sources of microbial hazards in fresh fruits and vegetables. Additionally, the fresh produce industry supports the implementation of prudent measures including education initiatives at the industry and consumer levels to reduce occurrences of microbial pathogens and promote sound sanitary practices.*

Legislative Recommendation:

A. Legislation is requested that would authorize a public/private food safety education initiative to educate consumers and growers, shippers and handlers of fresh produce about scientifically proven practices for reducing microbial pathogens and consumer/handler messages for reducing the threat of cross contamination through unsanitary handling practices.

B. Within the Office of the USDA Secretary, increase funding for USDA's Office of Pest Management Policy (OPMP) is requested.

International Market Access and Food Aid Policy

The economic well-being of the produce industry and other agricultural commodity sectors depends heavily on exports which account for one-third or more of domestic production, provides jobs for millions of Americans, and makes a positive contribution to our nation's overall trade balance. This year, the value of U.S. agriculture exports is projected to be approximately $53 billion, well below the record $60 billion in 1996. This decline is due to a combination of factors, including continued subsidized foreign competition and related artificial trade barriers. Without improved international trade policies that advance open and fair trade practices in the global market, the U.S. surplus in agricultural trade which has declined over 50 percent during the last five years will continue to fall.

U.S. fruit and vegetable growers face significant obstacles in the development of export markets for their commodities and unique challenges due to the perishable nature of our products. Without further commitment to export market development by the federal government and commitment to reducing tariff and non-tariff barriers to trade, the U.S. produce industry will continue to lose market share to global market competitors.

Policy Statement – *To eliminate the trade inequities created by the combination of world subsidies, tariffs, and domestic supports as measured against the current U.S. tariff structure and trade policy, aggressive policy measures should be enacted to maintain and expand U.S. agricultural exports, counter subsidized foreign competition, maintain and enhance U.S. agriculture's favorable trade balance,*

improve agricultural income, protect and increase export-related jobs, and strengthen U.S. trade negotiating positions under the WTO.

Legislative Recommendations:

A. Legislation is requested to increase funding authority for the Market Access Program (MAP) from $90 million to $200 million. In addition, the MAP program should be altered to provide flexibility in expanding the five year stipulation for international product promotions under the MAP based on existing market access and trade barriers.

B. Legislation is requested to authorize a minimum of $35 million for the Foreign Market Development (FMD) Cooperator Program.

C. Legislation is requested to authorize increases in funding for all foreign food aid programs (including P.L 480 [Titles I, II, III], Section 416(b), and Food for Progress). Also enact legislation that establish allocation priorities and allows for the utilization of U.S. fresh produce commodities for eligible countries in order to meet the nutritional needs of various underserved populations.

D. Legislation is requested to authorize a Technical Assistance for Specialty Crops (TASC) fund within the Foreign Agriculture Service (FAS) to address the unique technical problems facing exports of U.S. fresh fruits and vegetables. Such a fund would be used to remove, resolve and/or mitigate phytosanitary and technical trade barriers. Activities would include but not be limited to research, pest risk assessments, field surveys, development of database/resource materials, training, technical and/or professional exchanges.

E. Legislation is requested that would provide the United States Trade Representative with enhanced authority to automatically enforce retaliatory actions based on the substantiation of any unfair trade barrier found to severely threaten the economic viability of any agricultural commodity.

F. Legislation is requested to fully implement the Byrd Amendment as related to anti-dumping compensation as provided for in the FY 2001 Agriculture Appropriations bill.

Marketing Orders and Promotion Programs

Under the Agricultural Marketing Agreement Act of 1937, marketing orders and marketing agreements, were established to help stabilize market conditions and expand, maintain, and develop markets in the United States and abroad for fruit and vegetable products. Promotion and research programs are similar to marketing orders, but are established under separate legislation or the under the authorities established in previous Farm Bills. Fruit and vegetable marketing orders, promotion programs, and research programs are administered and overseen by USDA's AMS and all handlers who are in a geographic area prescribed by an order must abide by its rules. Ideally, the programs assist farmers in allowing them to collectively work to solve marketing and promotion problems. Industries voluntarily enter into these programs and choose to have federal oversight of certain aspects of their operations. Programs for fruits and vegetables are administered by local administrative committees, which are made up of growers and/or

handlers, and often a public member. Committee members are nominated by the industry and appointed by the USDA Secretary. The regulations are issued and become binding on the entire industry in the geographical area regulated if approved by at least two-thirds of the producers by number or volume and if approved by the Secretary.

Policy Statement – *Congress and the Administration should continue to support the use and development of marketing orders, promotion programs, and research programs as tools for the fruit and vegetable industry to help influence consumption and facilitate increased marketing opportunities. In general, the produce industry believes that marketing orders and promotion programs share common goals to stabilize the agricultural economy, promote agricultural products, protect consumer health, and providing funding for necessary research and new product initiatives. Overall, these programs benefit producers, consumers, and the agricultural economy.*

Legislative Recommendations:

A. Legislation is requested which would require a review of the regulatory structure for marketing orders, promotion programs, and research program guidelines to streamline the current regulatory structure to enhance the use of promotion programs and limit administrative cost for the participants to a specified budget percent or dollar cap whichever is less.

B. Legislation is requested defining a specific timeframe for USDA to act on nominations submitted for USDA appointment to commodity boards and local committees.

C. Legislation is requested to clarify the ability of marketing order and related promotion and research boards to participate in public discussions regarding food safety, product quality, and market access to increase export market development.

D. Legislation is requested to expand USDA's current options to enforce compliance.

E. Legislation is requested mandating the review of the use of the generic marketing orders, promotion programs, and research programs established in the 1996 Farm Bill to enhance its effectiveness and usefulness.

F. Legislation is requested to exempt certain competitive or proprietary (such as competitive sector analysis or research results) information from disclosure under the Freedom of Information Act.

G. Legislation is requested which would clarify the definition of "persons" under the Sherman Act, and apply greater anti-trust protections to committee members when acting within the scope of their service to the industry.

Pest and Disease Exclusion Program Policy

The liberalization of international trade in agricultural commodities and commerce coupled with global travel has greatly increased the number of pathways for the movement and introduction of foreign, invasive agricultural pests and diseases. Fruit imports increased from 1.35 million metric tons in 1990 to

2.82 million metric tons in 1999, while imports of fresh citrus products alone increased from 101,000 metric tons in 1990 to 348,000 metric tons in 1999. Vegetable imports increased from 1.90 million metric tons in 1990 to 3.73 million metric tons in 1999 and fresh tomato imports have doubled during that period as well. In addition, states such as California and Florida are seeing record numbers of tourists and other visitors arriving each year. Some 330 million visitors entered California and Florida collectively through airports, seaports and highways in 1998, a combined increase of over 4.5 percent over the previous year. Also, new pest pathways such as wood packing materials are emerging.

The estimated economic harm to the United States from these biological invaders is now estimated in excess of $120 billion annually. Recognizing the need to address this serious situation, the produce and nursery industries strongly supported the passage of H.R. 2559, the *Plant Protection Act of 1999*, which now offers USDA the improved means to protect our nation's agricultural crops from invasive pests being transported into this country. Additionally, USDA's APHIS report, *Safeguarding American Plant Resources - A Stakeholder Review of the APHIS-PPQ Safeguarding System*, which was coordinated by the National Plant Board contains over 300 recommendations for preventing the further spread and future outbreaks of exotic diseases and pests in the future. Expeditious implementation of the *Plant Protection Act*, in coordination with the recommendations included in the *Safeguarding Report*, are imperative to preventing future losses and maintaining stability within the produce industry.

Policy Statement – *With economic damages from invasive pests and disease now exceeding $120 billion annually, the fresh produce industry supports expedited and aggressive actions by the federal government in cooperation with the industry and stake holders at the state and local levels to eradicate and protect the domestic market from increasing threat of exotic pests and diseases entering the U.S. through international commercial shipments of products as well as the importation of agricultural contraband by vacationing travelers and commercial smugglers.*

Legislative Recommendations:

A. Legislation is requested authorizing funding and providing direct responsibility and related expanded authority for APHIS to develop an adequate emergency eradication/research fund that could be accessed to address economic and health threats posed by invasive pests and disease as determined by the USDA Secretary. This fund would be set up as a revolving account (no-year fund) which would be capped at $50 million. Consequently, the fund would be replenished based on a fiscal year utilization.

B. The produce industry strongly supports the expiration of Section 917(5) of the FAIR Act allowing for all user fees collected under the Agricultural Quarantine Inspection (AQI) program to be utilized for AQI.

C. Legislation is requested to codify the primary role of APHIS in "*safeguarding America's plant resources from invasive pests*" and underscoring the importance of expeditious implementation of the 300+ recommendations contained in the *Safeguarding Report* and related efforts to facilitate market access.

Retail Trade Practices

In the past year, trade practices between fresh produce shippers and food retailers gained national attention. The Federal Trade Commission (FTC) and the U.S. Senate Committee on Small Business conducted hearings with industry leaders, government officials, and academics who offered their perspectives on how both the recent wave of supermarket mergers and the growth of new trade practices have affected various industries, including the produce industry.

Fruit and vegetable growers are deeply concerned about the consolidation of retail food marketers in the United States. In turn, the produce industry strongly supports appropriate federal and congressional oversight of retail mergers and consideration of the impact of that consolidation on the fruit and vegetable industry. For example the five largest food retailers in the country accounted for 40 percent of industry-wide sales equaling $270.7 billion in 1998 compared to five years earlier, when the top 20 companies were needed to reach the same percentage of sales. As buying power concentrates within the retail industry, fruit and vegetable producers have fewer customers to whom they can sell their highly perishable and price sensitive commodities. The net result is continued pressure to reduce prices paid to growers. Unfortunately, consumers rarely see the benefit of these lower producer prices. Recent government surveys confirm a wide disparity and general lack of relationship between farm and retail prices.

In addition to heightened pricing pressures, fruit and vegetable growers and shippers are increasingly being asked to provide trade promotion payments to retailers, ostensibly to support the marketing costs of the grower's crops. In practice, however, growers report that these pay-to-play payments rarely result in visible benefits, and may only serve to boost profit margins for retailers. Ultimately, the cost of these fees comes from the growers' profit margins, which in today's environment are very slim and in many cases non-existent.

Policy Statement – *Congress and the Administration should thoroughly review the implications of consolidation of food retailers and suppliers and the impact on fruit and vegetable growers and shippers should be a major component of that review. Ultimately, produce marketing and retail trade practices must be measured against the criteria of whether they add value to the product, enhance market access, and increase availability to the consumer.*

Legislative Recommendations:

A. Legislation is requested that would authorize funding and direct USDA's ERS to augment existing research efforts on the impact retail trade practices has on the fruit and vegetable industry.

B. Legislation is requested that would authorize funding and direct USDA to prepare guidelines and recommendations of PACA enforcement latitude for slow pay, inspection retribution, and other reprisal type activities.

C. Legislation is requested that would authorize funding and support a joint examination by Congress, USDA, and FTC of the effect on small businesses and consumers and whether the concentration of market power is adversely affecting normal market place efficiencies.

Risk Management Tools

Risk has always been a part of agriculture and today, agriculture producers have an array of tools at their disposal with which to manage risk. These tools include crop and/or revenue insurance, production contracts, marketing contracts, hedging in futures, futures options contracts, vertical integration, diversification, off-farm income, and production and cultural practices.

The produce industry has changed dramatically over the years and the industry is now learning that it is a game with new rules, new stakes, and most of all, new risks. The nation's most successful producers are now looking at a deliberate and knowledgeable approach to risk management as a vital part of their operations. For them, risk management means operating a business with confidence in a rapidly changing world and their ability to deal with risks that come with new and attractive business opportunities. Over the years, little has been done at the federal level to ensure that the fruit and vegetable industry has access to risk management tools that are cost effective and reliable. Additionally, the produce industry has become increasingly concerned about the development of risk management products that can create market distortion.

There now exists a window of opportunity to change the way produce industry risk management tools are developed and administered in such a way to reflect the fundamental differences between growing and marketing fruit and vegetable crops as opposed to traditional farm program crops. By increasing the flexibility of risk management tools that will respond to the diverse and heterogeneous needs of producers and commodities, and by creating policies that are of real value to growers, opportunities for effective risk management options for the fruit and vegetable industry can be achieved.

As Congress begins its consideration of the 2002 Farm Bill, general oversight of the ARPA will clearly be a part of the mix. This will allow the produce industry an opportunity to assure that USDA is giving proper weight to its mandate to improve service for fruit and vegetable growers. If there are weaknesses or gaps in the legislation, we will have a chance to refine it so that the produce industry is supportive of the effort.

Policy Statement – *Public and private sector development and utilization of risk management tools which help to neutralize forces beyond the produce industry's control such as weather, disease, or other natural disasters should be strongly encouraged. In turn, the produce industry also supports improvements and innovation for the advancement of risk management tools that do not distort the fresh fruit and vegetable market by price elections that are higher than the market place or by having policy provisions that encourage additional or over production. Finally, the adoption of strong enforcement mechanisms which will prevent fraud, manipulation, and abuse of risk management options must continue.*

USDA's Inspection Service and Fair Trading Practices Programs

USDA's fruit and vegetable inspection is a voluntary, fee-for-service program, administered by the AMS since 1928. The objective of the inspection program is to facilitate trade by providing buyers and sellers of fresh fruits and vegetables with impartial and accurate information about the quality (inherent, non-progressive characteristics, such as size or shape) and condition (defects of a progressive nature, such as decay or ripeness) of shipments of fresh produce based on well-known, published USDA standards.

The inspection program for fresh fruits and vegetables is available at shipping points located in growing areas and at wholesale markets and other points where large volumes of fresh produce are received. At shipping points, inspection is requested by growers, processors or packers for quality assurance, to satisfy the requirements of state or federal marketing orders, or to verify compliance with specifications on fresh produce. At wholesale markets, fresh produce inspection is most often requested to resolve a dispute between a buyer and seller about the quality or condition of delivered produce. In either case, the inspection program enables financially interested parties to verify the extent to which shipments meet expectations.

At wholesale markets, either the seller or a prospective buyer can request AMS inspection. Although shippers at times initiate the request, most often it is buyers that ask for inspections, generally when they suspect that the shipment does not meet contract requirements and are seeking an adjustment in the price. Approximately 180,000 inspections are performed at wholesale markets each year and the cost can vary depending on a variety of factors (e.g., amount of product involved, whether quality and condition or just condition are evaluated, etc.). An hourly rate of $43 is charged, with an average two-hour inspection to determine the quality and condition of a shipment typically costing $86.

The AMS also administers the Perishable Agricultural Commodities Act of 1930 (PACA). PACA established a code of fair trading practices covering the marketing of fresh and frozen fruits and vegetables in interstate and foreign commerce. It protects growers, shippers, distributors, retailers and others who deal in those commodities by prohibiting unfair and fraudulent practices. Specifically, PACA: (1) prohibits unfair and fraudulent practices in the fresh and frozen fruit and vegetable industry; (2) provides a means of enforcing contracts between buyer and seller; and (3) helps ensure that produce-related assets remain available to pay suppliers if a receiver enters bankruptcy proceedings. Most traders of fresh or frozen produce must obtain a valid PACA license which is issued by the Fruit & Vegetable Programs and that license fees support the administration of the PACA program.

Last year's bribery and racketeering scandal at the October 1999 Hunts Point Terminal Produce Market in New York has severely damaged the fruit and vegetable industry's confidence in USDA's inspection system. Fruit and vegetable growers, and indeed the entire produce industry, depend heavily on the inspection system to provide a credible and consistent third-party analysis of product condition at both shipping point and upon arrival. Without a sound inspection system in place, growers are at the mercy of unscrupulous buyers who would use bogus condition problems to leverage a reduction in the price of the load.

It is critical that the entire USDA inspection system be overhauled to ensure that this kind of corruption of the system is eliminated. The 106th Congress approved $71 million to modernize the inspection system across the country, while keeping both inspection costs and PACA license fees to all industry members at current levels for at least the next five years. Industry recommendations such as an inspection training center, technological improvements, and inspector training modules should be implemented as a part of this modernization. Expeditious implementation of these recommendations is urgently needed so that confidence in the system can be restored and a seamless, transparent, and efficient system is in place as soon as possible.

Policy Statement – *The produce industry strongly supports the federal inspection service program and believes it serves as one of the fundamental safeguards for the produce industry. In turn, USDA should*

work closely with the produce industry and state inspection systems to prepare a strategy of utilizing the $71 million allocated by Congress to modernize a system that will administer fair and impartial inspections. The produce industry also supports the full utilization of the PACA law and encourages USDA to administer the law in a fair and timely manner.

Legislative Recommendations:

A. Legislation is requested which will provide a "safety net" for victims of the Hunts Point incident, to be allocated based on PACA formal complaint findings. Specifically, a special $10 million fund would be established to compensate victims of the Hunts Point:

- ⇒ All claimants who filed on or before January 1, 2001 and are proceeding through the PACA formal complaint process would be eligible.
- ⇒ PACA would be directed to exercise the full use of its authority against guilty parties associated with the Hunts Point scandal.
- ⇒ The PACA formal case ruling would be final and the claimant would agree to take no further judicial action.
- ⇒ PACA would be required to expedite these formal cases within 18 months.

B. Legislation is requested allowing for USDA's AMS to develop performance standards (i.e. timely inspections and PACA case reviews) for USDA employees involved in inspecting and grading fresh fruits and vegetables.

C. Legislation is requested directing a thorough review by AMS regarding the consistency and reliability of produce inspections throughout the delivery chain, including the examination of inspection data from both the shipping and destination points. In addition, AMS should address the appeals process and have it subject to oversight and random audits.

D. Legislation is requested providing for the development of an annual report to provide specific information to the produce industry on the PACA and Inspection Service Programs. This information could be a tremendous benefit to both the industry and AMS while providing transparency into the use-fee program. Examples of information in the report could include: number of inspections completed; average time for the consideration and completion of PACA case; allocation and investment of funding for PACA and inspection programs; and average cost of inspections by region.

Other Policy Priorities

A. Support for the inclusion of a Farm, Fishing and Ranch Risk Management (FFARRM) accounts which allows for agricultural producers to contribute up to 20 percent of their farm income into a FFARRM account and defer this amount from their taxes for five years.

B. Elimination of the estate tax.

Conclusion

Mr. Chairman, these priorities many of which have no federal cost are extremely important to addressing the challenges currently facing the specialty crop industry. Moreover, the costs associated with these priorities are well within reason compared to the assistance presently being provided to other commodity sectors.

All to often, fruits and vegetables or so-called specialty crops are often ignored when it comes to the development and implementation of U.S. farm policy. Like producers of program crops, fruit and vegetable growers face significant challenges in the production and marketing of their commodities that must be addressed if they are to be competitive in an increasingly global marketplace. On behalf of the Farm Bill Working Group, we ask that the Committee continue to work with the produce industry to ensure that fruits and vegetables are appropriately addressed as you move forward in the development of the successor to the *Federal Agriculture Improvement and Reform Act (FAIR).* We certainly recognize the fiscal constrains facing the Committee, however, the many challenges facing the fruit and vegetable industry will only worsen if real and adequate assistance is not provided through a Farm Bill that appropriately meets the needs of the fruit and vegetable sector.

Endnotes:

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[i] Information researched from USDA's Report *Understanding the Dynamics of Produce Markets*
[ii] Information researched from National Food and Agriculture Policy Project *2001 U.S. Fruit and Vegetable Outlook*

AMERICAN SOYBEAN ASSOCIATION
BIODIESEL TALKING POINTS

- The biodiesel industry has grown from 5 million gallons last year to over 25 million gallons this year. However, vegetable oil surpluses have also grown and prices for soy oil and soybeans remain at unacceptable lows.

- ASA believes that biodiesel offers one of the best potential markets for displacing large volumes of surplus soy oil. Soybean growers have invested over $25 million state and national check-off dollars in the research, development and promotion of biodiesel.

- Just as with other alternative fuels, including ethanol, natural gas and others, federal policies and programs must be adjusted to support increased use of biodiesel.

- ASA supports a partial reduction in the diesel excise tax for diesel blended with biodiesel (this is similar to the partial reduction for ethanol in the gasoline excise tax).

- ASA supports using USDA/Commodity Credit Corporation (CCC) funds to reimburse the Highway Trust Fund for loss revenue due to the biodiesel excise tax reduction. This expenditure would initially be more than offset by the reduced cost of the oilseed marketing loan program.

- ASA supports legislation introduced by Senators Hutchinson (R-AR) and Dayton (D-MN) that provides an exemption of 3 cents for a 2% blend of biodiesel (prorated downward to ½ %); and 20 cents for 20% and higher blends. This level of support is needed to help make biodiesel competitive with other fuels.

- Senators should be encouraged to co-sponsor the Hutchinson/Dayton legislation, S. 1058 and to call for its inclusion in the Senate's comprehensive energy package.

- ASA also supports the establishment of a renewable standard for biodiesel and ethanol. Renewable fuels can and should play an important role in helping solve our country's energy situation.

- ASA supports legislation introduced by Senators Hagel (R-NE) and Johnson (D-SD) that would require all motor fuel contain a low blend of biodiesel or ethanol.

- Senators should be encouraged to co-sponsor the Hagel/Dayton bill, S. 1006 and call for its inclusion in the Senate's comprehensive energy package to be debated this fall.

Testimony of Jerrold Humpula, Chairman
Jerry Deschaine, Vice Chariman

Michigan Association of Resource Conservation
And Development Councils

Committee on Agriculture, Nutrition & Forestry

August 13, 2001

Good Morning (Afternoon), Senator Debbie Stabenow and members of the committee, my name is Jerrold Humpula and I am the Chairman of the Michigan Association of Resource Conservation and Development Councils. I am one of the thousands of volunteers who serve on RC&D councils across the country. I am here to discuss the resource conservation and development program and how it operates.

The Michigan Association of Resource Conservation and Development (RC&D) Councils provides the coordination of human, economic and natural resources for the betterment of the quality of life in Michigan communities.

RC&D Councils members are volunteers and include local, civic, appointed, and elected officials. RC&D Councils are non-profit entities that work in partnership with USDA's Natural Resource Conservation Service through a federal coordinator. Because RC&D areas are locally organized, sponsored and led, the program provides and ideal way for residents to join together to decides what is best for their community. Currently, 348 RC&D Councils serve 2,492 counties in all 50 states, the Caribbean, and the Pacific Basin.

RC&D Councils are making a difference in America's communities and represent the entrepreneurial spirit of rural America. RC&D Councils have played a strong role in creating new businesses, education, conserving our natural resources, bioenergy development, and outreach.

Permanent authorization of the RC&D Program

We believe that the recent growth in the RC&D program from 277 councils in 1996 to 348 councils in 2001 covering 80% of the nation and 180 million people is a testament to our success. Michigan currently has 7 authorized RC&D councils with 1 pending application for Southeast Michigan. Authorized RC&D Areas serve 89% of Michigan counties. Congress has recognized the valuable services RC&D councils provide to local communities and has helped to grow this program. National, we have successfully leveraged a $42 million federal investment into more than $1 billion annually to directly support conservation and economic development, making a continued investment in RC&D a cost-effective investment for taxpayer's funds. For

every federal dollar budgeted for local projects, Michigan RC&D Councils generated an additional 14 dollars. This resulted in $8.2 million spent in local communities.

Obtain Nationwide/Statewide coverage with authorized RC&D Councils

Allocating $60 million to the USDA Natural Resource Conservation Service's RC&D appropriation allows the agency to fully support the existing Councils and approve additional applications pending at USDA.

USDA studies indicate that the national average cost to support an RC&D office is approximately $161,000 per designate area. Currently USDA/NRCS provides support of approximately $103,000 per council.

There are 27 new applications waiting to be designated in the nation. Other areas are in the process of completing their applications for authorization. The National Association has adopted the goal of nationwide coverage of RC&D by 2005.

Michigan presently has 9 Counties not covered by an authorized RC&D Area. The Southeast Michigan application includes 7 counties in southeast Michigan. This application is presently on file with USDA. Once the Southeast Michigan application is authorized by USDA and the expansion of existing RC&D Councils finalized, Michigan will have 100% coverage by RC&D Councils.

Senator Debbie Stabenow and member of the Committee, we request that the Farm Bill include legislative language that encourages USDA agencies, consistent with their mission and authorities to bolster these relationships. RC&D councils are an effective delivery system for rural America and we see no need to duplicate the RC&D concept to create new programs or entities to deliver services to rural America.

Senator Debbie Stabenow and members of the committee thank you again for the opportunity to testify here today. I welcome the opportunity to respond to any questions you may have.

Respectfully Submitted
Gerald J. Hampton
Chair. Mich. R.C.& D. Councils

Building Rural America
Michigan Association of Credit Specialists
of the
USDA – Farm Service Agency
A Federal Managers Association Conference
7787 W. Lehman Road
DeWitt, Michigan 48820
Phone: (517) 626-2344

2001 Farm Bill Testimony

My name is Timothy Neuhardt. I am the current president of the Michigan Association of Credit Specialists of the Farm Service Agency (MACS FSA). I want to thank you, Senator Stabenow, for holding the field hearings in Michigan and allowing the Michigan Association of Credit Specialists to provide testimony regarding the credit section of the proposed 2001 Farm Bill.

The Michigan Association of Credit Specialists of Farm Service Agency is a professional organization of managers responsible for administering and delivering loans to Michigan farmers as authorized by the "Consolidated Farm and Rural Development Act." One of the primary objectives of MACS FSA is to identify impediments to the delivery of agency programs. We work with agency officials, legislators and the National Association of Credit Specialist (NACS) to streamline and enhance FSA credit programs, services and administrative activities. Many of the proposals submitted by MACS FSA and the National Association of Credit Specialists (MACS) have been adopted and implemented by the agency.

There are a number of the proposals requiring legislative action before the agency can enact changes that MACS believes are important to providing and improving agricultural credit to Michigan farmers. We are asking for your support in affecting these necessary legislative changes. What follows is a list of current legislative issues that we feel are important to Michigan agriculture with respect to credit. MACS supports the following positions related to the "Farm Security Act of 2001", HR 2646.

1) **MACS FSA Requests That Legislative Provisions Be Approved To Allow Producers Authority To Execute Blanket Payment Assignments.**

   Authorizing blanket assignment authority will help streamline government programs and reduce the paper work burden for producers, lenders, and for the Secretary. Sec. 187 of H.R. 2646 "Farm Security Act of 2001" pertains to the assignment of "payments made under the authority of this Act". However, we believe that the proposed language should be amended to allow for the assignment of payments made under future farm legislation that is not specifically exempt from the assignment provisions.

2) **MACS FSA Requests Your Assistance In Eliminating Term Limits On Direct Real Estate And Operating Loans.**

Term limits fail to consider economic or weather conditions; place family size farm and beginning farm operations in a disadvantaged position; encourage family size and beginning farm operators to throw caution to the wind and rush their growth while they have access to credit; place borrowers that operate in scarcely populated areas in a disadvantaged position; effectively remove a significant percentage of potential buyers from the market place and create deflationary pressures on farm asset values; and is not a necessary provision in order to wean borrowers from relying on direct loan credit.

A. We ask that you introduce, sponsor, and/or support legislation to eliminate term limits on direct real estate and operating loans.

3) **MACS FSA Requests Your Assistance In Eliminating Term Limits On Guaranteed Operating Loans.**

Do legislators actually intend to deny guaranteed loan services and force the liquidation of otherwise successful family size farm and ranch operations on or after December 31, 2006? The answer to this question should clearly be no. Thereby, term limit provisions on guaranteed loans should be abolished. The Secretary should no longer be required to undertake the time consuming and burdensome task of computing and monitoring eligibility term limits for each guaranteed loan borrower. Abolish term limits and allow the Secretary to utilize resources in a more productive manner.

Suspending term limits until December 31, 2006, as outlined in the "Farm Security Act of 2001", H.R. 2646 will require the Secretary to expend time and resources on the cumbersome task of tracking years of eligibility for every guaranteed loan borrower. We ask that the H.R. 2646 be amended to abolish, rather than suspend term limits on guaranteed loans.

4) **MACS FSA Requests That You Oppose The Provisions Contained In Sec. 503 Of H.R. 2646 Directing The To Secretary Administer Specified Guaranteed Loan Programs through Central Offices Established In States Or Multi-State Areas.**

There may be situations in which centralizing specific activities will improve efficiency without jeopardizing the quality or availability of services to farm operators or lenders. However, we believe that a "one size fits all" policy will do more harm than good. Borrowers with direct and guaranteed loans have different needs than their counterparts who have no direct loans. Small "community banks" have different needs than do large multi-state banks. While acknowledging a mutual desire to improve consistency between USDA offices, a majority of the commercial lenders doing business with the USDA have expressed support for maintaining the current delivery system and the agency has received few complaints in this regard.

MACS FSA requests your support in opposing provisions contained in Sec. 503 of H.R. 2646 stipulating that the Secretary "administer the loan guarantee program under section 339(c) through central offices established in states or in multi-state areas".

5) **MACS FSA Requests Your Assistance In Simplifying The Loan Guarantee Application Process For Subsequent Loans Made To Direct Or Guaranteed Loan Borrowers Who Have A Proven Record Of Performance.**

Inflationary factors and the increased size of farming and ranching operations have caused a need for larger loan amounts, thus requiring an increasing number of loan guarantee requests to exceed the present $50,000 benchmark. With the limitations proposed by MACS FSA, the benefit of

increasing the threshold dollar amount to $150,000 will not present an unreasonable degree of risk to the agency.

MACS FSA will encourage you to introduce sponsor and/or support an amendment to Sec. 504 of H.R. 2646 to facilitate the following:

A. Exempt individuals or entities that do not have direct or guaranteed loans with the agency at the time of application from the simplified application provisions.

B. Exempt individuals or entities that are in monetary or non-monetary default on existing loans from the simplified application provisions.

C. Allow the Secretary to reduce the dollar threshold amount for lenders on a case by case basis when their guaranteed loan loss rates are abnormally high or when they fail to perform guaranteed loan making or loan servicing activities in a responsible manner.

6) **MACS FSA Requests That You Support Sec. 505 of H.R. 2646 To Eliminate Requirements That County Committees Certify In Writing That Certain Loan Reviews Have Been Conducted.**

There is no business reason for County Committees to make this certification. County Committee members do not need to expend their time and effort certifying to something of little consequence. We ask for your support in adopting the provision outlined in Sec. 505 of H.R. 2646 in order to streamline administrative procedures and reduce an unnecessary burden on committee members and the Secretary.

7) **MACS FSA Requests That You Oppose Sec. 506 Of H.R. 2646 And Avoid Authorizing The Secretary To Offer Loan Guarantees To Borrowers That Do Not Have Sufficient Income To Service Their Debts.**

Making loans to borrowers that lack repayment capacity is fiscally irresponsible and will devastate the efficiency and effectiveness of the guaranteed loan programs administered by the Secretary; offers no benefit to farmers and ranchers; offers no benefit to the agricultural economy; will be harmful to suppliers and rural businesses; and will cause a significant increase in demand for guaranteed loan funds and funding shortages that will create hardships for borrowers and applicants that are not members of the group targeted by this provision.

Making loans to borrowers that lack repayment capacity is fiscally irresponsible and it is absolutely essential that Sec. 506 of H.R. 2646 be denied.

8) **MACS FSA Requests That You Support Sec. 507 Of H.R. 2646 To Address Timing Of Loan Assessments.**

The proposed change is necessary in order to remain in compliance with changes that are proposed to section 332. We encourage you to support Sec. 507 of H.R. 2646 to amend the CONACT.

9) **MACS FSA Requests Your Assistance In Eliminating The Loan Assessment Rule Requiring A Bi-Annual Review.**

Requiring a bi-annual review of loan assessments for all borrowers with a direct loan fails to account for individual customer needs and fails to allow the Secretary to utilize prudent judgment in prioritizing activities and allocating human resources. All borrowers are not alike. A real estate loan borrower with a proven record of performance, an operating loan borrower, a beginning farmer, and a limited resource borrower each have different needs and pose a different degree of risk to the agency. A one-size fits all policy would be acceptable, only if the Secretary had an adequate number of personnel to achieve the objective. However, the Secretary does not have an adequate number of personnel and must have the authority to prioritize tasks.

MACS FSA is asking that you introduce, sponsor and/or support legislation that will allow the Secretary authority to establish rules governing the frequency and extent to which assessments are to be reviewed after evaluating cost/benefit, customer needs and other criteria. We ask that Section 360(d)(1) of the Consolidated Farm and Rural Development Act (7 U.S.C. 2006b(a)) be amended.

10) MACS FSA Requests That You Oppose Sec. 508 Of H.R. 2646, Which Directs The Secretary To Utilize Personnel Of State, County, Or Area Committees In Making And Servicing Loans.

There are extremely viable business reasons for the few limitations that the Secretary imposed on personnel of state, county, or area committees. Evaluating character, capacity, capital, conditions, and collateral which are commonly referred to as the five C's of credit, determining an applicant or borrower's eligibility for requested services, and providing "supervised credit" require a great deal of subjective evaluation that should generally be performed by GS personnel ("employees of the Department of Agriculture"). The Secretary must be allowed to evaluate each business activity and determine which activities will expose employees of state, county, or area committees to excessive risk of real or perceived conflicts. As a rule of thumb, the Secretary should not involve employees of state, county, or area committees in confidential financial or business activities that a prudent business person (farmer or rancher) would not want a competing business person (farmer or rancher) to be involved in.

As farmers and ranchers, committee members are **competing** with other area farmers and ranchers. Employees of state, county or area committees are hired and supervised by committee members and are exempt from some of the rules governing the activities of GS personnel. We must not place committee members, employees of committee members, applicants, borrowers, or the Secretary in a no-win situation by involving employees of state, county, or area committees in confidential financial and business activities that a reasonable and prudent business person would not wish to disclose to their competitors.

We ask that you oppose provisions contained in Sec. 508 of H.R. 2646 that reflect an unreasonable attempt to micro-manage programs by directing the Secretary to utilize personnel of state, county, or area committees to perform specific tasks without regard to conflicts of interest, business needs, or customer service issues that the Secretary must consider.

11) MACS FSA Requests That You Oppose Sec. 509 Of H.R. 2646 And Deny Authority To Make Loans To Employees.

Legislators, the Secretary, and employees must strive to preserve program integrity above all else. In making loans to employees, the Secretary is exposed to significant risk of actual or perceived improprieties that will cast doubts over program integrity.

We ask that you oppose Sec. 509 of H.R. 2646. The provision as written will authorize the Secretary to make loans to employees of state, county, and area committees as well as to "employees of the Department of Agriculture". Although many of our members could personally benefit from the receipt of loans authorized by the CONACT, we do not believe that our program integrity can be preserved or our ethics rules maintained if we allow employees to receive loans.

12) MACS FSA Requests That You Support Sec. 513 Of H.R. 2646 And Extend Authority To Reserve Direct Operating Loan Funds For Beginning Farms And Ranchers.

As compared with established farmers and ranchers, beginning farmers and ranchers tend to be more dependent on loans as authorized by the CONACT and less capable of surviving financial setbacks that may be incurred if loan funds are not available in a timely manner.

Assisting beginning farmers and ranchers is an extremely important responsibility and we ask that you support Sec. 513 of H.R. 2646 to extend authority for reserving direct operating loan funds for beginning farmers and ranchers.

13) MACS FSA Requests That You Support Sec. 514 Of H.R. 2646 And Authorize The Extension Of The Interest Rate Reduction Program.

Interest assistance is an important tool that helps farmers and ranchers recover from financial setbacks or make the transition from direct loans to guaranteed loans. We ask that you support provisions outlined in Sec. 514 of H.R. 2646 to authorize the extension of interest assistance programs.

14) MACS FSA Requests That You Support Sec. 515 Of H.R. 2646 And Increase The Duration Of Loans Under Down Payment Loan Programs.

The proposed rule will enhance the Secretary's ability to assist beginning farmers and ranchers. The provision is fiscally responsible and may allow a number of borrowers to utilize the beginning farmer down payment program rather than the other more costly direct loan programs. We ask that you support provisions contained in Sec. H.R. 2646 and allow the Secretary to amortize beginning farmer down payment loans for fifteen rather than ten years.

15) MACS FSA Requests That You Oppose Sec. 516 Of H.R. 2646 And Deny The Proposal To Allow Loans To Horse Breeders.

Authorizing the proposal will effectively open Pandora's box to a number of special interest groups that would like to obtain low interest loans under the provisions of the CONACT. How are horse breeders any different than dog or cat breeders? The proposed rule will not assist family size farms or ranches. MACS FSA must ask that you oppose Sec. 516 of H.R. 2646. It is simply not reasonable or prudent for the Secretary to utilize a portion of a limited supply of loan funds to finance horse-breeding operations.

16) MACS FSA Requests That You Oppose Sec. 517 Of H.R. 2646, Which Is Proposing To Sunset Direct Loan Programs.

In the absence of direct loans from the Secretary, many farmers and ranchers will not have access to a reliable source of credit at reasonable rates and terms. The sunsetting provision will have a devastating affect on rural America at a time when fewer commercial lenders are offering financial assistance to farmers and ranchers at increasingly stringent rates and terms. The sunsetting rule will have a much harsher affect on the agricultural economy than was outlined in the "justification" section of part two in which we addressed the anticipated impact of term limit rules. The sunsetting provision will bankrupt a large number of farmers and ranchers, force the liquidation of farm assets, reduce the number of prospective buyers, cause significant downward (deflationary) pressures on asset values, cause increased loan losses for USDA and commercial lenders, and create a vicious circle of tighter credit provisions, more failures, declining values, larger loan losses and so on.

Direct loans are a proven and effective method of assisting farmers and ranchers that are unable to obtain credit elsewhere. Loan default rates are very low, loan loss rates have been declining, and for the first time in an extensive period of time we are not listed on GAO's "High Risk" list. Positive strides have been attained at a time when farm commodity prices are low, the availability of commercial credit is limited, and demand for direct loan assistance is increasing. These factors fail to offer support for the proposed sunsetting provision. On the contrary, the facts would appear to justify an increase in support for the direct loan programs.

We ask that you oppose Sec. 517 of H.R. 2646. Allowing direct loan programs to sunset will force a large number of family size farmers and ranchers to fail.

17) MACS FSA Requests That You Oppose Sec. 521 Of H.R. 2646, Which Is Altering The Definition Of Livestock As Reflected In The CONACT To Include Horses.

Authorizing the proposed revision will effectively open Pandora's box to a number of special interest groups that would like to become eligible for low interest loans under the provisions of the CONACT. Sec. 521 of H.R. 2646 will not assist family farmers or ranchers. We ask that you oppose Sec. 521 of H.R. 2646. The definition of livestock as outlined in the CONACT should not be revised to include horses.

18) MACS FSA Requests That You Introduce And/Or Sponsor A Legislative Proposal To Require A Security Value To Loan Ratio Of At Least One To One For All Loans Authorized By The CONACT.

Making loans that cannot be adequately secured is not a prudent lending practice and is fiscally irresponsible. Making adequately secured loans to farmers and ranchers that are unable to obtain credit elsewhere exposes the agency to a sufficient amount of risk. Making partially unsecured loans to these high-risk operations is simply irresponsible. We ask that you introduce, sponsor, and/or support legislation to revised Sec. 324(d)(2)(A) of the CONACT to require that loans be fully secured. The value of security pledged for loans must be equal to or greater than the authorized loan amount.

19) MACS FSA Requests That You Introduce And/Or Sponsor A Legislative Proposal To Strike Sec. 351(g) Of The CONACT In Order To Eliminate The Required 60 Day Delay.

A 60-day delay often results in a larger loan loss for the agency and for commercial lenders. Lenders become confused and angry about the fact that we require them to delay liquidation for 60 days, yet the loan or the borrower are often not eligible for interest assistance for statutory reasons. In many instances, the borrower exhausted their ten-year eligibility period or has a guaranteed real estate loan that the agency is unable to subsidize.

We ask that you introduce, sponsor, and/or support legislation to strike Sec. 351(g) of the CONACT and eliminate the mandatory 60-day delay before allowing lenders to initiate foreclosure action on loans that are guaranteed by the Secretary.

20) MACS FSA Requests That You Introduce And/Or Sponsor A Legislative Proposal To Allow The Use Of Guaranteed Loans With Tax Free Bonds, i.e. "Aggie Bonds".

We ask that you introduce, sponsor, and/or support legislation to allow the Secretary to offer guaranteed real estate loans in conjunction with tax free bonds that a number of states are affording beginning farmers and ranchers. The proposed provision will enhance the ability of beginning farmers and ranchers to succeed at no risk or cost to the agency.

21) MACS FSA Requests That You Introduce And/Or Sponsor A Legislative Proposal To Allow Direct Real Estate Loan Funds To Be Utilized To Refinance Debt Under Certain Conditions.

We ask that you introduce, sponsor, and/or support legislation to allow the Secretary to utilize direct real estate loan funds to refinance obligations when:

A. The FSA loan was approved subject to the availability of funds prior to the date on which temporary credit, i.e. a "bridge loan" was obtained; and

B. The FSA loan was approved subject to the availability of funds prior to the date on which the loan applicant acquired the real property.

Prohibiting the Secretary to refinance "bridge loans" is overly restrictive and is limiting the prospects of success and the growth potential of small, limited resource, beginning, and socially disadvantaged farmers and ranchers.

22) MACS FSA Requests That You Introduce And/Or Sponsor A Legislative Proposal To Allow Direct Loans To Be Reamortized or Rescheduled At The Same Interest Rate Being Charged The Borrower On The Date Of That They Apply For Primary Loan Services.

We are asking that the Secretary be authorized to reamortize or reschedule loans at the original interest rate, at the agency's present interest rate, or at the interest rate being charged the borrower on the date that they apply for services. Existing rules allow the agency to reamortize or reschedule loans at the original interest rate or at the agency's present interest rate. The proposed amendment will allow the agency additional tools to assist farmers and ranchers while program subsidy rates will in many instances be reduced.

23) MACS FSA Requests That You Introduce And/Or Sponsor Legislation To Redefine The Role Of County Or Area Committees.

As advisors in program related issues, committee members provide an invaluable service to the agency and to the farmers and ranchers within their county or area. However, committee members who are typically in a county office for no more than one or two days per month can not reasonably be expected to evaluate personnel, monitor the use of administrative funds, make administrative management and personnel decisions, and fulfill their program related responsibilities as is required by the statute. It is not reasonable to place committee members in such an egregious position where we essentially force them to execute documents and make certifications that are clearly beyond the scope of what should be asked of a person who works for the department for one to two days per month.

Committee duties and responsibilities as currently outlined in the statute are excessively demanding and render it difficult to find farmers and ranchers that are willing to run for a position on the committee. Our hat is off to the men and women who have and are serving on the committee. However, we believe that it is time to end the illusion, create a true direct chain of command from the Secretary, Administrator, State Executive Director, District Director, to the CO and GS personnel working in the county office. An appropriate balance between responsibility and accountability must be established. The present structure assigns tremendous responsibility to committee members who are not and should not he held accountable for such.

We ask for your support in revising provisions in the "Soil and Conservation Allotment Act" (16 U.S.C. 590h) to modernize the duties and responsibilities of County and Area Committees. We ask that you sponsor or support legislation that will eliminate administrative and personnel duties from the list of responsibilities assigned to committee members in order to allow them to concentrate on program related issues that have a direct impact on the area farmers and ranchers that they were elected to serve.

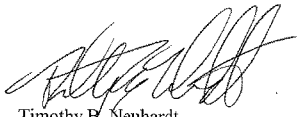
24) MACS FSA REQUESTS THAT YOU INTRODUCE AND/OR SPONSOR LEGISLATION TO EXPAND THE EXISING FSA APPLE PROGRAM.

The current FSA apple program allows for a three-year loan to apple producers. This program is limited only to apple producers that grew apples in 1999 and/or 2000. MACS FSA would like eligibility expanded to all fruit and vegetable growers. The term of loan should be increased from the

current three-year limit to a maximum of ten years depending on the security. This would allow producers to obtain credit over longer terms to help whether the current low commodity prices for fruits and vegetables.

Again let me thank you for this opportunity to discuss our concerns as it relates to credit in the 2001 "Farm Security Act of 2001". I look forward to assisting you in your efforts to improve Michigan agriculture.

Respectfully,



Timothy B. Neuhardt
President, Michigan Association of Credit Specialists

MICHIGAN STATE
UNIVERSITY
EXTENSION

August 13, 2001

The Honorable Debbie Stabenow
United States Senate
702 Hart Senate Office Building
Washington D.C. 20510

Dear Senator Stabenow:

On behalf of Michigan State University Extension Family and Consumer Sciences programs, thank you for inviting me to breakfast this morning to share thoughts on the upcoming Farm Bill. The Reauthorization of the Food Stamp Program that is currently included as part of this year's Farm Bill has the potential to impact the health of Americans now and in the future. A description of selected Michigan State University Extension nutrition education programs potentially impacted by decisions on the Farm Bill is attached.

Please know that my colleagues and I are willing to assist you by providing research-based information on health and nutrition issues affecting families. I can be reached as indicated on the letterhead or via e-mail to hammersc@msue.msu.edu.

Thank you.

Sincerely,

Patricia A. Hammerschmidt
Program Leader

cc: Margaret Bethel
Cheryl Booth
Karen Shirer

DREN, YOUTH
AND FAMILY
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Michigan Nutrition Education Programs Potentially Impacted by the Farm Bill

The Food Stamp Nutrition Education Program (FSNEP)
The Food Stamp Program is a key component of the USDA Food and Nutrition Services' (FNS) nutrition assistance programs. By combining nutrition education with food benefits, the Food Stamp Nutrition Education Program plays a vital role in helping to improve the diets and food security of our low-income population. In Michigan, the FSNEP is known as the Family Nutrition Program (FNP) and is an eight-year old collaboration between Michigan State University Extension (MSUE) and the state of Michigan's Family Independence Agency (FIA). Federal funds in the amount of $6,539,138 in accordance with regulations specified in 7CFR 272.2 (d) (ii) have been requested for the Michigan FNP for 2001-2002. These federal funds along with required state and county cost-share dollars ($6,545,168) will fund the following:

- Food and nutrition education to food stamp recipients and to those persons eligible for food stamps in all 83 Michigan counties and the Sault Ste. Marie Tribe of Chippewa Indians
- The Michigan Nutrition Network (see below)
- Expansion of the breastfeeding peer support program
- Outreach and applied research to promote food security and safety and build family assets.

A brief report on outcomes of the 2000 program year for Michigan's FNP is enclosed.

The Michigan Nutrition Network (MNN)
In 1995-96 USDA FNS, as part of a demonstration project, awarded two rounds of Nutrition Education Network Cooperative Agreements to 22 states including Michigan. These Networks were intended to expand the reach and approach of nutrition education for Food Stamp Program participants through public-private collaborations and use of social marketing principles. Michigan's Nutrition Network has been highly successful in carrying out the intent of the demonstration project and currently has over 250 state and local partners. Sustained funding for Network efforts is primarily through the Food Stamp Nutrition Education Program.

A report on a recent MNN community-based "Eat Healthy. Eat Breakfast" campaign aimed at increasing breakfast eating among children ages 11-15 is enclosed.

Team Nutrition
Although not directed impacted by the Farm Bill, the USDA FNS Team Nutrition program provides an example of the type of program that extends state efforts to promote good health and prevent disease. Team Nutrition is a nationwide initiative to motivate, encourage, and empower schools, families, and the community to work together to continually improve school meals and to help young people make health-promoting food and physical activity choices. Michigan Team Nutrition is a shared collaboration between MSU Extension and the state of Michigan Department of Education. More than 15 community and state agency partners provide leadership through a state Team Nutrition steering committee. Almost 700 Michigan schools are currently enrolled as Team Nutrition schools.

A brief report on the Michigan Team Nutrition program is enclosed.

Prepared by Patricia A. Hammerschmidt, Michigan State University Extension, August 2001
MSU is an affirmative-action, equal-opportunity institution.

Written testimony to be included in the official record of field hearings held August 13, 2001 in Michigan by Senator Debbie Stabenow.

Jeffrey R. Oesterle
2061 Tomlinson Road
Mason, Michigan 48854-9203

The nations agricultural production community is facing yet another year of decreasing income according to USDA net farm income predictions. Continuing low prices, coupled with inflating input costs are threatening our agricultural industry's future. The American public cannot expect to enjoy low cost food in the stores without making a public investment in American agriculture.

The following are a few thoughts on H.R. 2646 as passed out of the U.S. House Agriculture Committee on July 27, 2001:

Commodity Programs:

Production Flexibility Contracts and Loan Deficiency Payments need to continue to maintain reasonable financial stability for producers. Talk of changing bases and yields for PFC payments should be rethought. Even though current bases and yields are outdate, trying to do this without having a means to continue the update procedure would cause only problems for the producer and the USDA since the USDA has not been gathering yield data. There should also be an oilseed provision for PFC.

Established Loan Rates are out of date and need to be adjusted to reflect current input costs and yield potential of the different crops. The established loan rates do not reflect the prices needed to be able to generate adjusted income comparable to twenty years ago.

Eligibility for LDP should not depend on whether the farm has a PFC. Operators on parcels change and one producer should not be penalized because a previous producer did not have a farm signed up on a PFC.

Conservation:

CRP enrollment should be raised to the bill's forty million acres.

The EQIP program needs to be funded and implemented in a way to help producers meet new environmental regulations being mandated by local, state, and federal governments.

Trade:

An aggressive trade policy is needed which involves eliminating sanctions, increased WTO negotiations, Market Access Programs and usage of current Export Enhancement funding.

Crop Insurance Programs:

This program needs to be continued and funded as an alternative to high disaster payments. The major problem with this program is determining the actual production history (APH). A means to determine the APH needs to be developed that takes in consideration bad production years. Currently, two bad years, or even one can lower the APH to a point where the insurance does not offer a return justifying the payment. If FSA T yields are to be used, they need to be upgraded.

Lastly, I would like to thank you for the opportunity to comment on H.R. 2646 and hope that these thoughts will be considered when shaping the upcoming farm bill.

U.S. SENATOR
THE HONORABLE DEBBIE STABENOW
702 HART SENATE OFFICE BUILDING
WASHINGTON D.C. 20510

FRANK J. BAFFI
7600 23½ MILE RD.
HOMER, MI. 4924:
AUG. 15, 2001

DEAR SENATOR STABENOW,

THANK YOU FOR HOSTING, THE AGRICULTURE FIELD HEARING HERE IN MICHIGAN. HERE IS MY WRITEN TESTIMONY. IT IS TIME FOR, A NEW FARM BILL THAT LOOKS AT FOOD AND FOOD SAFTY AS A MATTER OF NATIONAL SECURITY. WITH OUR PRESENT FARM BILL, FREEDOM TO FARM WE HAVE FEWER FARMERS DOING WORST THEN UNDER THE THE BILL IT REPLACED. AND OUR NATIONAL ECONOMY IN DECLINE. I REMBER ONE THING FROM AG. ECON. 101 AT MICHIGAN STATE "DEPRESSIONS ARE FARM LED AND FARM FED." WE NEED OUR INCOME FROM THE MARKET NOT THE TREASURY. WE FARMERS SHOULD BE PAYING TAXE NOT TAKING TAXES. OUR PRESENT BILL WRITTEN BY THE "COALITION FOR A COMPETITIVE FOOD AND AGRICULTUR SYSTEM" THEIR MEMBERSHIP CONSISTS OF ABOUT 260 OF THE NATIONS BIGGEST AGRIBUSINESS AND FOOD CORPORATIONS, I HAVE HEARD THE (C.F.C.F.A.S) HAS CHANGED THEIR NAME. AGRIBUSINESS CORPORATIONS VE USED THE EXORBITANT PROFITS THEY HAVE MADE BY UNDERPAYING FARMERS AND OVERCHARGING CONSUMERS, FOR ACQUISITIONS AND MERGERS, GIVING THEM MORE MONOPOLY POWER OVER OUR MARKETS. WE TALK OF SAFTY NETS WE HAD ONE IT WAS CALLED SET A SIDE, IF THE FEDERAL GOVERMENT IS GOING TO PAY US L.D.P. MAKE US EARN IT BY SETTING ASIDE 10% OF OUR ACERAGE, I LIVE IN CALHOUN COUNTY MICHIGAN 3 YEAR AGO WE HAD 300+ CHILDREN & TEACHERS GET HEPATITIS A FROM FROZEN STRAWBERRYS FROM MEXICO, ALSO THE JACK IN THE BOX GROUND MEAT

DEATHS WERE FROM FOREIGN MEAT. THIS IS WHY WE NEE
COUNTRY OF ORIGIN LABELING, SO CONSUMERS CAN MAKE
THE CHOICE. I BELEAVE THAT THE NATIONAL
FARMERS UNION FARM BILL PROPOSAL IS WORTHY OF
YOUR CONSIDERATION. IT WAS PUT TOGETHER BY FARMERS
TO BE UNDER BUDGET, FOR THE GOOD OF ALL OUR CITIZEN
THE FARMS UNION PROPOSAL WAS ANALYZED BY DR. DARYLL RA
OF THE AG POLICY ANALYSIS CENTER AT THE UNIVERSITY
OF TENNESSEE. IT IS A FARMER FRENDLY AND A GOOD
NEIGHBOR PROPOSAL. WE WOULD RATHER HAVE OUR
NEIGHBORS THEN THEIR LAND.

YOURS TRULY,

Frank J. Baffi

Why have country-of-origin labeling for food?

1) **Consumers have** a right to know where their food is produced. Since NAFTA was implemented in 1994, imported vegetables and fruits from Mexico alone have skyrocketed (USDA statistics):

Fresh tomatoes— 376,000 metric tons in 1994 to 686,000 tons in 1996.

Bell peppers— 97,000 metric tons in 1994 to 144,000 in 1996.

Cucumbers— 228,000 metric tons in 1994 to 293,000 in 1996.

Snap beans— 9,000 metric tons in 1994 to 17,000 in 1996.

Frozen broccoli and cauliflower— 127,000 metric tons in 1994 to 159,000 in 1996.

Plus, there have been substantial increases in grapes, watermelons, canaloupes, and others.

2) **Meat & livestock** imports continue o increase substantially. "Imports of feeder igs [from Canada] have steadily expanded

over the past three years as Canadian inventories increased."

Also, Mexico has requested that the U.S. recognize the states of Sonora, Sinaloa, Chihuahua, Baja California, Yucatan and Baja Norte as low-risk regions for hog cholera in order to ship pork to U.S. markets. (NAFTA Situation and Outlook Series, USDA).

Consider this 1993 Congressional testimony from William Lehman, a USDA inspector at the Sweetgrass, MT border inspection station, prior to the NAFTA vote in Congress:

"The USDA and Centers for Disease Control have determined that it was a batch of Australian beef that was blended with U.S. ground beef which ultimately became the hamburgers sold by Jack in the Box."

(**E. coli was the** cause of several deaths and illnesses in the Pacific Northwest, traced to Jack in the Box hamburgers in 1992.)

"It is entirely possible that a shipment of meat could be refused entry at one port-of-entry along the border, be sent back to a Canadian packing facility where it could be ground into hamburger and shipped back to the same or different port along the border and unwittingly accepted by U.S. import inspection."

Lehman also testified that tens of thousands of tons of Australian beef has been

See LABELING page 4-A

Calhoun County Michigan 300+ cases of Hepatitis A from Strawberry from Mexico in the School Lunch Program

Frank J. Boffi

Why have country-of-origin labeling for food?

LABELING Continued From Page 1-A

entering the U.S. via Canada, enabling the Australian meat to enter this country without tariffs, quotas or inspections, thanks to the Canadian Free Trade Agreement.

(Lehman died of heart failure in early 1998, after experiencing intense pressure and harassment from meat packers and USDA officials due to his whistle blowing.)

In addition, live cattle imports to the U.S. exploded from 836,000 head in 1985 to 2.9 million in 1995, continuing at around 2 million head each year since.

3) **Very little imported** food is inspected. The General Accounting Office reports that less than 1% of the 3.3 million trucks entering the U.S. each year are inspected. With that being the case, is there any wonder that reports of hepatitis, cyclospora and E. coli traced to imported foods are becoming more common?

4) **U.S. taxpayers,** processors and producers have made a huge investment in food safety. U.S. growers are subject to numerous laws.

A Virginia vegetable farmer said it best: "We make a mockery of U.S. laws when our vegetables are commingled in the same bins as vegetables produced under none of these standards."

5) **Labeling is good** promotion for U.S.-made products. U.S. farmers produce under stringent standards. Labeling exports as such can be used as a marketing tool to foreign customers that U.S.-made foods are of the safest and highest quality.

6) **Other products have** country-of-origin labeling. Clothing, electronics, automotive parts and other consumer items have country-of-origin labeling. Consumers should have the right to know where their food is produced.

that a meat labeling law would cost ea consumer about 20 cents per year.

There are several bills in Congre which would require labeling of import foods, but none of which have been passe New bills expected to be reintroduced this upcoming session of Congress, (No b numbers have been assigned.):

Imported Produce Labeling Act— Th would extend current country-of-orig labeling laws (which are not bein enforced) to require labeling of produce the final point of sale.

Imported Meat Labeling Act— Th

Testimony
Submitted August 20, 2001

U.S. Senate Committee on Agriculture, Nutrition and Forestry
Field Hearing Held August 13, 2001

Farm Bill

1755 Massachusetts Avenue, N.W., Suite 418, Washington, D.C. 20036 Tel: (202) 232-5020 www.aspca.org

The American Society for the Prevention of Cruelty to Animals, on behalf of our 700,000 nationwide members, appreciates this opportunity to comment on animal protection issues that we hope will become part of the next Farm Bill. The livestock, poultry, and egg industries in the United States use billions of animals for profit. We ask Congress to ensure that at least basic standards of care are in place which will make these industries more humane. We urge the Senate Agriculture, Nutrition and Forestry Committee to include provisions for the humane transportation of horses, viewed as companion animals by most Americans, and the for the protection of non-ambulatory farm animals in the 2001 Farm Bill.

Standards for Commercial Transportation of Horses to Slaughter

On average, 100,000 horses are sent to slaughter annually in the U.S. These horses are usually old companion animals, racehorses past their prime, or former wild horses from America's West. While Americans do not eat horses, the meat is usually exported to foreign countries like France or Belgium. The commercial shipping of these horses to slaughter is virtually an unregulated industry.

The 1996 Farm Bill included a provision requiring the promulgation of regulations by the Department of Agriculture (USDA) to ensure the humane treatment of horses and other equines during their lengthy transport by trucks to one of three slaughter facilities in the U.S. Today, five years after Congress mandated basic humane protections for horses and other equines being transported to slaughter, no final regulations have been issued.

Proposed regulations for humane transport were issued by USDA on May 19, 1999, and a 60-day public comment followed. The comment period ended July 19, 1999. It is our understanding that the final regulations were cleared by the Office of Management and Budget late in 2000, but were held for additional review by the new Administration. They have never been released despite the fact that USDA verified an expenditure of $400,000 to thoroughly review this issue. Research was funded on equine health issues related to truck loading and unloading at Colorado State University. Texas A&M University and the University of California at Davis researched equine water. There has been ample time for all sides to be heard on this issue.

The ASPCA urges this Committee to adopt the language of the May 19, 1999, USDA regulations and include it as law in the Farm Bill -- with one exception: expedite the phase-out period for double-decker trucks (trailers). The USDA found that the use of double-decker trucks to transport horses was inhumane. Most full-grown horses cannot even stand up straight in these vehicles. The ASPCA agrees that these trucks are a cruel means of transportation and urges this Committee to outlaw their use no later than one year after the passage of the Farm Bill. Commercial shippers that use double-decker trucks have been aware for more than two years that these conveyances are inhumane and scheduled for phase out.

Protection for Downed Animals

" Downers " is the dairy and meat industry term for non-ambulatory animals, and includes cows, calves, pigs, sheep and goats. Animals may be unable to walk or stand due to illness that has weakened them or due to broken bones that occurred on the farm, in transit, or at a stop along the way to slaughter.

When there is no financial benefit to marketing downed animals, there is greater incentive for farmers and others in the agriculture industry to take better care of their animals.

♦ Downed animals cannot be moved humanely. They are pushed with tractors or dragged with chains. Often times they are left in a pile to die without veterinary care for several hours or days.

♦ Downed animals can carry diseases that infect humans and other animals that consume them. Some downers may be afflicted with a form of BSE (Bovine Spongiform Encephalopathy, or "Mad Cow Disease"). This disease has been linked to Creutzfeldt-Jakob disease, which is fatal in humans.

♦ Downers, due to their debilitated condition, increase the risk that E. Coli and other bacterial infections will enter the food supply.

♦ Downed animals comprise a small percentage of animals slaughtered yearly in the U.S. Prohibiting their marketing will not cause undue economic hardship on the industry. Instead, it will relieve the unconscionable suffering of thousands of animals.

♦ Most conditions that lead to downed animals -- such as dehydration, rough handling and transportation of prematurely weaned animals -- can be eliminated and 90% of downed animal situations can be prevented. Removing the market for downed animals will provide the necessary incentive to industry to improve husbandry practices where needed.

The ASPCA supports the Downed Animal Protection Act which is currently pending in both the House and the Senate. Due to heavy constituent interest in the issue, the House bill, H.R. 1421, is cosponsored by 155 Members (copy of bill attached). The Senate bill, S. 267, is cosponsored by 11 Senators. We favor the House version because it more clearly articulates the penalties and we urge the Committee to incorporate the language contained in H.R. 1421 into the Farm Bill.

A BILL H.R. 1421

To amend the Packers and Stockyards Act, 1921, to make it unlawful for any stockyard owner, market agency, or dealer to transfer or market nonambulatory cattle, sheep, swine, horses, mules, or goats, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the `Downed Animal Protection Act'.

SEC. 2. UNLAWFUL STOCKYARD PRACTICES INVOLVING NONAMBULATORY LIVESTOCK.

(a) UNLAWFUL PRACTICES- Title III of the Packers and Stockyards Act, 1921, is amended by inserting after section 317 (7 U.S.C. 217a) the following new section:

`SEC. 318. UNLAWFUL STOCKYARD PRACTICES INVOLVING NONAMBULATORY LIVESTOCK.

`(a) DEFINITIONS- In this section:

`(1) The term `humanely euthanized' means to kill an animal by mechanical, chemical, or other means that immediately render the animal unconscious, with this state remaining until the animal's death.

`(2) The term `nonambulatory livestock' means any livestock that is unable to stand and walk unassisted.

`(b) UNLAWFUL PRACTICES- It shall be unlawful for any stockyard owner, market agency, or dealer to buy, sell, give, receive, transfer, market, hold, or drag any nonambulatory livestock unless the nonambulatory livestock has been humanely euthanized.

`(c) CIVIL PENALTY- The Secretary shall assess a civil penalty of not more than $2,500 against any stockyard owner, market agency, or dealer that violates this section or any regulation or order of the Secretary under this section. A penalty under this subsection shall be assessed by the Secretary on the record after an opportunity for a hearing. Each day on which a violation occurs and each instance of prohibited action against nonambulatory livestock shall be considered a separate violation.

`(d) CRIMINAL VIOLATIONS- Any stockyard owner, market agency, or dealer that knowingly violates this section or any regulation or order of the Secretary

under this section shall be fined under title 18, United States Code, imprisoned for not more than one year, or both, for each violation.'.

(b) EFFECTIVE DATE; RULES- Section 318 of the Packers and Stockyards Act, 1921, as added by subsection (a), shall take effect at the end of the one-year period beginning on the date of the enactment of this Act. By the end of such period, the Secretary shall issue such rules as are necessary to implement such section.

Testimony for the Field Hearings of the United States Senate Agriculture Committee Grand Rapids, Michigan

Roger Hoopingarner, President Michigan Beekeepers' Association

August 13, 2001

The Michigan and U.S. beekeeping community is under great economic stress caused by at least three biotic factors and an outgrowth of international commerce. In the past 15 years the industry has experienced the accidental importation of two parasitic mites—one from Europe and one from Asia. In addition a parasitic beetle came from South Africa. The monetary effects for control of these pests can be summed up in relating that the winter colony losses in Michigan have averaged in the 40 to 80 percent range since the pests arrived as apposed to 5 to 10 percent winter losses before that time. Through State and Federal research the industry may be close to getting control of these biotic problems. However the cost of operation has had to increase because of the additional management and the cost of chemical treatments to the colonies used for control.

The international commerce problem seems a little more intractable. The industry has had to mount and win three illegal dumping suits against mainland China and Argentina in the last six years just to keep wholesale honey prices from falling below values received in the 1960's. When I said the problem is a little intractable I mean that when the industry won the first dumping suit against China honey prices rose for a short time. Then importers learned that they could purchase honey from Argentina and bypass the limitations imposed by the anti-dumping suit against China. While the beekeepers have gained a favorable ruling from the ITC in two new cases, one against China and also one against Argentina, I wonder if another third-world country will not now become the country of choice for honey importers.

The question that then may be asked is, "Does any of this matter to anyone except a small number of beekeepers?" The answer is a very loud yes! There is far too much of United States Agriculture that is dependent upon the pollination that honey bees provide to let the beekeeping industry fall into bankruptcy. Almost all of the fruits and vegetables that we eat are dependent upon pollination, and honey bees supply 80 to 90 percent of that service. Then the answer might be that these fruit and vegetable growers should be asked to triple or quadruple their costs to rent

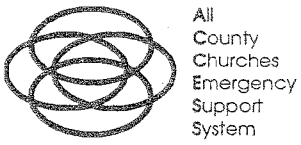
bees for pollination to support the beekeeping industry. Unfortunately, two factors weigh against this happening. First, and probably most important is that these industries are not in any financial shape to increase their costs by the magnitude needed. Secondly, the sale of honey has historically supported the beekeeping industry and thus pricing patterns have developed because of this fact.

The beekeeping industry has been an easy political scapegoat in the past. It is a small industry and thus does not carry much weight. It was the first to lose its subsidy payments and has had difficulty even getting a marketing loan program. While the cost of these programs were almost trivial in even the Department of Agriculture budget it was deemed politically expedient to eliminate them. However, the big picture of all of agriculture was somehow forgotten, and if the beekeepers are lost to the system many very important agriculture industries will fall like a house of cards.

What is it that the beekeepers would like in the next Farm Bill? First, A recourse loan and loan deficiency payments (or LDP) that are currently found in the Senate version of the Farm Bill. The LDP should be at least 65 cents, or more. (A recent Texas A & M University study indicates that beekeepers need 69 cents a pound to break even.) These economic investments are paramount.

On our wish list of important items would be the continued support of the U.S.D.A. beekeeping laboratories at Beltsville, Maryland; Baton Rouge, Louisiana; Westlaco, Texas; and Tucson, Arizona. These laboratories are conducting important research on controlling the parasitic mites and beetles, and also other research. We also would like the import duty increased to 10 percent *ad valorem*, most likely the amount that was intended in the 1949 commodity legislation, and not just the one cent duty that is still in effect today. In this way the beekeeping industry may not have to keep fighting off the importation of excessive amounts of imported honey. And finally, maybe our fondest wish might be that the United States Trade Commission require manufacturers that use honey in their sales pitch, such as honey-nut cereals, be required to have honey at least as the first sugar in their ingredients label. If this were to happen almost all of the other economic problems would disappear.

Thank you for letting me submit this statement today. I think it is important to save the beekeeping industry since so much of agriculture is dependent upon its good health.



ACCESS of West Michigan
38 West Fulton
Grand Rapids MI 49503
Phone 616-774-2175

August 12, 2001

Dear Senator,

This letter is in regard to the Food Stamp reauthorization portion of the Farm Bill. We appreciate the House Agriculture committee's mark-up to 3.3 billion dollars but believe with even more funds we can get food stamps to those who really need them, who are unaware that they are eligible or unable to apply for food stamps due to their work schedule, lack of transportation and other barriers.

We have had an exciting opportunity to address some of these concerns in a pilot project which began in October of 2000. The Kent County Family Independence Agency (FIA) partnered with us, the ACCESS Food Pantry Network of Kent County on a six-month project to identify and provide food supports to eligible low-income families. ACCESS was concerned that the numbers of families needing emergency food from pantries was rising while the number of food stamp cases had declined. It was assumed there were many families being served by the food pantry network who were eligible for food stamps but not receiving them for a variety of reasons. The FIA agreed to place a caseworker out at various food pantry locations to test the effectiveness of an outreach, on-site worker.

The final report shows that **134 families were approved for food stamps through this outreach program and are now receiving $17,488. in food stamp benefits each month. There was an overall increase of 9% in the number of active food stamp cases during this six-month pilot.** ACCESS food pantry numbers are still increasing but not nearly at the levels they were last year despite the recent downturn in the economy. Transportation barriers or the reluctance to seek assistance and accessing valuable services from FIA have been removed and the family's food security has been increased. At the end of the pilot project, five pantries were chosen to continue to have the outreach worker at their site for a total of 20 hours per week.

The question has been raised as to why we would want to sign people up for welfare. In reality, few families are currently "on welfare," or receiving cash assistance as they have in the past. Most families are expected to work. In fact, the trend we've noticed at the pantries is that more families than ever are working. Some are working more than one job but still not making enough for all of their family's basic needs. It's not unusual for families to be paying up to 75% of their income for housing. Food stamps can help a family meet their nutritional needs and keep their kids healthier. By enrolling families in the food stamp program, we can alleviate some of the burden placed on pantries which have absorbed a 10% increase in services this year. Food stamps also allow families to select their own food from the grocery store at a time that is convenient for the. **(Because of the increase in working families who need supplemental food, we have very recently opened two additional evening pantries.)**

We support the effort to move people from welfare to work whenever possible. We believe providing resources that will help families cover their basic needs is the right thing to do. We encourage you, Senator Stabenow, to push for more dollars to make food stamps available to those in need.

Thank you,

Geraldine Baldassarre

Geraldine Baldassarre
ACCESS CARES Staff

Statement by Sister M. Lucille Janowiak, O.P., Advocate for Care of Earth,
for the Agriculture Field Hearing hosted by Senator Debbie Stabenow
Monday, August 13, 2001
Grand Rapids, Michigan

Thank you Senator Stabenow for accepting written statements following the formal hearing.

I listened to the testimony offered today by representatives of organizations which were stakeholders in the upcoming farm bill. Each of the testimonies dealt with specific elements of the farm bill which would benefit his/her organization. None of them dealt with the farm bill in a comprehensive manner.

I had previously reviewed the National Farmers Union proposals and I found that their considerations were much more comprehensive. Many of the proposals requested by those testifying in Grand Rapids were contained in some manner in the National Farmer Union proposals. I support the Farmers Union proposals because they encompass the larger picture and actually address some of the recurring problems that I perceive are at the source of the farm crises in the U.S.

Because food is essential for life, its safety, accessibility and economics must be governed in ways that may differ considerably from governance of nonessential products. It is important then, that we cooperate with the land to bring about healthy food and a healthy farming environment. It is equally as important to have a just and stabile farm economy, enabling many producers, processors and retailers the opportunity to participate in food production, preparation and distribution. I encourage the Senate then, as it determines the new farm bill, to consider carefully the proposals offered by the National Farmers Union.

Thank you again for considering my remarks.

S. Lucille Janowiak, O.P.
1862 E. Fulton
Grand Rapids MI 49503
Phone (616) 458 –4152
mljanowiak@earthlink.net

Watts Orchard LLC
619 Chestnut St.
Howard City Mi 49329

8/13/01

to Agricultural Committee and people involved:

We at Watts Orchard appreciate all your fine efforts and time set forth in regard to farming. We hope your efforts will continue so we can improve our business, not lose our business.

We feel your efforts on market values, crop insurance, disasters, labeling, etc. appears to be new method that has to be set forth to survive. Hoping for a long range approach to a very serious situation. Again thanks for your time and efforts.

Sincerely
Wayne Watts
Watts Orchard

Rec. 8-13-2001 1:59 pm.

8/10/01

Weather related problems for fruit farmers

We have witnessed a very severe summer on fruit, because of the extrem heat and very little rain. Some of the problems that exist for most fruit farmers are as follows:

1. No rain from June 21 through August 8, especially Montcalm and Kent County
2. Heat index stayed between 95 and 110 for 2 weeks causing damage whether trees were watered or not.
   (a) Sunburned apples on the trees
   (b) Bud growth is poor for 2002 as buds are made during July, Aug for the next year.
   (c) Some tree loss ocurring from stress A hard winter may cause many problems
3. Lower grade of fruit is expected because of size and appearance.

8/10/01

Crop Insurance Changes needed

A. Rates for Fresh and Process Fruit

1. When a loss occurs we need to have the process price raised to within a dollar of fresh fruit.
2. Fresh fruit at present about right.
   (a) example: see 2001 returns included in material on fres and process fruit
   (b) these grades are in the high 90 per cents, about as good as you can raise.
   (c) at present rate a farmer might as well not insure process fruit.

B. Delete one sentence or change so fresh fruit and process fruit can be joined.

1. we pay different rates for each unit.
2. It is a rarity to raise fresh and process fruit and not have the two units join.
3. Insurance Companies should not be allowed to add the productions together when they are insured as separate uni

SALES:
Phone (231) 861-7101
Fax (231) 861-2274

PETERSON FARMS

PRODUCTION:
Phone (231) 861-6333
Fax (231) 861-6550

3104 W. Baseline Road • P. O. Box 115 • Shelby, MI 49455-0115

TO: Apple Growers

FROM: Earl

DATE: July 27, 2001

Enclosed please find your final check for apples delivered during the fall and winter from the 2000 crop.

Our apple industry, both in Michigan and nation-wide, is going through one of the worst times in its history. Over-production, cheap foreign concentrate, consolidation of buyers, and financially weak processors/packers/sellers have combined to create poor returns for the farm, the processor, and the packer. I would urge each of you to analyze your own farm; remove poor blocks. Support those processors and packers who pay full price. And, support industry efforts to insure fair payment for apples sold.

Today the apple industry is facing extremely difficult times. We will get through this period and the survivors will be stronger and wiser for it. We at Peterson Farms support fair grower returns with each and every processor paying the same price for apples received.

Again, thank you for your 2000 apple crop deliveries. We appreciate your support.

Earl

PETERSON FARMS, INC.
2000 APPLE PAYMENT
1 AUGUST 2000 THRU 30 NOVEMBER 2000

WATTS ORCHARDS
1619 CHESTNUT PO 627
HOWARD CITY, MI 49329
Macma YES
Grower Ambb #24985

Grower # 224

Date	Var	R_no	D_Wt	Final %	$ For 2 3/4 & Up	$ For 2 1/2 to 2 3/4	$ For 2 3/8 to 2 1/2	$ For Undersize
10/03/00	Spy	28849	55,960	1.00%		$ 5,148.32		201.45
10/13/00	Jons	29368	1,570	1.00%		$ 144.44		5.65
10/13/00	Spy	29360	53,850	1.00%		$ 5,331.15		24.23
10/13/00	IdaRed	29352	4,710	1.00%		$ 408.00		2.12
10/20/00	IdaRed	29589	19,855	1.00%		$ 1,633.07		53.60
10/20/00	Rome	29585	24,155	1.00%		$ 1,913.07		43.47
						$14,578.06		$330.5

42# 160,100
18 3812 Bins
212 Bins

$14,908.61 TOTAL
$ 388.49 - MAC DEDUCTIONS
$ 298.17 - MACMA DEDUCTIONS

212 / $14,221.95 TOTAL
6.708 per bin

$ 4,282.87 - 1ST PAYMENT

PLUS BOX RENT OF 35 HCO BOXES X $5.00 EACH = +$ 175.00

BALANCE OF 1ST PAYMENT DUE GROWER = $ 4,456.87

$ 4,969.53 - 2ND PAYMENT

$ 4,969.53 - 3RD PAYMENT

Fresh Fruit

JACK BROWN PRODUCE, INC.
PACKOUT REPORT

GROWER : WATTS ORCHARD

DATE: 10-24-2000

ADDRESS: 619 CHESTNUT STREET
NUMBER HOWARD CITY MI 49329
962

PACKOUT NUMBER: 4097
TOTAL BINS: 20
BU./BIN: 18
TOTAL BU. 360

CROP/VARIETY: APPLES / MCINTOSH

QUANTITY		WEIGHT	PERCENT	GROSS RETURNED	TOTAL CHARGES	GROWER RETURNED	GROWER PER BOX
47	MASTER 12/3# 2 1/4" & UP FCY	1692	11.94 %	301.74	145.23	156.51	3.33
85	MASTER 8/5# 2 1/2" & UP X-FCY	3400	23.99 %	892.32	258.40	633.92	7.46
79	MASTER 12/3# 2 1/2" & UP X-FCY	2844	20.07 %	721.19	244.90	476.29	6.03
3	CELLMASTER LABELED 80 COUNT COMB US X-FCY/FCY	114	.8 %	49.50	16.53	32.97	10.99
214	FRESH	8050	56.81 %	1964.75	665.06	1299.69	6.07

QUANTITY		WEIGHT	PERCENT	GROSS RETURNED	TOTAL CHARGES	GROWER RETURNED	GROWER PER BOX
8.5	BIN CIDER	6120	43.19 %	313.70	191.25	122.45	14.41
8.5	JUICE	6120	43.19 %	313.70	191.25	122.45	14.41
222.5	TOTAL	14170	100 %	2278.45	856.31	1422.14	6.39

EXTRA DEDUCTIONS:	QUANTITY	DESCRIPTION	PRICE	AMOUNT
	1	APPLE TAX	44.96	44.96
	20	COLD STORAGE CHARGES	10.00	200.00
	1	MACMA	6.27	6.27
		TOTAL		251.23

TOTAL POUNDS: 14400
TOTAL DOLLARS/100 POUNDS: 8.13
TOTAL DOLLARS/BIN 58.55

TOTAL DOLLARS RETURNED: 1170.91
TOTAL DOLLARS/BU. 3.25

COMMENTS:

George A. Franklin
Vice President - External Affairs

August 13, 2001

The Honorable Debbie Stabenow
Senate Agriculture Field Hearing
702 Hart Senate Office Building
Washington, DC 20510

Dear Senator Stabenow:

Thank you for the opportunity to present the position of Kellogg Company on the U.S. Sugar Program, which by the way directly mirrors that of the Grocery Manufacturers of America.

Attached is my statement for the record as part of your Agricultural Field Hearing. I have also attached an article from the June 7 Detroit News in which Chicago Mayor Richard Daley directly attributes significant job losses in the City of Chicago to the U.S. Sugar Program. Specifically, he refers to the loss of approximately 8,000 jobs during the last decade with more to come because of the sugar program, which makes "American sugar twice as expensive as world prices."

As someone who has fought hard and long to preserve American jobs, I thought that this is something you should be aware of.

Thank you again.

Sincerely,

George A. Franklin

/o

Attachments (2)

Kellogg Company / Corporate Headquarters
One Kellogg Square / P.O. Box 3599 / Battle Creek, Michigan 49016-3599 (616) 961-2820

AGRICULTURAL FIELD HEARING
U.S. Senate Agriculture Nutrition and Forestry Committee
Hosted by
US Senator
Debbie Stabenow

Monday, August 13, 2001

STATEMENT FOR THE RECORD
GEORGE A. FRANKLIN
VICE PRESIDENT, EXTERNAL AFFAIRS
KELLOGG COMPANY

Thank you for the opportunity to present my views this afternoon. My name is George Franklin and I am the Vice President for External Affairs at Kellogg Company. I'd like to focus my comments this morning on the US sugar program and proposals for reform that are included in the draft of the House Agriculture Farm Bill.

Kellogg Company is a member of the Coalition for Sugar Reform. This coalition includes trade associations that represent food companies, grocery manufacturers and others who use sugar, as well as the companies that refine cane sugar. The coalition's members also include taxpayer advocacy groups, consumer organizations and environmental groups.

Our coalition is opposed to the sugar program – not to sugar producers, but to the sugar program. The sugar program is not only harming the interests of consumers, but it is not serving growers well either. Obviously, we disagree with the way they would change the program. But sometimes, common problems create common opportunities for cooperation.

II. THE CURRENT SUGAR PROGRAM

The current program is clearly no longer working for any of its relevant stakeholders. It's not working for producers or manufacturers and surely not for taxpayers and consumers. The sugar market is wildly unbalanced, and as a result, last year, the government acquired over 1 million tons of forfeited sugar. The federal government is spending over $1 million a month just to store this sugar. That's on top of money provided to producers to plow under crops.

Many growers have tended to blame imports for the problem. They argue that if there were no WTO, no NAFTA and no sugar syrup imports than the program would not be in the desperate shape that it is in now. We disagree.

US sugar imports have actually fallen dramatically over the last few decades. Since the 1996 farm bill, imports have fallen 41% but in the same period sugar production rose 26%. And, domestic production has far outpaced demand. We would suggest, therefore, that the real problem is that high sugar supports create production incentives---incentives to plant sugar over other crops such as wheat and incentives to keep producing even when market signals would indicate that less, not more, production is required.

III. PROPOSALS FOR CHANGE

The current draft of the 2001 farm bill contains marketing allotment provisions as a solution to the problems with the current program. We find this a curious proposal, since after all, marketing allotments were tried in 1990 and repealed in 1996 at the request of sugar growers and processors. We believe that marketing allotment are a short-term fix that are ill suited to present and future international trade commitments. Let me explain our concerns.

Marketing allotments, like any cartel, lock all producers into a set share of their own market. They assume that there will be no regional changes and that all producers operate in a similarly efficient manner. So, while on paper, they look like they will address the imbalance of sugar supplies relative to demand, in practice they not only extremely difficult to administer, they work against market forces since they penalize efficient growers. That's in essence, why they were repealed in the past. They were unfair to the producers in the Red River Valley.

Furthermore, production controls are incompatible with current trade commitments and future trade policy objectives. The Bush Administration is committed to a Free Trade Area of the Americas as well as a new round of negotiations in the WTO—both of which will include comprehensive agreements on agriculture. Marketing allotments only work if they can effectively control supplies. It is unrealistic, however, to think that our trading partners will allow sugar to be excluded from all negotiations, and, over time, imports will increase, locking producers into a declining share of their own market. Furthermore, competitive US food and agriculture producers will be frustrated in their attempts to gain access to foreign markets should the US be forced to protect certain agricultural sectors.

A more immediate problem for this type of scheme, however, are the current commitments under the North American Free Trade Agreement. As you all are aware, in 2008 we will have an open border with Mexico. That is an undisputed fact, one not subject to any side letter or agreement. In addition, the out of quota duty on Mexican sugar is steadily declining. Given the great disparity between world and US prices in sugar, Mexicans will have an incentive to ship additional sugar here this year, if world prices remain the same. Again, sugar producers will be locked into a declining share of their own market.

I understand there is a provision in the current farm bill to suspend marketing allotments if imports exceed around a million and a half tons that would address the argument about a declining share of one's own market. Current economic forecasts, however, suggest

that imports will actually exceed this amount for the foreseeable future. One wonders then, how marketing allotments will help at all. We would submit instead, that the US sugar program needs real, long term reform not a short-term backward looking fix.

IV. PROPOSALS FOR CHANGE

In testimony before Congress recently, the Coalition for Sugar Reform outlined several principles that should govern our sugar policy. All of these principles have one overriding theme—that we should give more sway to market forces than the current policy allows. Let me repeat these principles:

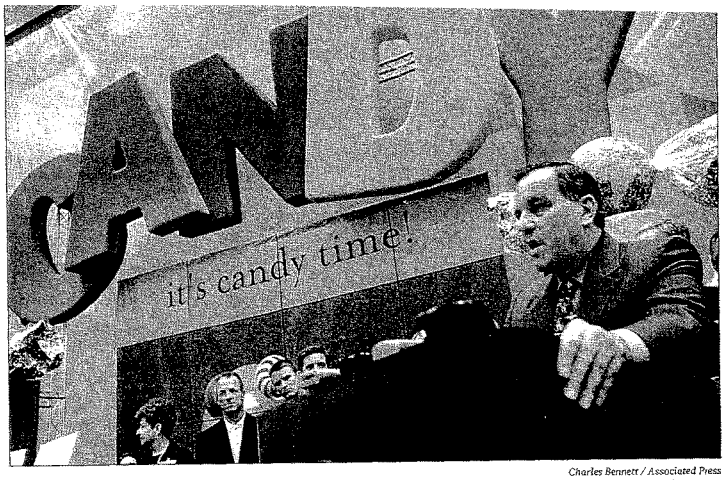
First, policies should allow the market to operate in such a manner that supplies are adequate and balanced. This means that shorting the market through production controls should be off the table, and market signals should be transmitted to all producing regions so that an imbalance of beet sugar relative to cane sugar can be avoided.

Second, our market needs to become more open to world supplies. In recent years, as I have already pointed out, we have gone in the other direction, cutting imports by 40%. Reversing this trend is vital to accommodating our present and future trade obligations, and to encouraging expanded market access worldwide for our competitive export commodities, whether pork, soybeans, corn or beef. As efficient sugar producers, we are hopeful that US producers will want access to other markets as well in the future. In order to accommodate any export sales, we need a domestic program that is market oriented and reduces the disparities between the world and domestic price.

Third, our policies should not provide incentives for overproduction. The current support system has clearly encouraged more domestic production than the market needed. We must change that. The operation and role of the support price, the loan program, the tariff rate quota and the forfeiture penalty all need to be analyzed in this context.

Fourth, market prices must be better able to fluctuate with supply and demand. Too often in recent years, price movements have been the result of abrupt and arbitrary government policy changes, excess supplies induced by government programs, the abrupt removal of those supplies from market channels, and similar factors. Whatever policies Congress may choose to address the difficulties of some producers, those policies should permit the price mechanism to operate with greater market-responsiveness than is the case today.

We believe that these principles would serve as a foundation for long-term reform. Thank you very much for this opportunity to present our views.



Charles Bennett / Associated Press

"We need to ... allow our companies to compete on a level playing field," Mayor Richard Daley said Tuesday at the All Candy Expo in Chicago.

Chicago candymakers are bitter on high sugar costs

Sweets showdown heats up over U.S. sugar subsidies.

By Dave Carpenter
Associated Press

CHICAGO — The candy capital of the world is sour about high U.S. sugar prices.

Concerned that local candy manufacturers are cutting back and taking jobs abroad, Mayor Richard M. Daley showed up at North America's largest candy trade show Tuesday with some not-so-sweet words for Congress about the need for sugar subsidy reform.

Firing the latest salvo of a fast-intensifying lobbying campaign, he and executives of Chicago's candy industry said federal price supports are dealing a serious blow to businesses that are heavily dependent on sugar.

The Chicago area, which is home to Brach's Confections, Tootsie Roll Industries and Wm. Wrigley Jr. Co., accounts for about 15 percent of the country's candy workforce. But those jobs are on the decline, falling to about 9,000 from 17,000 a decade ago, with Brach's recently announcing the loss of 1,100 local jobs.

While sugar growers dispute the reasons, the mayor largely blames a price-support program that has made American sugar twice as expensive as world prices.

"We need to remove these obstacles as soon as possible and allow our companies to compete on a level playing field," Daley said at the opening of the All Candy Expo, flanked by about 20 candy officials at the McCormick Place convention center.

The Chicago group urged the passage of legislation that would phase out sugar price supports by the end of 2004, imposing import quotas on foreign sugar until then.

"They should be able to pass this," Daley said. "This is a no-brainer."

Opponents, who also are gearing up for a sugar showdown as part of Congress' review of farm laws, say Daley is misinformed.

The American Sugar Alliance contends that sugar accounts for only a small percentage of the cost of most candy products and that candymakers are fudging their facts.

The industry group, comprised of sugar growers, accuses the manufacturers of using the subsidies issue to deflect attention from the real reasons for their moves out of the United States: to find cheaper labor and lower environmental costs.

"Their effort to try to knock prices down further is an unabashed effort to improve their profits," said Jack Roney, director of economics and policy analysis for the growers' group.

How consumers are affected depends who's talking.

The candymakers say the price supports cost taxpayers $295 million last year and added another $2 billion a year to the price they pay for sugar and sweetened foods.

The sugar growers say candy companies haven't passed their savings on to consumers even when the producer price for refined sugar fell 29 percent from 1996-2000. No sugar subsidies, they say, would doom troubled beet sugar factories and the many local economies where they are located.

NATIONAL ORGANIZATION FOR RAW MATERIALS
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Aug. 6, 2001

TESTIMONY

of

Randy Cook

President, National Organization for Raw Materials

before the

U. S. Senate Agriculture, Nutrition and Forestry Committee
Field Hearing
Grand Rapids, Michigan, August 13, 2001

Ladies and Gentlemen of the Committee and attendees. My name is Randy Cook. I am the president of the National Organization for Raw Materials, a 63 year old research and education group whose focus is the study of our national economic performance as evidenced over time. I am speaking for over 3000 farm and ranch producers, small businessmen and women and elected officials from 28 states and 2 Canadian provinces.

For many years **NORM** and its preceding group, the Raw Materials National Council, have given testimony to Congress regarding solutions to the "farm problem." The experience of the nation is proof that the program advocated by **NORM** is viable, constitutional and still needed after 50 years of intentional detours into theory and misapplications of "good ideas." Our program, which the nation eventually used to recover from the Great Depression, successfully prosecute the Second World War and avoid depression following that war can be presented to you again if you cannot find the time to research Carl H. Wilken's many valuable hours of Congressional testimony from the early 40's through the late 50's.

That program, crucial as it is, holds less importance than what I must bring to your attention today.

On May 12, 1933, your predecessors declared an emergency to exist in this nation (7 U.S.C. §601). With that declaration Congress placed agricultural transactions within the "national public interest." This brought ag producers under the protection of the 5th Amendment and its "just compensation" clause.

The courts have ruled that just compensation can be provided through direct payments of fair value for the taken property or through a "compensatory scheme." The scheme which was developed following the emergency declaration involved four parts, all duly enacted into law and still extant in our U. S. Code.

First, at 7 U.S.C. §602, is that parity prices be achieved through regulation of the markets. It remains to this day an obligation in the law which the Executive continues to ignore. Checks written from the treasury do not meet the obligation, no matter what their justification or statutory intent. Disaster appropriations and more emergency bail outs are not fulfilling the obligation to regulate the markets so as to "establish, as the prices to farmers, parity prices..."

Second, at 7 U.S.C. §292, is protection for farmers from concentrations in the market places due to the restriction placed upon farmers disallowing their combination to enhance prices. Concentrations are now more potent than when the first antitrust legislation was enacted 100 years ago. The Department of Justice still blesses every proposal presented to them. The obligation in the law to the farmer adds to the government's debt.

Third, at 19 U.S.C. §1351, foreign trade agreements are to be negotiated to the benefit of agriculture, industry and labor in this nation. With the ascendancy of corporate commercial interests, our trade negotiators place the burden of paying for our excessive imports directly on agricultural producers who continually receive lower prices. This necessitates greater individual production in order to cover rising costs. Along with the lack of parity pricing this has resulted, according to the 2001 Family Farm Report of the USDA, in over 90% of our farms being unable to survive without off-farm income. Yet these same farms produce 62% of our hay, 49% of our soybeans, 47% of our corn and wheat, 40% of our beef and hold 69% of our farm assets, while earning an average of less than 40 cents an hour for their labor.

Fourth, at 31 U.S.C. §5302, is the requirement that the Secretary of Treasury act to protect domestic producers when foreign currencies are devalued in relation to the U. S. dollar. Everyone seems to agree that this is an important problem in world trade and yet the conventional wisdom says there is no known solution. Does the Constitution and the law direct the government or does Congress simply provide window-dressing for the unbridled actions of a "discretionary" executive?

Friday, August 3D, the Senate passed and sent to the President H.R. 2213. In the accompanying report, H. Rpt. 107-111, which I hope you have read, is this paragraph:

> "CONSTITUTIONAL AUTHORITY STATEMENT
>
> "Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds the Constitutional authority for this legislation in Article I, clause 8, section 18, that grants Congress the power to make all laws necessary and proper for carrying out the powers vested by Congress in the Constitution of the United States or in any department or officer thereof."

Aside from the garbled text, there is evident confusion about the actual source of Constitutional authority for Congressional regulation of agriculture. Do your research and you will find statutory authority at 7 U.S.C. §601. The emergency declared by the Agricultural Adjustment Act of 1933 has never been terminated. It continues to be the anchor of federal agricultural regulation.

Indeed the emergency in the agricultural sector of the economy is worse now than it was in 1933. The scheme that was developed to deal with the farm problem then is still on the books although every administration from Eisenhower's until today has ignored the statutory obligations to this nation's farm producers and families.

We do not need more relief or new "Farm Bills" if they simply tinker with the symptomatic results of the 1996 FAIR Act and preceding efforts which "empty the countryside." If you will hold the Executive responsible for implementation of the law as I have indicated, agriculture will right itself, our entire people and the government will benefit from the effort, and the nation will begin the process of recovery from a lengthy digression into fiscal and monetary delusion. By this action you can affirm Christ's observation that "the laborer deserves his wages." (Luke 10:7)

Thank you for your attention to this most important matter. We look for your direct response in redress of this grievous situation.

Randy Cook

	Farms			Land in Farms (acres)		
	1992	1997	1999	1992	1997	1999
Charlevoix Co.	196	188	N/A	41037	31077	N/A

1997 production			MYA $	Income	Dec. '97 USDA Parity	Par Income
Corn	140000	bu	$2.55	$357,000.00	$6.38	$893,200.00
Beef	700	hd	$50.80	$385,826.00	$152.00	$1,154,440.00
Hogs	1100	hd	$53.10	$139,015.80	$104.00	$272,272.00
Milk	12800000	lbs	$13.60	$1,740,800.00	$29.50	$3,776,000.00
			total	$2,622,641.80		$6,095,912.00
				'97 Loss: $ per farmed acre		($111.76)

1999 production			MYA $	Income	Dec. '99 USDA Parity	Par Income
Corn	300000	bu	$1.85	$555,000.00	$6.69	$2,007,000.00
Beef	700	hd	$50.50	$424,200.00	$153.00	$1,285,200.00
Hogs	0	hd	$29.80		$103.00	
Milk	12100000	lbs	$14.80	$1,790,800.00	$30.80	$3,726,800.00
			total	$2,770,000.00		$7,019,000.00
				'99 Loss: $ per '97 farmed acre		($136.72)

Eaton Co.	1069	1062	N/A	233921	231870	N/A

1997 production			MYA $	Income		Par Income
Dry beans	21000	cwt	$20.80	$436,800.00	$50.10	$1,052,100.00
Corn	7700000	bu	$2.55	$19,635,000.00	$6.38	$49,126,000.00
Oats	63000	bu	$1.85	$116,550.00	$3.62	$228,060.00
Soybeans	2360000	bu	$6.55	$15,458,000.00	$13.70	$32,332,000.00
Wheat	1480000	bu	$3.30	$4,884,000.00	$9.51	$14,074,800.00
Beef	3300	hd	$50.80	$1,818,894.00	$152.00	$5,442,360.00
Hogs	20500	hd	$53.10	$2,590,749.00	$104.00	$5,074,160.00
Milk	54000000	lbs	$13.60	$7,344,000.00	$29.50	$15,930,000.00
			total	$52,283,993.00		$123,259,480.00
				'97 Loss: $ per farmed acre		($306.10)

1999 production			MYA $	Income	Dec. '99 USDA Parity	Par Income
Dry beans	50000	cwt	$18.50	$925,000.00	$51.00	$2,550,000.00
Corn	8222000	bu	$1.85	$15,210,700.00	$6.69	$55,005,180.00
Oats	57000	bu	$1.35	$76,950.00	$3.50	$199,500.00
Soybeans	3200000	bu	$4.70	$15,040,000.00	$14.10	$45,120,000.00
Wheat	1450000	bu	$2.15	$3,117,500.00	$9.78	$14,181,000.00
Beef	3200	hd	$50.50	$1,939,200.00	$153.00	$5,875,200.00
Hogs	17000	hd	$29.80	$1,160,114.00	$103.00	$4,009,790.00
Milk	42500000	lbs	$14.80	$6,290,000.00	$30.80	$13,090,000.00
			total	$43,759,464.00		$140,030,670.00
				'99 Loss: $ per '97 farmed acre		($415.19)

Statistical data from Michigan Agricultural Statistics 1997-98 and
Michigan Agricultural Statistics 1999-2000
Provided by NORM, 7/01

Structural and Financial Characteristics of U.S. Farms: 2001 Family Farm Report. By Robert A. Hoppe, editor. Resource Economics Division, Economic Research Service, U.S. Department of Agriculture. Agriculture Information Bulletin No. 768

Abstract

Family farms vary widely in size and other characteristics, ranging from very small retirement and residential farms to establishments with sales in the millions of dollars. The farm typology developed by the Economic Research Service (ERS) categorizes farms into groups based primarily on occupation of the operator and sales class of the farm. The typology groups reflect operators' expectations from farming, position in the life cycle, and dependence on agriculture. The groups differ in their importance to the farm sector, product specialization, program participation, and dependence on farm income. These (and other) differences are discussed in this report.

Keywords: Agricultural Resource Management Study (ARMS), family farms, farm businesses, farm financial situation, farm operator household income, farm operators, farm structure, farm typology, female farm operators, government payments, spouses of farm operators, taxes.

Contributors

Author:	Sections written:
Robert A. Hoppe	Introduction, Attributes of Small and Large Farms, and Farm Household Income and Wealth
James Johnson and Janet E. Perry	Business Organization and Arrangements of Farms
Penni Korb	Contributions by Spouses of Farm Operators
Judith E. Sommer	Female Farm Operators and Their Farms
James T. Ryan	Farm Business Financial Performance
Robert C. Green	Government Payments and Use of Selected Management Strategies
Ron Durst and James Monke	Federal Tax Policies Affecting Farmers

The authors acknowledge the contributions of many individuals, including David Banker, Joy L. Harwood, Patrick Sullivan, Meredith Soule, Roger Strickland, and Keith Wiebe for their comments as reviewers. Special thanks also go to Nora Brooks, Shashunga Clayton, Adrie, S. Custer, and Brenda A. Powell for editing assistance. Finally, the authors acknowledge, Agnes T. Prentice for her help with graphics and layout of the report and Victor B. Phillips, Jr., for the cover design.

Washington, DC 20036-5831 May 2001

Table 8–Operator and spouse hours of work, by farm typology group, 1996

Item	Small family farms[1]					Large family farms[1]	Very large family farms[1]	All family farms
	Limited-resource[2]	Retirement[3]	Residential/lifestyle[3]	Farming-occupation[3]				
				Low-sales	High-sales			
	Number							
Farm operator households	268,412	240,958	509,647	419,895	178,371	88,950	52,946	1,759,178
Operator:								
	Hours per year per household							
Average hours worked:								
Onfarm[4]	1,181	637	876	1,965	2,863	3,139	2,845	1,525
Off-farm	531	*83	2,022	390	457	143	*165	830
	Percent							
Share of total hours worked:								
Onfarm:	69.0	88.5	30.2	83.5	86.2	95.7	94.5	64.8
Off-farm:	31.0	*11.5	69.8	16.5	13.8	4.3	*5.5	35.2
	Dollars per year per household							
Average annual farm wages	d	d	**10	*97	*1,108	2,741	6,730	481
Spouse:								
	Hours per year per household							
Average hours worked:								
Onfarm[4]	*107	104	260	545	769	689	556	366
Off-farm	*180	233	1,182	678	698	717	626	690
	Percent							
Share of total hours worked:								
Onfarm:	37.4	30.8	18.0	44.6	52.4	49.0	47.0	34.6
Off-farm:	62.6	69.2	82.0	55.4	47.6	51.0	53.0	65.4
	Dollars per year per household							
Average annual farm wages	d	d	52	*118	746	*1,812	2,126	278

d = Data suppressed due to insufficient observations or because the standard error was greater than 75 percent.
* = Standard error is between 25 and 50 percent of the estimate.
** = Standard error is between 51 and 75 percent of the estimate
[1]Small family farms have sales less than $250,000. Large family farms have sales between $250,000 and $499,999. Very large family farms have sales of $500,000 or more.
[2]Limited-resource farms have household income less than $20,000, farm assets less than $150,000, and sales less than $100,000.
[3]Small farms other than limited-resource farms are classified according to the major occupation of their operators. Operators of retirement farms are retired. Operators of residential/lifestyle farms report a nonfarm occupation. Operators of farming-occupation farms report farming as their major occupation. Farming-occupation farms are further divided into low-sales (sales less than $100,000) and high-sales (sales between $100,000 and $249,999).
[4]Includes paid and unpaid labor.
Source: USDA, Economic Research Service, 1996 Agricultural Resource Management Study, version 1.

MICHIGAN STATE
UNIVERSITY

August 20, 2001

The Honorable Debbie Stabenow
U.S. Senate
Washington, D.C. 20510-2204

Dear Senator Stabenow:

Thank you for your invitation to provide input on the next Farm Bill, which we understand is drafted only once every five years. We are excited to have this opportunity to comment on the area of food safety related concerns and other broad range of agricultural issues.

We are pleased to enclose our comments. If you have any questions, please don't hesitate to contact me.

Sincerely,

Ewen C. D. Todd, Director
National Food Safety and Toxicology Center

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Enclosure

MSU is an affirmative-action, equal-opportunity institution.

Testimony for the Agriculture Field Hearing
U.S. Senate Agriculture, Nutrition and Forestry Committee
August 20, 2001

Introduction

Food safety is a continuing public health need that will remain a concern as long as we expand and constantly change our agricultural industries, challenge our environmental capacity and alter the demographics of our human population. The magnitude and severity of food safety problems are documented by the approximately 76 million illnesses, 325,000 hospitalizations and 5,000 deaths reported by the Centers for Disease Control and Prevention (CDC) annually in the United States. There are many challenges that food safety agencies face in trying to reduce those numbers. People are eating a greater variety of foods, particularly fresh fruits and vegetables. The rising amount of imported foods increases dramatically the number of potential sources of food contamination, and people are eating more of their meals away from home.

To meet these and other food safety related issues, the National Food Safety and Toxicology Center (NFSTC) opened its doors in early 1998 with funds administered through the United States Department of Agriculture (USDA). Located on Michigan State University's campus, the 115,000-square-foot building has state-of-the-art laboratories and other experimental facilities for researchers and is home to faculty, staff and students from six different colleges and 16 different departments. In addition, the NFSTC collaborates with a large number of faculty and staff from across campus and beyond. The three-story center is also the location of outreach and education programs, seminars and workshops. It is this powerful networking capability that allows the center to address a wide range of substantive issues related to food and its impact on human health.

At every stage of the food system, NFSTC scientists investigate a range of issues from food animal and plant production to processing and packaging, to retailing, to food preparation in the home, and to public health concerns. The center's focus is to:

- reduce the incidence of foodborne illness.
- encourage global food safety efforts among industry, academia, the government and the public.
- use risk analysis to support scientific information to support food safety decisions.
- encourage policy makers and administrators to more fully employ risk communication in the risk analysis process.
- improve food systems education for food safety specialists.

Evidence suggests that toxins and other components in food can have far-reaching and long-lasting effects. With its strong expertise, the NFSTC uniquely pulls together partners from academia, industry and the government, such as the USDA, Food and Drug Administration (FDA), CDC, the Environmental Protection Agency (EPA), and Michigan Departments of Agriculture and Community Health, as well as international centers of expertise, in using a multi-disciplinary approach to investigate food safety issues; e.g., where bacteria, such as *E. coli*, come in contact with food; how *Campylobacter* infections can lead to Guillain-Barré syndrome;

how antibiotics used in farm animals could potentially create resistant bacteria; how chemicals used in the farming environment cause endocrine disruption; and in general, how the science of pre-harvest food safety in animal, plant and environmental settings interacts.

To make good policy, the risk and science behind food safety must be understood and communicated effectively. Risk analysis is more a way of thinking than a formula or science, though it relies on science for accuracy and validity of conclusions. The NFSTC is positioned to facilitate a key role in the process, with access to MSU's leading experts. The center has the ability to integrate the various disciplines to address the three components of risk analysis, i.e., risk assessment, risk management and risk communication.

Therefore, we believe it is crucial to continue supporting food safety research through academic institutions, including MSU, by increased funding for targeted project areas. The NFSTC is enthusiastic to participate in agreements with USDA to promote food safety research and education. The following are areas that we specifically draw to your attention for collaboration.

1. FoodNet and Related Sites

We believe that Michigan could be the last of 10 FoodNet sites across the US, and one of the first EHS-Net sites for CDC, USDA, and FDA. This would help bring the latest technology and expertise together to find out more on risk factors affecting acute and chronic foodborne and waterborne disease, as well as introducing control measures that are effective with industry and the public. We are just now beginning to put together the coalition to make a successful proposal. Key players would be Michigan Department of Community Health, Michigan Department of Agriculture, the NFSTC, local health departments and area hospitals. The NFSTC brings expertise in microbiology, toxicology, epidemiology, risk assessment and social science to work with the FoodNet and EHS-net staff. We hope to work closely with our MI delegation to advance this proposal.

The Foodborne Diseases Active Surveillance Network (FoodNet) is the principal foodborne disease component of CDC's Emerging Infections Program (EIP). FoodNet is a collaborative project of the CDC, nine EIP sites (California, Colorado, Connecticut, Georgia, New York, Maryland, Minnesota, Oregon and Tennessee), USDA and FDA. The project consists of active surveillance for foodborne diseases and related epidemiological studies designed to help public health officials better understand the epidemiology of foodborne diseases in the United States.

EHS-Net, a network of environmental health specialists and epidemiologists, is a new project created to facilitate the exchange of information and ideas between epidemiologists and environmental health specialists. One strength of this project will be the generation of new ideas that results from bringing together experts from epidemiology, laboratory, and food protection programs. It is anticipated that this project will facilitate the development of efficient and effective foodborne disease prevention strategies. The NFSTC is already involved in an early warning surveillance project to help identify infected people while they are still ill and can give us specimens containing the etiologic agent for laboratory analysis (Foodborne Outbreak Early Detection System, FOEDS). FOEDS makes it possible to identify patients with viral diseases, typically difficult to confirm because of lack of adequate methodologies and suitable stool

specimens; viral foodborne disease cases are suspected to be a significant contributor to the estimated 76 million cases in the United States each year.

2. Research

Research is a major thrust of the NFSTC with emphasis on toxicology and microbiology. We are interested in conducting research in areas that look at the carriage of pathogens in produce such as lettuce and apples, the food safety impact of organic farming, and the development of antimicrobial resistance with the agricultural use of antibiotics, particularly those used at sub-therapeutic levels (growth promoters). Funding is needed for applied research so that decisions regarding food animal antibiotics are based on sound biologic science rather than political expediency. There is increased interest in food irradiation. Are there ways that this technology can be conducted for small-scale operations through better design? How can the message of safe food through irradiation be communicated effectively to consumers? With a pilot plant research can be conducted with pathogens in meat, poultry and other foods being processed to identify data gaps for risk assessments, and critical control points for reducing the risk of illness to the public. These are areas that Michigan State University through the NFSTC can assist in.

3. Education

The NFSTC has initiated courses in food safety ranging from industry to graduate levels, and are being prepared for distance learning audiences in the United States and other countries. This is another area that the NFSTC can contribute to the goals of the USDA food safety initiatives.

Conclusion

We would be happy to dialog further with you, the Agriculture Subcommittee in the Michigan Legislature and the Agriculture Committee in the U.S. House of Representatives, about links with the NFSTC at MSU.

Respectfully submitted,

Ewen C. D. Todd, Director
National Food Safety and Toxicology Center

TO THE
U.S. SENATE AGRICULTURE, NUTRITION, AND FORESTRY
FIELD COMMITTEE HEARING
AUGUST 13, 2001

I am Lee LaVanway; manager of the Benton Harbor Fruit Market, Inc. Our market serves over 900 farm families throughout Michigan’s famous fruit belt. Established in 1860, the fruit market was once widely known as the world’s largest cash-to-grower wholesale produce market. During the market’s heydays of the 1940’s, thru the mid 1970’s, between seven and ten million packages of fresh, locally grown produce was delivered and sold here annually by some 2,000 Michigan farm families. By 1997 however, only 450,000 packages were delivered and sold across the market.

I am providing this written testimony from the perspective of one who has spent almost twenty-five years in the agricultural industry; all of those years being spent working very closely with small and medium size family farming operations. My work has been exclusively with specialty crops, i.e., fruit, vegetables, ornamentals, nursery, and other non-program farm products. Since 1994, I have also served as an adjunct professor at Andrews University in Berrien Springs, Michigan, where I teach a fruit production class during the winter semester.

Our nation’s farm crisis has not left Michigan unscathed. And from our location here in Berrien County, Michigan, farm families have been acutely impacted: We have lost fifty per cent of our family farms here since 1982. Thus, one of the world’s great fruit belts and most diversified agricultural production regions is threatened, and an important way of life is vanishing. But a corollary to vanishing farms and farmland is also threatened. For our rural economies are heavily influenced by the general state of our regional agricultural economy. In fact, when the rural agricultural economy sags, so too do the small and medium size rural business enterprises that depend upon the farm sector for their livelihood. Thus, our hometown pharmacies, hardware stores, lumberyards, banks, clothiers, eateries, and other independent businesses suffer.

Of course, it is too late for the majority of those locally owned and locally operated rural business enterprises; they have been replaced by corporate chain stores, and therein is where one of the most disturbing outcomes of the farm crisis may be found:

When local consumers purchase goods and services from corporations whose headquarters are distant from their customers, at least the wholesale value of those same goods and services is sent away from the local economy. So those dollars do not remain in circulation locally, but enhance distant economies.

No better example of the above may be found than that of corporate chain store supermarkets whose volume requirements for fresh fruits and vegetables are far too great to be filled by small and medium size family farming operations. Hence, without access to primary channels of trade, small and medium size farming operations (those most at-risk), cannot sustain their farming heritage. Furthermore, continued consolidation within the retail foods industry is a major contributor to the loss of independent rural business enterprises, for most “mega” grocery retailers also sell hardware, clothing, and a whole line of consumer goods.

Nonetheless, I believe solutions exist that can make a huge difference. But they will require both stopgap and long-term measures. We need both because the time frame needed for long-term solutions to positively affect farm families, will be too long to help the majority of producers.

So I am respectfully recommending the framers of America’s farm policies consider the following as one viable, short-term solution to the problem of vanishing farms and the general decline of rural economies:

We need consolidation facilities that will enable farm families to collectively pool their production volume in order to attract chain store supermarkets. I am confident that the quality of our farm products is not an issue with these primary channels of trade. Rather, it is the lack of volume that

keeps them from writing purchase orders to our farm families; for individually, few can supply the massive volume demanded by chain stores.

With respect to long term solutions addressing our protracted farm crisis, I respectfully offer the following suggestions, and assure you they are the result of my day-in and day-out experiences working with not just farm families, but also with buyers of farm products representing primary channels of trade:

First, because sales of farm products from an agricultural production region like Michigan’s diversified fruit belt heavily influence our entire regional economy, we must look beyond the production factors of those products. Agriculture is number two on the list of revenue generating industries (behind manufacturing), in Michigan. According to the U.S. Department of Commerce, agriculture is a $37 billion industry in Michigan.

Thus, agriculture has a profound affect upon numerous, indirect industries like tourism, transportation, food processing, and those businesses who sell input-related goods and services to farmers. So any long-term solution must consider the impact upon businesses not directly involved in production, but who nonetheless look to farmers for a significant percentage of their annual sales revenue.

Secondly, the production of what has been historically known as “non-program” crops is a specialty often dependent upon a region’s natural resources. Water, appropriate soils for specialty crops, mean average minimum and maximum temperatures, and land topography all are crucial to consistent (i.e., annual) cropping, and limit production to a very few regions nationally.

Michigan’s fruit belt is a case in point. Beyond our well known “lake effect” climatological influences, our fruit belt enjoys deep, well-drained soils, an undulating topography affording excellent air drainage, and one of the world’s greatest underground system of aquifers. In short, the fruit belt is ideal for the production of specialty crops, which is why it has enjoyed a worldwide reputation as a location for quality farm products.

Nevertheless, while unique in its natural resources, the fruit belt is not well known among American consumers, and it is this lack of consumer awareness that hinders us from an enjoying widespread consumer demand. For example, other agricultural production regions within the U.S. have nurtured and enjoyed widespread consumer awareness for their farm products. Vidalia onions are a good example, as are Idaho potatoes. But Michigan, the country’s most diverse agricultural production region solely within a temperate zone, has failed to capitalize on its uniqueness or the quality farm products its farm families produce. So long term, a campaign to tout fruit belt specialty crops is sorely needed.

Finally, I suggest the importance of Michigan agriculture to the nation (Michigan leads the country in the production volume of ten farm commodities and ranks in the top five for thirty more), combined with the current crisis resulting in its loss of farms and farmland, demands federal action similar to other crises in our country’s history.

For instance, when the need for electricity throughout the Tennessee Valley became a national priority, our government stepped up to the plate and filled that need. The water projects creating irrigation districts in the Pacific Northwest is another example of our government assisting its people. Now, with an entire farm economy within one of our nation’s most important agricultural districts threatened with extinction, it is time once again to look toward Washington for help.

Help is needed for the creation of a distribution center solely devoted to Michigan agriculture. It should reflect the needs not only of farm families, but also, the needs of the corollary businesses reliant upon Michigan’s agricultural economy. For only by consolidating our production can we hope to attract the primary channels of trade with sufficient volume to fill the needs of chain store supermarkets. And only by accessing those markets can Michigan farm families generate

sufficient farm gate revenue to insure the economic health of the industry’s corollary businesses.

In conclusion, I ask the United States Senate Agriculture, Nutrition, and Forestry Committee to assist us in the creation of a federally supported distribution center for farm families throughout the Midwest who grow specialty crops. Our vision of such a center includes components targeting numerous corollary industries like transportation services (truck stop and restaurant), a “Vendor’s Village” made up of businesses who sell goods and services to producers, produce wholesalers and brokers, a retail component targeting Michigan’s strong tourism economy (Agri-tourism is one of the few growth areas for us), and the creation of a “Federal Museum of Michigan Agriculture.”

I admit that such a project is unprecedented in the history of Michigan agriculture, and I know there are some who would scoff at its concept. But like the water projects of the west, and the hydroelectric projects of the TVA, this project is crucially important to the constituency it will serve. Moreover, by comparison, this project requires a mere fraction of the expense. Please help us to help ourselves and make the transition from commodity marketing, where price alone dictates sales, to value-added marketing, where products are differentiated and considered on the basis of their true value in the marketplace. Thank you very much.

8/21/2001

Written Testimony of Dr. Robert Shuchman, Chief Technology Officer
The Environmental Research Institute of Michigan (ERIM)
Senate Agricultural Field Hearing
August 13, 2002

ERIM is pleased to have this opportunity to submit written testimony regarding the upcoming Farm Bill. Certainly this legislation, and the debate that will occur during its drafting and consideration, is critical to the State of Michigan. So we are particularly grateful that Senator Stabenow has given a broad range of "Michiganders" – from growers to technology innovators – the opportunity to contribute to the debate and the policy process.

ERIM is a not-for-profit, research and innovation institution. In its 54-year history, ERIM has been a leader in the analysis, development and demonstration of advanced information, geospatial (remote sensing) and decision support technologies. These technologies give local, regional and national authorities the tools they need to make better and faster decisions on matters ranging from land use planning, to infrastructure development to disaster response and recovery. In short, these innovative uses of advanced informatics can allow for better natural resource program planning and modeling, more cost-effective program implementation and robust monitoring for desired results.

ERIM applauds the efforts of senators of both parties to dramatically bolster the reach, impact and efficacy of the conservation programs provided under the Farm Bill. Since cropland, pasture, rangeland and private forests make up approximately 70 percent of the land area of the continental United States, the conservation title of the Farm Bill,

by definition, becomes one of the principal instruments by which the Congress can guide and support natural resource conservation programs, practices and results.

ERIM understands that when it comes to the conservation title of the bill and the programs it authorizes, there are deeply held, passionate and differing points of view on how such programs should be structured and targeted. It is also fair to say that there are conflicting opinions as to whether existing programs such as the Conservation Reserve Program (CRP), the Wetlands Reserve Program (WRP) and the Environmental Quality Incentives Program (EQIP) – to name a few -- have been getting the most environmentally sensitive lands into reserve status or encouraging desired land and resource management practices. Are there overlaps in these programs that cause sub-optimal implementation or lead to redundant application of limited financial resources on specific lands or regions that may be inconsistent with larger conservation and environmental priorities? In other words, are we getting the most "bang" for the "conservation buck" we are spending?

Finally, and as others have testified, we need to know if producers are sufficiently aware of these reserve programs. If they are not, an important opportunity to get those lands, if critical to our conservation and environmental objectives, into reserve status will be lost.

As Congress wisely considers augmenting and perhaps increasing the number, size and scope of conservation programs under the jurisdiction of the U.S. Department of Agriculture, ERIM believes that the need for an objective, science-based decision-support tool increases dramatically.

If we consider the implementation of existing conservation programs in the Great Lakes region alone (defined as the eight states bordering the lakes), without the aid of new technical tools, it becomes an almost unfathomable task to conduct an objective assessment of the efficacy of our conservation programs and practices and results. If, for instance, we look through a lens that stipulates the improvement of water quality in the Lakes as the overriding objective, do we know how these conservation programs are measuring up? Are we maximizing the Federal government's investment of limited dollars as measured against articulated conservation objectives?

If we contemplate adding new programs against these same, or new, environmental and conservation objectives, what level of assurance will there be that program overlaps will be addressed? How will we know that those lands that have the most direct impact on water quality in the Great Lakes are going into reserve status? How do we assure that the producers become aware of available funds to put critical lands into these programs? And, once these lands are into the relevant program, is there a comprehensive, geo-spatially registered database that allows for multiple, side-by-side comparisons of which programs are achieving greatest impact and where?

A system or tool of objective measurement becomes a critical component to answering most, if not all, of the questions I posed above. The rapidly evolving capacity of geospatial and informatics technologies allows decision makers and program implementers at multiple levels to address:

- Program outreach. New web-based tools can provide the opportunity to inform greater numbers of producers on the benefits of, and application procedures for, funded conservation programs.

- Program development and targeting. Geospatial tools can more clearly identify regions that have been neglected under existing programs as well as those lands that should have high priority conservation status as measured against articulated conservation objectives.
- Program rationalization and prioritization. Integrated geographical information system (GIS) and modeling technologies provide a mechanism for side-by-side program assessments thus determining where program overlaps might be eliminated and where program synergies might be accrued or more effectively exploited.
- Program compliance and evaluation. Remotely sensed data (satellite and airborne) when integrated into an interactive, GIS information environment can determine compliance of submitted acreage with relevant program guidelines and build the knowledge base for objective assessment of program efficacy.

I do not want to suggest that advanced information technologies are a panacea. They are not. But in combination with more labor-intensive ground-truthing methodologies, they can provide an objective basis upon which to build, grow and prioritize conservation programs that will effectively and efficiently meet the needs of our farmers and our environment. ERIM urges the Senate, as it considers the conservation title of this year's Farm Bill, to fully explore the promise that these technologies hold for better implementing reserve programs at the local, regional and national levels.

On behalf of all of my ERIM colleagues, I thank you for this opportunity to submit our views for your consideration.

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Senate Hearing on Agriculture

RE: Issues involving Crop Insurance

1. Sustain the current Agricultural Risk Protection Act of 2000 intact for the duration of the program. It is working well encouraging more farmers every year to buy crop insurance to reduce their risk of the elements, and looking at more programs such as Crop Revenue Coverage to protect their crops to the maximum.
2. Continue to subsidize the higher levels of coverage such as 70%-85% such as it is now, and when this Agricultural act runs out, to raise the subsidies even higher on the 80% and 85% to encourage farmers to buy the higher levels.
3. To reduce or eliminate the amount of written agreements for new crops in our state.
4. To look at a new type of insurance program that would be more in line with a farmers cost of production. Currently, a program that would help cover 90% of the cost of production is being looked at. It should help but I feel the limits will be low. Every farmer has a different cost of production and I feel a policy similar to our current Hail policy would be more agreeable. Currently there are caps on each crop in the Hail policy that I feel are sufficient. This would be a more simple policy where the farmer chooses a dollar amount, premium is charged and reduce the amount of time for paperwork to the farmer and agent immensely. No more getting actual production history, doing written agreements with RSO, and worrying about the newest program of added-land worksheets. I feel this type of a program would work a lot smoother than what we currently are doing.
5. For dry beans we have a quality adjustment currently being administered by the Federal Graders, Michigan Graders have a higher standard because of what the dry bean industry has asked for, in essence when there is a loss the Michigan farmer is penalized between the 2 grading systems.

Sincerely,

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TESTIMONY BEFORE THE UNITED STATES SENATE COMMITTEE ON AGRICULTURE

August 13, 2001

We appreciate the opportunity to provide this testimony before the Committee, especially on the occasion of the first such committee hearing in Michigan since 1915.

Our organization represents companies that manufacturer, distribute and retail virtually all crop and livestock production inputs (except for equipment), and also handle the grain, beans and other crops that farmers produce.

There is much discussion about consolidation in agri-business, but before policies are considered to regulate this matter, there should be careful review of what is driving this trend.

First, the number of producers, those who produce the bulk of our country's agricultural output, is falling rapidly. Consolidation at the producer level is happening far more rapidly than with agri-business.

Secondly, while consolidation is happening in every segment of agriculture, livestock, dairy, meat production, crop protection materials and fertilizer companies, it is not happening in agribusiness because of a profit motivation. The driving force is the need to reduce administrative costs, eliminate duplication in the marketplace and maximize marketing efforts (sales forces, advertising, etc.)

In fact, most pharma companies have spun their agricultural companies off as stand alone entities so they can focus on the more profitable segments of their businesses, and that is not agriculture.

In fact, we are seeing a "flight of capital" from agriculture, and that threatens our industry more than the issue of consolidation. Future research, product development and the introduction of new technology must continue in this industry, and the flight of capital threatens that future.

Finally, there are those that say new technology is eliminating the "family farm," or taking away producers' rights. There is no law or regulation that says farmers must use new technology, and in fact, new niche markets have developed to serve the non-biotech market. Organically grown crops and produce have become popular with some consumers.

Those markets will continue to thrive, but the bulk of our future opportunity lies with our ability to use new technology to help feed an ever-expanding world demand. Ignoring technology does not make it go away, just as the internal combustion engine did not fade away because it replaced horses and considerable human physical labor.

The future promise of biotechnology must not be constricted because some countries have chosen to impose artificial trade barriers on our crops, or some misguided groups or individuals seek to roll back the clock.

If our producers are to compete in the world market, we must have the most advanced technology and remain on the cutting edge of our future.

We also strongly encourage Congress and the Senate to recognize the plight of the American farmer, and we support efforts to aid and assist that vital segment of our industry, our nation's fabric and our agricultural production machine.

Many have spoken and provided testimony about trade issues and the need to expand our trade with other countries. We also need fair trade with our current trading partners. Trade for the sake of trade doesn't work if we are prohibited from meeting demand in other countries because of artificial trade barriers, or other countries not abiding by agreements, when we do.

I also want to say a word about our present dilemma in Michigan. We are in the midst of a severe drought. The most unfortunate part of this predicament is that while Michigan farmers will suffer from reduced yields because of the lack of rainfall, other production areas are faring much better. Our farmers will face poor yields, as well as depressed commodity prices. There will be a need for disaster relief in many parts of Michigan.

Thank you for the opportunity to express these thoughts, and we would be happy to provide additional detail, or answer any questions.

ISSUE: THE NEXT FARM BILL

Michigan Allied Poultry Industries, Inc. (MAPI) supports the Farm Bill proposals offered by the United Egg Producers (UEP) and the National Turkey Federation (NTF).

The Mission of MAPI is to promote the Michigan poultry industry. MAPI serves as the main industry communicator to government, the university (MSU), national poultry organizations, allied ag organizations and consumers. It provides general communications with its members about its activities with a particular focus on environmental and disease issues.

Issue: Michigan Allied Poultry Industries, Inc. requests the House and Senate to pass a Farm Bill that: (1) is a market-oriented farm bill that does not distort the market for feed grains, protein meals and other commodities, (2) that promotes voluntary environmental and conservation measures and contains sufficient funds to encourage behavioral change and help defray environmental compliance costs for poultry producers (eggs, turkey, and broiler) and other livestock producers, (3) expands food and agriculture research including avian disease control, (4) strengthens export promotion including value-added exports.

Background: The Michigan poultry industry is linked to feed-grain prices, which represent 60-70 percent of the cost of production. Prior to the passage of the 1996 Farm Bill, industry profits were determined more often by government programs than market forces. Fundamentally, MAPI requests that market prices for grains and oilseeds be determined by supply and demand, not government, and that any price or income supports for these commodities be structured to ensure minimal market distortion.

Federal, state, and local governments – led by EPA's proposed new regulations for animal feeding operations and concentrated animal feeding operations (AFO/CAFO rule) – are imposing stricter environmental laws on agricultural operations. While increased environmental scrutiny may be necessary, the new rules will increase the cost of farming a ranching significantly. Many groups, including NTF, have called for at least $2 billion per year in funding of cost sharing and technical assistance to poultry and other livestock producers for voluntary conservation measures to absorb the cost of new environmental regulations. It is critical that such programs be non-discriminatory, with no arbitrary benefit cutoffs based on size.

Food and agriculture research must be a priority to ensure advances in knowledge of food safety, environment stewardship, animal husbandry, productivity increases, biotechnology and avian disease control and treatment.

The next Farm Bill should increase the emphasis on value-added exports of turkey, chicken and other products. Exporting products that have been further processed creates more jobs at home. Our competitors, including the European Union, realize this and have been spending far more than the U.S. on value-added promotion.

Action Requested:

MAPI requests Representatives and Senators to support only a Farm Bill that contains the following:

- A market-oriented commodity program.
- At least $2 billion per year in environmental compliance funding.
- Priority on food and agriculture research.
- Increased emphasis on value-added exports.

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The Honorable Senator Debbie Stabenow
- - Senate Agricultural Field Hearing
702 Hart Senate Office Bldg.
Washington, D.C. 20510

Dear Senator Stabenow,

We recently listened to information and discussions about the proposed Farm Bill which is being drafted for consideration this fall. Much of the information is based on, or used to formulate, the House's draft version. A few points became clear in the discussions, points which I would ask you to emphasize for the underpinnings of the Senate version of the Farm Bill:

A.) ***Maintenance*** Farms in the United States continue to be lose profitability, and the farmers are growing grayer. The future of U.S. farming will depend upon fewer and fewer young farmers unless federal programs help to ensure that farming is worthwhile as a career. Moreover, years of tinkering and compromise have led to various programs which have broad acceptability and, in most cases, effectiveness. Price supports, market loans, counter-cyclical payments, direct payments and other such fiscal programs must be continued for four reasons:

1) US agricultural exports show no signs of significant increases. Foreign producers are becoming more aggressive, at times with unfair support from their own governments, in gaining greater shares of the US and global markets. Fiscal assistance to farms in the U.S. helps to level the proverbial playing field.
2) Agriculture is one of the most stable sectors in both the political and capital arenas, and so should be nurtured as a desirable influence on the markets and on government.
3) Continued loss of private US farms will ultimately erode American strategic independence in resources and supplies, so farms themselves must be supported. The market's "ideal" total of farms and farmers could be destroyed by one large drought or similar disaster, so American strategic independence relies heavily upon a broad, varied, and healthy industry. Its persistence requires financial support.
4) The financial support programs, rates, etc., are seen as fairly equitable. Unless serious study is undertaken to reevaluate those rates, they should be set at the levels recommended by the larger ag'-analysis groups.

Grand total currently recommended for the Farm Bill: $173.7 billion.

B.) ***Research and Education*** In keeping with the market philosophy of "grow or die," U.S. farming must be vigorously supported with continued research and education. Michigan State University is one of many world world-class agricultural research institutions in the U.S., working toward better practices, better crops, better animals, and better products. Without research, and without broad education about the results, U.S. farming excellence will stagnate and then shrivel. Research and education are as vital as young farmers to the future of U.S. farms. And the best farmers, young and old, always look to research and education to help improve their own operations.

It has been suggested that several marketing and strategic reserve strategies (direct purchase of surplus foodstuffs for school lunches, a national inventory management plan, and more federal support for marketing of specific commodities) be included in the language of the bill. Since many of those suggestions are not yet developed, it might be wiser to insist that certain research programs investigate and prove out the wisdom of the various suggestions, and let Congress and the commodity producers then work with proven information.

Recommended allocation: $700 million directly for research (current in House draft), for research, field trials, educational and promotional programs.

C.) ***Inspection*** One of the least-loved parts of governing and management is also one of the most crucial: quality inspection. Michigan maintains some of the highest food quality and purity standards in the world, but Michigan farmers are at an economic and process disadvantage when imports are not held to those same standards. To ensure that farm products are treated equally, and that consumers are protected equally, the federal government must have a more consistent, constant program of inspection for all regulated agricultural products. This requires funding, staffing, and equipping greater inspection programs. Without effective inspections, you literally cannot be sure what you are eating or drinking.

Because of the nature of this category, it would also be logical to include disease eradication as a specific oversight responsibility. That would include testing, eradication, and prevention efforts for such concerns as tuberculosis, Johne's disease, hoof-and-mouth quarantine, etc. Logically, these would tie in with the research and education programs. At present most media reports indicate that the states, not the federal government, supply the "front-line troops" for such efforts.

Because inspections are not glamorous, because funding them requires a consensus among opposing factions, and because the USDA does not have it's own lobbying group, they have been overlooked in most discussions. These are your agricultural cops, protecting the citizens. Recommended additional funding for USDA inspections and oversight (roughly 500 head-count increase): $124 million.

D.) ***Conservation*** This topic represents two politically sensitive areas, (1) preservation of farmland and (2) environmentally improved farming activities. The loss of U.S. farmland creates strategic and political risks already noted above. Preservation programs depend upon government for leadership, exactly as with national parks and with past successes such as rural electrification. They will enhance the nation's strategic production reserve capacity, in lands which are held as "green lands," and give an aesthetic enhancement by maintaining green lands in areas which might otherwise be paved or built upon. A collateral benefit is that conservation reserve lands

are intentionally removed from production, thereby reducing the volumetric overproduction which is inherent in American farming excellence.

True environmental improvements, a hot issue with "green" activists, will also not be widespread nor consistent without governmental guidance. The government must take the lead in encouraging nation-wide improvements, such as in the proposed three-tier environmental rewards program. And the factors of research and education are again required for consistency and excellence.

Michigan has several local, state, and federal programs implemented for farmland preservation and conservation. Most are in their early years. We also see several different federal and state agencies involved in assisting farmers with environmentally beneficial improvements. The Farm Bill could be used to standardize those efforts with little more than administrative cost.

We urge reauthorization of programs such as the Conservation Reserve Program (CRP) with a higher ceiling of total acreage (house draft recommends 40 million acres, up from current 36.4M); the Environmental Quality Incentives Program (EQIP) at $1.2 billion over ten years; the Wetlands Reserve Program (WRP) at $1.5 billion over ten years. The House draft also commends such programs as wildlife Habitat Incentives Program and the Farmland Protection Program, and $100M annually for conservation technical assistance.

Personally, we would suggest that current conservation funding levels should be increased by as much as 14%, simply because the loss of farmlands and green lands is accelerating and because the prices of land are still rising much faster than inflation. Farmland, once lost, is not recoverable. And the best farmland usually goes first.

We wish you strength in your work on the Farm Bill. It will be complex, convoluted, and most of it will be argued at length. Some specific commodities like dairy, sugar, and wheat will need extra attention because of potentially unequal or less-supportive treatment, but all producers will be hopeful and insistent. If there is any way we might assist you in gathering accurate information, please just ask.

You and the other committee members are also always welcome in our neighborhood. Stop by if you'd like. We've got the world's best milk in the refrigerator, some wonderful hot dogs from Stockbridge, and the world's finest lamb in the freezer. And, by the way, our neighbors are also always generous with their opinions, if you need a few extra.

Thank you.

Respectfully,

Perry O. Plouff
734-429-1031

TESTIMONY FOR THE RECORD
OF

AARP

WASHINGTON D.C.

REGARDING

"REAUTHORIZATION OF THE PROGRAMS OF THE FEDERAL FARM BILL"

FOR THE MICHIGAN FIELD HEARING OF

SENATOR DEBBIE STABENOW

MEMBER OF THE

COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

U.S. SENATE

AUGUST 13, 2001

IN

FRANKENMUTH and GRAND RAPIDS, MI

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AARP appreciates this opportunity to present its views regarding reauthorization of the programs of the federal Farm Bill, especially the Food Stamp program (FSP). The nutrition programs of the bill are critical to many individuals and families at nutritional risk in Michigan and the nation. AARP applauds the Committee's timely efforts to review the Food Stamp Program and related nutrition programs of the bill before the current authorization expires next year. Early Committee action is essential if careful consideration is to be given to the numerous issues that have arisen since the last reauthorization.

A 2000 GAO report noted that about 1.6 million to 2 million households with individuals age 60 and older lacked enough of the right types of food needed to maintain their health or simply did not have enough to eat. It further noted that, in some cases, older persons are forced to choose between buying food or paying for medicine, utilities, or other needed items. Approximately 500,000 to 600,000 older persons reduced their food intake to the point that they experienced hunger. Yet the majority of older persons who are eligible for the Food Stamp Program fail to receive its benefits -- benefits that could help to alleviate these problems.

The FSP continues to be a well-targeted nutrition program designed to help eligible recipients maintain a healthy diet. The primary households served are those with children under age 17, older persons and persons with disabilities. A 2000 Department of Agriculture report on characteristics of FSP households notes that over half of recipients are children. Twenty percent of participating households contain seniors, while 27% contain disabled individuals.

The USDA report affirms that the program continues to focus on supplementing food purchases among the poorest in our society. It notes that even if the cash value of FSP benefits were added to the gross income of beneficiary households, only about 17% of them would move from below half the poverty line to above half the poverty line. Only 7% would move out of poverty. As intended, the program is genuinely responsive to changes precipitated by economic cycles and natural emergencies.

However, the welfare reform changes of 1996 caused major reductions in participation rates that underscore the persistence of unacceptable levels of hunger and food insecurity. While participation in the FSP has declined by 34%, there has been no corresponding decrease in poverty; in fact, the number of persons in poverty and without food stamps increased by over 2 million between 1996 and 1999. Despite the benefits of encouraging greater self-sufficiency, removing some actual FSP abusers and discouraging some potential abusers, changes resulting from the 1996 welfare reform laws call for reassessing its effects on FSP beneficiaries.

According to USDA estimates, only about 30 percent of eligible elderly individuals participate in the FSP – less than half the overall participation rate of 63 percent. The aforementioned 2000 GAO report surveyed state food stamp program administrators in 51 states. Among the many reasons cited for poor participation by the elderly, officials most frequently reported that the burdensome application process can outweigh the expected benefit for some older persons. For example, the GAO examined one application form in which the food stamp section alone was 15 pages long.

The level of need among households with children is clearly greater than among other population groups, and AARP strongly supports legislative and administrative strategies to address that need. It is a fact, however, that many who are eligible for food stamps, but not receiving benefits, are older individuals. While there are numerous issues that deserve attention, AARP will limit its remarks here to three general areas of need:

- Improving access to Food Stamp information and simplifying the FSP application;
- Increasing the minimum FSP benefit; and
- Providing child-only FSP benefits for children under non-parental care.

Improving Access To Food Stamp Information And Simplifying The FSP Application

The FSP has always played the primary role in providing nutrition assistance to, and maintaining an adequate diet among, eligible households suffering from hunger and food insecurity. Not surprisingly, the problems of hunger and food insecurity are most severe among people with low incomes, people in poor health and minorities. Older persons are significantly represented in each of these categories. A recent AARP Public Policy Institute Issue Brief, "*The Food Stamp Program and Older Americans*," noted that the participation rate among older persons was a very low 30% of eligible households in 1998 compared to 69% for children. It further noted that the participation rate among eligible children had declined sharply from 86% in 1994 as a result of welfare reform. Studies show that the primary reason for low participation among seniors is their belief that they are ineligible. In contrast, lower participation among children results from the combined effects of policy changes ***and*** inadequate information available to heads of households, since children do not make these decisions. *AARP urges Congress to increase FSP authorization levels, recipient benefits and outreach efforts to ensure nutritional adequacy for all of the nation's vulnerable poor.*

Many eligible households do not seek FSP or other public assistance benefits because of the immense complexity and volume of associated paperwork. But were the paperwork not an issue, the rules that govern processing of applications would still create barriers to participation by eligible households. A case in point pertains to the definition of "household." Households -- not individuals -- receive food stamps. Current regulations that define what constitutes a "household" eligible for food stamps can have the effect of discriminating against extended families that live together out of economic necessity. For instance, two widowed sisters with low incomes who share a home and purchase and prepare their food together are considered one household. Because the Food Stamp Program considers their combined incomes when determining eligibility for benefits, they may have difficulty qualifying for food stamps or may receive less in benefits than if they lived separately.

In some states, federal guidelines defining "household" have been misinterpreted to deny food stamps to eligible persons. More direct barriers to adequate assistance result when the definition of household limits available benefits based on the number of children rather than need. *AARP urges making statutory changes in the FSP definition of "household" so that eligible families and extended families more easily qualify for and receive adequate benefits.*

The recent changes in federal provisions for the FSP also affected administration of the program by the states. In the past, Congress established a number of program administration requirements to facilitate access to the Food Stamp Program by older people and people with disabilities. The 1996 welfare reform law repealed several of these requirements. States are permitted, but no longer required, to conduct telephone interviews or home visits instead of in-person interviews, to take applications over the phone or by mail, and to issue food stamps by mail in rural areas. Under the 1996 welfare reform law, each state is directed to establish procedures governing the operation of food stamp offices that the state determines will best serve households, including those with special needs. States should use their flexibility to encourage rather than discourage participation by eligible households. Important areas to be addressed might include the environment established within FSP offices (e.g., quality of client service), the application process, assistance to applicants and ultimately the manner in which benefits are delivered.

Electronic benefits transfer (EBT) cards provided for receipt of payments offer still another example of participation barriers. EBT systems provide a food stamp "debit card" that is used in lieu of paper coupons. While such debit systems have some potential for reducing food stamp theft, they also pose many potential problems for beneficiaries. For example, consumer choice of retail outlets may be reduced because stores are not required to install EBT terminals. While these terminals are common in major supermarkets, they may be less accessible in smaller stores. In addition, food stamp recipients could be stigmatized because retailers are allowed to segregate them into special lines equipped with the EBT terminals.

Unfortunately, the evaluation of EBT pilot projects inadequately sampled older participants, which is particularly important because many older individuals are reluctant to use unfamiliar technology. Recipient disabilities, recipient difficulty with technology, and the limitations EBT cards can impose on the choice of retailers in many areas – all of these can impede access to the program. While we hope that the barriers presented by these cards will eventually disappear, steps can be taken now to reduce them. *AARP believes that implementation of electronic benefit transfer systems should be flexible to accommodate the special circumstances of beneficiaries who are elderly, have disabilities, or live in rural or inner-city areas that are served by participating institutions.* Federal law requires that states issue food stamp benefits through EBT systems by October 1, 2002, unless the hardships involved with implementation qualify the state to obtain a waiver.

Increasing The Minimum FSP Benefit

Food stamp benefits are based on a formula called the Thrifty Food Plan (TFP). Because the TFP has been artificially constrained to reduce its cost, food stamp benefit levels have shrunk relative to actual food costs for nearly all low-income households. For fiscal year 2001, the maximum monthly food stamp benefit for a single person is $130. *AARP urges that the Thrifty Food Plan be revised to account more accurately for the actual food costs of low-income households.*

The minimum food stamp benefit, currently $10 a month, helps make program participation available to one- and two-person households with incomes just above the poverty guidelines. As part of welfare reform, Congress repealed a scheduled increase to $15 and indexing of the minimum benefit before that increase took effect. This loss of increased benefits particularly affects older people because more than half (57 percent) of the households that receive the minimum benefit include an individual over age 60.

Among the 1.7 million older individuals who received food stamp benefits in 1999, the average household benefit level was $61 a month. Twenty-eight percent of elderly food stamp households (those containing a member age 60+) received the program's minimum benefit of $10 per month. The current $10 minimum benefit has not been adjusted for inflation since 1977 although food prices have increased over 150%. Further, the minimum benefit amount is so meager as to discourage many eligible individuals from applying for benefits or re-certifying their eligibility for benefits. In extremely rural areas, this effort can impose significant hardship, especially considering transportation costs and the limited transportation alternatives. One solution AARP has recommended is permitting households eligible for minimum benefits to receive them in quarterly installments rather than traditional monthly allotments.

In the 2000 GAO report on options for improving nutrition assistance for older persons, nearly all of the state food stamp directors endorsed increasing the minimum benefit level from $10 to $25 per month. Of the 50 respondents to this question, 94 percent said that this change should be a high priority. *AARP **strongly** believes that Congress should increase the minimum FSP benefit and restore indexing of the minimum benefit to inflation.*

Separating FSP Households For Children Under Non-Parental Care

The final topic we would like to address specifically concerns children raised by grandparents or other family caregivers. This is a growing financial concern, especially for those on very limited incomes. Maternal grandmothers, in particular, are playing an increasingly important role in family well-being, especially in poor and working-poor families. The Census Bureau estimates that in 1997 there were approximately 792,000 households in which grandparents were raising grandchildren with neither parent present. According to an earlier Census report, the median age of grandparents raising grandchildren is 57. The median age of grandparent caregivers age 65 and older is 70, a group that accounts for 23 percent of grandparent caregivers. The majority of grandparent caregivers (58 percent) are white, while 29 percent are black.

Twenty-seven percent of mid-life and older grandparent caregivers live at or below the poverty level; another 14 percent live between 100 percent and 150 percent of the poverty level.

Current food stamp rules make it difficult for grandparents and other caregiver-relatives to obtain food stamps on behalf of children in their care. Children who are younger than 18 and under the control of an adult who is not their parent are automatically treated as a member of that adult's household. No one in a household can qualify for food stamps unless ***all*** members of the household are eligible to receive them. As a result, grandparents and other caregiver-relatives who are ineligible for food stamps cannot obtain benefits solely on behalf of a child.

Few grandparent or caregiver households receive any type of child support payments for these dependent children. AARP believes that when child support payments are available, eligible grandchildren should not be unduly penalized under the FSP. Many such grandparent and caregiver households are likely to need extra cash assistance to help defray the expenses of raising grandchildren. *AARP urges Congress to amend the FSP to allow grandparent and other nonparental caregivers the option of applying for food stamps on behalf of the children in their care. Further, we believe that public benefit programs should maximize the support given to grandparent-headed families and other caregiver relatives to encourage and keep intact families with dependent children.*

In conclusion, AARP applauds the Committee's timely efforts to review this important statute. The FSP assists so many poor households that would otherwise face almost certain nutritional risk and hunger, in Michigan and across the country. The recommendations that we have made here by no means address all of the critical concerns regarding this complex program. We do believe, however, that our recommendations, if enacted, would help to close many of the serious gaps in service to the intended population. AARP stands ready to work with Congress and the Administration to bring about the needed improvements.

STATE OF AFFAIRS OF THE UNDERSERVED FARMER

Ladies and Gentleimen; thank you for the opportunity to submit this statement to the Senate Agriculture Committee – Farm Bill on Monday, August 13, 2001 at the Grand Rapids Hilton in Grand Rapids, Michigan

This condition of the Underserved farmers is bleak and is becoming even worse. There continues to be a lack of access to information and the loan process is not equitable. There is a lack of services and no support systems established for the underserved farmer. The conditions are made even worse by having front line employees who are not sensitive to our needs nor are they interested in learning about our situations or our needs.

The underserved farmer continues to be excluded not included and the system has not identified avenues for inclusion that allows us to participate in the domestic or the international markets.

The playing field needs to be made level and allow equal access to information and assistance/dollars for all farmers. Increased Agribusiness opportunities must be developed to allow the underserved farmer to participate.

The underserved farmer needs to be trained as a business owner who happens to be a farmer. Business Management skills for the underserved farmers need to be fined tuned and methods developed to allow us to continue farming and contributing to the tax base of America.

There is a need to increase Youth involvement. Currently there is the Southwestern Michigan Farmers Cooperative in cooperation with CERUF that support youth involvement with the underserved farmer to insure continuation of the minority farming. These organizations need increased support of dollars to increase their commitment to our future.

The Underserved Farmer continues to be underserved and methods must be identified for us to become true partners in the American Dream.

Barbara James Norman

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African American Female Farmer
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Barbara J. Maddox-Rose – Minority Farmer Advocate

Monday, August 13, 2001

Tom Muir
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West Branch, Mi. 48661

Agriculture Field Hearing
U.S. Senate Agriculture

United States Senator
Debbie Stabenow
Senate Office Bldg.
Washington, D.C. 20510

It is my feeling that because of present circumstanes facing American Agriculture, we must continue those programs as determined by the House Agriculture Committee, H.R.2646 and those ideas supported by American Farm Bureau.
Problems facing land use as is documented in the TV program produced by University of Michigan, "SPRAWLING OF AMERICA", must be addressed in providing assistance in "FARMLAND PRESERVATION".
The core problem, FARM PROFITABILITY, needs more direct involvement of farm personnel dealing with those GOVERNMENT AGENCY'S such as USDA, FDA, EPA, NAFTA and others.
Legislation should assist and encourage Regional Association's for development and marketing farm commodities. The existing backbone already in place could be the American Farm Bureau, American Dairy Association, National Corn Growers Association and others, to deal directly with such problems as to regulation and future marketing or incentive-based inventory management and or ad hoc disaster assistance payments.
At the present time, we are suffering from a system based on independence, whereby farm commodities are at an all time low and at the same time imput costs keep going up. Access to markets are limited by government policies attempting to impose MORAL and POLITICAL beliefs on others.
There is a need for "FAST TRACK" to gain access to markets but also the need for Fair and Free Trade. Why is a product such as Milk Protein Concentrate allowed in without regard for FOOD SAFTEY OR QUALITY?
Thanking you for your consideration.

Sincerely,

Tom Muir

Tom Muir

Michigan Association of Conservation Districts

Testimony for Senate Hearing on the 2002 Farm Bill

August 13, 2001

Thank you Senator Stabenow for allowing me to present this testimony today. My name is Joe Slater, and I am a farmer in Muskegon County, as well as the President of the Michigan Association of Conservation Districts. Our Association represents the 82 Conservation Districts in Michigan, which covers all of the land area in the state, and provides conservation programs to thousands of farmers and other land managers every year. We do this in partnership with the USDA- Natural Resources Conservation Service, Michigan Department of Agriculture, and many other state, federal and local partners.

I want to share with you some concerns I have about the bill passed by the House Agriculture Committee, HR 2646. It does not provide enough support for our nation's working lands, in fact, it provides **less** than currently provided. It focuses federal funds on cost-share, and land retirement programs. It will severely weaken the national federal–state-local delivery system, and allows funding to reach less than 10% of the producers in the nation.

This bill does provide for increases in some financial assistance conservation programs. **But it also includes some very damaging provisions**. For example, it prohibits funds for technical assistance from being funded by each program, as in the current law. It allocates only a very limited amount, $85 million annually for technical assistance. And it divides management responsibility for Farm Bill conservation programs between two separate USDA agencies, a very inefficient way of delivering these programs.

What we support are the efforts of Senators Harkin, Lugar, Gordon, Crapo and others to strengthen USDA's conservation programs. We need a new, flexible and locally led incentive based program, to complement the existing financial assistance and land retirement programs. A well-funded technical assistance program is needed that reaches all land managers and operators, regardless of whether they participate in federal cost-share or farm commodity programs.

I have served as an elected board member of our local Conservation District for almost 20 years, and I have seen examples of where this federal-state-local partnership works successfully. I hope that you will look carefully to the future, and provide the proper resources we need to get the job done. Thank you again for allowing me to speak, and I would be glad to answer any questions you have at this time.

For more information contact:

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