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AGRICULTURE IN RURAL COMMUNITIES DRAFTING AND IMPLEMENTATION OF A NEW FARM BILL

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

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AGRICULTURE IN RURAL COMMUNITIES DRAFTING AND IMPLEMENTATION OF A NEW FARM BILL

SATURDAY, AUGUST 18, 2001

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

The committee met, pursuant to notice, at 10 a.m., at the Moose Lodge, 1325 North Cedar Street, Tipton, Iowa, Hon. Tom Harkin, [Chairman of the Committee], presiding.

Present or submitting a statement: Senator Harkin.

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

The CHAIRMAN. The U.S. Senate Committee on Agriculture, Nutrition, and Forestry will come to order.

Today we are having one in a series of field hearings on agriculture in rural communities leading up to the drafting and implementation of a new farm bill.

I am pleased to be holding it this morning here in Tipton. Sorry I'm a little late. I apologize. We had to fly in and there was some weather. We did get some good rain today. I am pleased to be having this hearing and the testimony from this panel will be made a part of the record.

I want to say at the outset that I am going to ask each witness to talk for 5 to 7 minutes. I'll have some questions for them, but I'm going to leave enough time for people in the audience if you'd like to ask questions, make statements or make comments. I'll do as much as I can in the time that's allotted to us. If you've got something you want to say or something for the record, I think we have some microphones somewhere. Please state your name so she can get your name for the court reporter. If it's an easy name like Smith, you don't have to spell it. If it's a complicated name like Harkin, then you better spell it out for her.

First, let me recognize a couple of people. Leroy Brown is our state conservation, natural resources conservationist. I saw Leroy here. Glad to have you here. Gary Land who is still the Chair of the state committee of the Farm Services Administration. Gary Land is back there, our State Committee Chair. Next to him is Ellen. You may remember Ellen was the state director for rural development for 8 years. The past administration, of course, has changed hands now and she did such a great job in rural develop-

ment that we hired her. She is now a staff member of the Senate. Sitting right behind me is the staff director for the Senate Agriculture Committee, Mark Halverson, from around Tama. He actually is a hands-on farmer. It is nice to know that we have a hands-on farmer that is the staff director of our committee. Next to him is Stephanie Mercer who does all our economics work. She's a graduate of Iowa State in economics so she's with us here today also from the Agriculture Committee.

Farm families and people who live in rural America have not shared in our nation's prosperity. We need new directions in Federal agriculture and rural policies. The Freedom to Farm bill may have had some positive features, flexibility and some conservation, but it took away some very critical farm income protection. Farmers need a better system instead of these annual kinds of bail-outs and emergency bills that we pass every year.

The new Farm bill should begin to set a course that all farmers earn a better return and better share of the consumer dollar in the market. Right now the farmer's share of the consumer dollar is at the lowest point in our nation's history. We have to ask ourselves the question: Do we just continue down this road or do we try to add policies that will somehow get a better return of the consumer's dollar to the farmer or are we just going to go down the road and more and more of these government payments go out? That's really the essential question that we have to ask ourselves.

It also should focus on building opportunities for families and people who live in rural communities. One out of fifteen people who live in rural America farm. The rest live in small towns and communities. They do rely on the farmers, they do rely on the ag economy overall, but in many cases they need off-farm income. We need jobs in small towns and rural communities. Value-added processing ventures, biotechnology products, new marketing channels and increased exports, all these can help.

Farmers in Iowa and elsewhere have a tremendous ethic of stewardship of the land. Too often they don't have the necessary money to conserve natural resources as they want to do. The new Farm bill should extend and strengthen the current conservation programs. We need to create a new system of conservation incentives. I have bipartisan legislation that I have drafted to do that, to provide for more conservation support on working land, provide more income to farmers on their working lands.

I intend to put a new title in this Farm bill, an energy title. I don't know how far it is going to get, but at least I intend to do it. When we talk about getting more money for farmers from the market I don't think we can just think about the food and meat market. We've got to think about the energy market also. That's things like ethanol, soy diesel, methane, biomass, even wind energy, things like that. We need a new title to do that.

Again, I mentioned rural economic development for water, telecommunications, equity capital for investments. We have to take a look at that also and see what can be included in the Farm bill. Conservation, energy and a better conservation program, farm income protection, stronger support for exports, stronger support for rural communities and rural economic development, I think all of these things have to be addressed.

If I have one complaint about what the House of Representatives did when they reported out their farm bill from their committee. It focuses simply on commodities. That's all. The Farm bill has to be much broader than that. Again, I'm open to any of your suggestions or comments on that.

With that, I will now welcome our panel. We have Ross Paustian, a farmer from Walcott in Scott County, Jim Krier, a farmer from Ollie, Keokuk County, Deb Ryun, Executive Director of Conservation Districts of Iowa, Mary Swalla Holmes, ISU Extension and John Helbling with Alliant Energy. We appreciate all of you here because I think this is going to cover the bases of the things I talked about.

All of your statements will be made a part of the record in their entirety. I read through them last night and coming over here this morning. What I'd like to ask you to do is to tell us in your own words what you think we ought to have in the Farm bill and where you think we ought to go. If you have any examples you'd like to talk about, we'd like to hear that. Please try to keep it to maybe 5 or 7 minutes, something like that. I'm not going to bang the gavel. Is that all right? With that we'll start with Ross Paustian. I hope I pronounced that last name right.

[The prepared statement of Sen. Harkin can be found in the appendix on page 38.]

STATEMENT OF ROSS PAUSTIAN, FARMER, WALCOTT, IOWA

Mr. PAUSTIAN. Good morning. My name is Ross Paustian and I'm a farmer from Walcott, Iowa. Together with my wife and parents and my brother and his wife we raise corn and soybeans on a 900-acre farm. We also operate a farrow-to-finish hog operation. I've been farming for 23 years. I appreciate the opportunity to present my thoughts to the Committee on the Farm bill.

The question that faces us is what type of program is needed to help farmers weather the down years while giving them opportunity in the up years? I believe Congress made the right decision to eliminate the old supply management programs and replace it with Freedom to Farm. At that time the Federal budget was a political issue and many in agriculture didn't want the same program with additional cost savings like payments on fewer acres. We wanted flexibility. We wanted the freedom to make our own decisions.

I would offer my thoughts on the development of the farm policy in five different areas:

No. 1, the new farm program must stay within the World Trade Organization amber box commitments. Nearly 50 percent of the crop producer's income and 13 percent of livestock producer's income comes from rural trade. We cannot afford to ignore the impact that international trade has on our bottom line.

No. 2, I support continuation of the AMTA program. Payments to current contract holders should be continued, but producers should be allowed a one-time opportunity to adjust their base acres as provided for in the bill passed by the House Ag Committee. In addition, soybeans should be added as a program crop but producers must choose whether to shift planted acreage from a current program crop to soybean payments.

Number 3, loan rates must be rebalanced. I support adjusting loan rates for corn and other program crops so that they are historical with the soybean loan rate. The soybean loan rate should remain at $5.26. The next Farm bill can provide additional marketing flexibility by allowing producers to lock in an LDP rate at any time during the crop-marketing year.

No. 4, Congress can improve the safety net of the Farm bill by establishing a counter-cyclical income assistance program. This program should be revenue-based and must fall within the confines of the WTO guidelines.

No. 5, conservation programs should be expanded in this Farm bill. Producers are facing increased pressures from Federal regulatory programs such as EPA's animal feeding operation rules, water quality standards and total maximum daily load. The next Farm bill should eliminate the limits on participation in cost share and technical assistance by larger livestock producers.

I'm a family farm livestock producer and this farm supports three families yet we cannot qualify for any cost or technical assistance, yet we must meet increased state and Federal regulations. I want to commend Senator Harkin for his leadership to establish the environmental incentives programs. A program like the one proposed in the Conservation Security Act provides farmers like myself an opportunity to be rewarded for the practices that I already have in place.

This Farm bill presents an opportunity to implement a long-term strategy for agriculture while we address the short-term economic problems facing many producers. I support your vision to expand the scope of the trade title and provide more opportunities for value-added agriculture through the rural development title. I also believe this year presents us with the opportunity to expand agriculture's role in our national energy strategy. The last Farm bill was to be part of a three-legged stool. Farmers would assume more of a risk and be responsible for their own management and marketing decisions. In return, Congress would expand our trading opportunities, reduce the tax burden on family farmers and provide us with regulatory relief. With the exception of tax relief, this has not occurred. In fact, regulation of farmers has increased. I urge you to look at the broad spectrum of policy issues that impact agriculture as you design a recommendation for the next farm program.

In conclusion, farmers look forward to working with you and the Senate Ag Committee as we develop a new Federal farm program. Thank you for the opportunity to testify.

[The prepared statement of Mr. Paustian can be found in the appendix on page 39.]

The CHAIRMAN. Ross, thank you very much for your testimony. Now we turn to Jim Krier.

STATEMENT OF JIM KRIER, FARMER, OLLIE, IOWA

Mr. KRIER. Chairman Harkin, I'm Jim Krier, a farmer who resides between the forks of the North and South Skunk Rivers in Keokuk County. My wife, Mary, and I raise 900 acres of corn and soybeans and finish approximately 2300 head of feeder pigs annu-

ally. It's an honor to appear before you today to discuss the needs of agricultural producers in terms of the pending farm legislation.

First, I'd like to thank you for your leadership in attempting to secure an adequate 2001 crop year economic assistance package for the nation's farmers. As we all know, not only have commodity prices remained low, but production costs have risen dramatically because of the increased petroleum costs.

Mr. Chairman, the current farm policy is not working. Since the passage of the Freedom to Farm in 1996, crop prices have declined almost 30 percent and input costs have increased. As a result, a much larger portion of my income has come from government payments and not the marketplace.

While I like the planting flexibility contained in the current law, the rest of the program is far from adequate. Farmers want to receive a decent price from the marketplace and not from government assistance year after year. It's vital that the new Farm bill put greater emphasis on creating demand for our products and giving us the marketing tools to get a better price from the marketplace.

Increasing demand in order to receive a decent price from the marketplace should be the goal of the new Farm bill. It should also contain a safety net that is truly a safety net. This new safety net should be based on what we produce, what our yields are and what our costs of production are in today's dollars. The current safety net is flawed because it is based on what I planted on my farm 5 to 10 years ago and what my average yields were 16 years ago. We certainly don't need a complicated safety net that doesn't reflect current costs of production and market prices.

I would suggest raising the market loan rates and indexing them to the cost of production. This is simple. It only helps us when we actually need the help and it should only go to those who actually produce the crops.

We also need to place a much greater emphasis on renewable fuels. It's no secret that we currently have an energy crisis as well as a farm crisis. The possible solution to both is the production of energy from renewable commodities grown right here in the Midwest, thus reducing our reliance on imported oil and keeping those trade dollars in the U.S. The formation and maintenance of a farmer-owned grain reserve could be used to level out the peaks and valleys of ethanol production and prices, thus helping to boost farm prices now and not several years from now.

In addition, the safety net should be targeted to family farmers. To discourage larger operations and further consolidation, payment limitations should be strictly enforced.

I would also encourage you to look at adopting a voluntary Flex-Fallow type of management program to help control excess production capacity. This program is necessary to provide flexibility for those times when supply continues to exceed demand. No business can produce all that they want forever. Agriculture is certainly no different. The Flex-Fallow program would allow farmers to receive increased loan rates in return for voluntarily idling their land.

The new Farm bill's foreign trade policy should include country-of-origin labeling to ensure fair competition against imported produce, meats and grains. There should be tariffs on commodities

and produce where differing labor and environmental regulations represent a substantial difference in the cost of production.

Rural development is another important part of the Farm bill. I would like to see grants and development money to help farmers develop, manage, and own value-added enterprises such as ethanol plants, soy diesel, livestock processing, biomass energy, farm-to-market fruit and vegetable production to name a few. The farmer must be helped to do this in order to control his product from farm to retail market. This is the only way the farmer can capture more of the retail dollar.

Mr. Chairman, I would urge you to write a farmer-friendly farm bill, a farm bill that provides balance and meaningful economic safety nets for those who raise crops, a farm bill that expands markets, a farm bill that reduces the negative impact of surplus production and above all a new farm bill that helps provide profitable prices for our commodities.

I'd like to thank you for your time, Senator.

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

The CHAIRMAN. Jim, thank you very much for your statement and we now turn to Deb Ryun.

STATEMENT OF DEB RYUN, EXECUTIVE DIRECTOR OF CONSERVATION DISTRICTS OF IOWA

Ms. RYUN. Good morning. I will totally admit to having the weakest voice on the panel, so if someone can't hear me, please raise a hand and I'll try to speak up.

I do thank you for having this opportunity to comment on the 2002 Farm bill. Conservation Districts of Iowa represents Iowa's 500 Soil and Water District Commissioners, some of whom are in the room today. Thank you for coming. Most are farmers or have a farming background. They have a vested interest, many have a life-long commitment in promoting wise land use and the conservation of our soil and water.

While I might enjoy commenting on other aspects of the Farm bill, I do feel compelled to focus on the conservation title.

Soil and water conservation must be a significant component in both concept and funding in the next Farm bill and receive a minimum of 25 percent of the funding.

The programs must be focused and provide direction to achieve landscape and watershed objectives for water quality, resource protection and the entire range of conservation benefits.

Flexibility must be built into the conservation programs to allow them to be tailored within the states. The role of State Technical Committees needs to be strengthened.

We must meet public expectations for water quality, resource conservation and environmental enhancement within a framework that sustains family farms and ranches both economically and socially.

Funding for research and education is critical. It's a critical component of the Farm bill.

CDI strongly supports the concept of the proposed Conservation Security Act. We applaud this voluntary and comprehensive approach. Let's provide financial rewards to agricultural producers

who are following sound natural resource conservation practices. Thank you, Ross.

In the agribusiness world value added is a means to survival and the CSA may be an example of value added at its best. It would foster the development and implementation of whole-farm conservation plans. Producers would also receive financial support at a time when agriculture is struggling to survive. In addition, society as a whole would gain from increased environmental protection.

Currently the USDA offers set-aside programs such as CRP and WRP designed to help farmers be good land stewards. However, set-aside programs only directly protect land that is taken out of production. If we are to have an adequate impact on quality of our environment, we need to target all working lands and achieve a better balance between working lands and conservation and set-aside land.

It's important to reward those who are already good land stewards. Many producers have long farmed on the contour on slopes. They've re-established wetlands on hydric soils and pastured their highly erodible lands. They have set aside timbers and protected rare prairie remnants. It makes no sense to encourage producers to undo sound conservation practices in order to be eligible for incentive payments. We should compensate those who are voluntarily incurring personal cost to establish and to maintain wise land use practices.

The current system provides financial assistance to a select group of producers. The Farm bill should provide incentive payments to producers of all types of products. It is important and fair to provide financial incentives to those farmers who have not traditionally benefited from this type of support.

The next Farm bill should have elements which compliment and not replace other conservation programs. It should ensure maintenance of aging structures through programs like the small watershed rehabilitation program and fund them at appropriate levels. CDI supports continuing and expanding the current programs administered through the USDA by NRCS.

General consensus among Iowa's conservation groups and the commodity organizations is that participation in USDA programs should require conservation compliance for direct government payments. Provisions established in the 1985 HEL-Sodbuster and Swampbuster provisions are important to protect land from erosion. Noncompliance should result in a person being ineligible for USDA benefits.

Rural Americans who make a comfortable living on working lands can be considered a threatened, if not endangered, species. An even more rare breed is those of us who work to achieve more conservation on agricultural land. The House Agriculture Committee Farm Bill proposal reflects very little, if any, consultation with 3,000 soil and water district commissioners throughout the country. They've been working in this arena for over 60 years and we know what we're doing. We ask you to listen to our small but important voice.

While CDI applauds the house proposal to increase EQIP funding to $1.2 billion annually, we are very much opposed to shifting the administration of this program to the Farm Service Agency.

Shifting EQIP or any of the programs which require technical assistance appears to be part of the constant battle of power at the national level. The biggest roadblocks for EQIP to provide more conservation assistance are money for contracts, technical assistance funds, and the inter-agency concurrence requirements at the local level. The house version limits funds available for technical assistance and does not require the secretary to provide technical assistance.

Technical assistance is something the producers should expect in a timely manner. Technical assistance has shrunk from 60 percent of the conservation budget to about 30 percent since 1985. The house proposal suggests that none of the funds for programs such as CRP, WRP & EQIP could be used for technical assistance. It severely limits Commodity Credit Corporation technical assistance funding to implement Federal programs. It overlooks the effective partnership delivery system already in place. It does little to address the tremendous workload of conservation assistance.

The focus of the next Farm bill conservation title should be to reduce topsoil loss, improve soil health, improve air and water quality and provide wildlife habitat while at the same time provide assistance to financially struggling farmers. CDI hopes that this objective prevails. Conservation of private lands is important. I do thank you for this opportunity.

[The prepared statement of Ms. Ryun can be found in the appendix on page 52.]

The CHAIRMAN. Deb Ryun, thank you very much for your testimony. Now we'll turn to Mary Swalla Holmes, ISU extension.

STATEMENT OF MARY SWALLA HOLMES, ISU EXTENSION

Ms. HOLMES. Yes. I'd also like to thank you for the opportunity to provide testimony this morning.

Listening to my fellow speakers this morning reminds me again that Iowans are really smart and we really know what's happening out here in the Heartland.

I have traveled the state of Iowa for 5 years as a community consultant working to develop sustainable agricultural opportunities. I'm here today representing my clients, family farmers who live on the land and grow fresh, nutritious food for their neighbors and for the small towns that welcome and support this new agriculture. I am also a member of Governor Vilsack's Food Policy Council and Local Food Systems Task Force and the Iowa Community Food Security Liaison.

I believe that the new Farm bill must address the realities of the emerging global economy. In the rapidly consolidating and vertically integrating food and fiber chains trans-national companies will soon own or directly contract for all raw materials. Agricultural raw materials will be produced wherever it is cheapest and where social and environmental costs can be externalized. Current farm bill payments which directly subsidize production of commodities ultimately subsidize these mega-corporations. While profits accrue to the corporations, environmental and social costs are billed to our small communities.

Iowa's water quality is already among the worst in the nation, our rivers and streams choked with soil, chemical runoff and fecal

contamination. Our rates of rural poverty are high and in a land awash with corn and soybeans I continually see the battle of hunger and food insecurity. Farmers feel trapped, unable to break the dependency on farm payments that are based on production of cheap commodities even though they recognize how dysfunctional the system has become. They know that the price of competing as low-cost producers in a global system is to be locked into a downward spiral, forced to make choices that destroy their land, their community and their health.

One ray of hope in Iowa has been a grass-roots movement toward developing local food systems. This movement is led by the Practical Farmers of Iowa and INCA, the Iowa Network for Community Agriculture. It connects farmers and consumers through direct marketing enterprises. The growth of the number and quality of farmer's markets and CSA's, Community Supported Agriculture Subscription Farms, in Iowa is being driven by consumers who are looking for a source of food they can trust. These consumers are willing to pay more for the food that is produced on a healthy, sustainable farm by a farmer they know by name.

Widespread interest in local food systems was recently shown by over 300 people who signed up and that attended workshops held in five locations in Iowa. In fact, we turned people away from every one of those workshops. We were able to hold 60 people in each workshop and we turned away another 40.

When Practical Farmers of Iowa announced recently that they would work with groups of producers to develop direct marketing enterprises, over 30 groups applied. With limited resources, they will be able to assist eight groups to develop marketing strategies and business plans.

Working together with Iowa State Extension, the Leopold Center for Sustainable Agriculture and USDA Rural Development and NRCS outreach, small amounts of grant funds have been leveraged to assist the growing number of interested farmers. Additional support is needed to support farmers converting to new enterprises. Technical assistance in this area is also very needed.

Under the current Farm bill there is little to encourage or support farmers who are converting to high-value, market-oriented enterprises. In a recently completed survey of specialty produce growers in Iowa, 56 percent had less than twelve acres in production. With limited acres and no corn base, often they are not even considered farmers under USDA designation even though they often feed 20 to 60 households, supply the local farmer's markets and provide social, educational and environmental benefits to their communities. On the other end of the scale, 25 percent have 75–1500 acres under production, much of this in 7-year organic field crop rotation.

As you re-structure the Farm bill, I urge you to consider these farmers and their communities. Direct payments that focus on rebuilding our natural resource base and reward farmers for conservation practices—uncoupled from commodity production—will renew the countryside. I fully support the Conservation Security Act as a beginning. Please consider the amount of technical assistance that will be needed as cultural and economic restructuring takes place. The ACRE proposal which would support the develop-

ment of cooperatives, networks and associations of producers and technical assistance, addresses this issue.

One important piece of the Farm bill that I'd also like to talk a bit about is the designation and support of the Community Foods Security Initiative which builds and strengthens food systems at the community level. The Community Food Projects Grants Program has provided incomes for farmers while improving nutrition for citizens all over the country. The Farm to School initiative in particular seeks to improve access for local farmers to sell into local schools. In Iowa we are working to create a pool of producers that would sell ground meat products to Iowa schools. The Community Food Security Initiative is the centerpiece of a strong, secure America, weaving a tightly woven safety net of food access for all citizens.

Thank you, Senator Harkin, for your work on this most important and far-reaching committee. Please design a farm bill that marks the turning point for America. We are ready to turn away from cheap production that destroys our land and our people and ready to turn toward a real future of abundance and health. Thank you.

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

The CHAIRMAN. Thank you very much, Mary. Now we'll turn to John Helbling, General Manager of Economic and Market Development for Alliant Energy.

STATEMENT OF JOHN HELBLING, GENERAL MANAGER OF ECONOMIC MARKET DEVELOPMENT, ALLIANT ENERGY

Mr. HELBLING. Thank you, Mr. Chairman. I appreciate the opportunity to talk about something that's extremely important to our communities as well as Alliant Energy as a whole.

We serve 1.2 million customers in four Midwest states. The minority of those are in urban environments. The majority of them are rural communities such as this bill hopefully will address.

I want to talk about two issues that impact rural economic development of a whole broad spectrum. One is affordable housing and the second is biomass energy opportunities. I congratulate the Senator for his initiative on establishing an energy title in the Senate Agricultural Bill because I feel that this has been a long sector that the agricultural community has ignored and not taken advantage of.

First, Mr. Chairman, I want to take the opportunity to thank you for your leadership in this issue. Your assistance enabled Iowa farmers to provide set-aside switchgrass to Alliant Energy for the biomass-to-energy demonstration project at the Ottumwa Generating Station which, as you know, is a part of the Chariton Valley Biomass Project. Thanks to your assistance that project continues to grow.

I want to talk first, briefly, about housing. Alliant Energy's diversified holdings include Heartland Properties, a company that invests in and helps create affordable housing in communities served by Alliant Energy. Your support for the Eagle Bluff Apartments in Fort Madison is greatly appreciated. It is an example of the work Heartland undertakes along with other community developers to

meet the rural housing needs of low income seniors. Eagle Bluff was made possible through the U.S. Department of Agriculture's Section 515 Rental Housing loan program which offers some flexibility to finance both new construction and the rehabilitation of aging rental housing.

While construction costs and the need for quality affordable housing continues to rise, the program has faced congressional budget cuts over the past decade. Construction in rural areas costs nearly as much as the urban ones, but developers cannot charge anywhere near the same rent. The marketplaces will not bear it. If rents are too high, seniors and families are left with inadequate housing conditions or are forced to leave rural communities to look elsewhere for more affordable housing, either are significant blows to rural and small town communities. The low interest loans available through USDA are needed to keep rents affordable. Further, the program combines well with other housing programs, such as the Federal Low-Income Housing Tax Credit to reach very low income households. We recommend, Mr. Chair, that the decline in the Department of Agriculture Section 515 Rental Housing loan program funding levels be halted and that appropriations be maintained at the fiscal year 2001 level of $114.3 million to adequately address low-income needs in rural areas.

The second issue I want to address is incentives for resolving what I think is a win-win solution for both ag waste management and agricultural energy needs. We represent and I represent an energy company. That's a strength that we need to focus on. Alliant Energy is committed to finding new and applying new and innovative solutions to energy and other problems today. I mentioned the Chariton Valley Biomass Project which involves testing whether switchgrass can be co-fired with coal to power a commercial generator to make electricity. We're extending this same question to other forms of biomass, exploring the practicality and profitability of converting animal waste, crop residue and other forms of waste and combinations of waste ultimately into electricity or other forms of energy such as steam.

Presently, Alliant is working with the Iowa Department of Natural Resources to install an anaerobic digester fueled cogeneration facility at the Top Deck dairy farm in Westgate, Iowa. Digesters like this convert cow and swine waste to methane which is burned to generate electricity. Capturing the methane prevents it from escaping into the atmosphere and eliminates 90 percent of the odors from the waste. Runoff is dramatically reduced. The farmer's electric needs are supported, often entirely, while excess power is sold back into the grid, another revenue stream for the agricultural community. The waste from the digester can also be used as a marketable fertilizer product that has 50 percent higher quality than the unprocessed manure going into the digester.

Biomass energy production is one of the most exciting applications of ag wastes if it works economically because of the numerous environmental and agricultural problems it can help farmers solve. Because this is an emerging technology it does need some incentives in order to make it work financially for the farmer. That is why Alliant Energy is supporting Senate Bill 1219 sponsored by Senator Grassley expanding the Section 45 tax credit currently

available for electricity produced from wind, solar, poultry waste and certain closed loop biomass to cover electricity produced from swine and bovine waste. We hope this bill will be added to any Senate Energy legislation considered later this year and also it could be considered the basis for the energy title.

In addition, Alliant Energy supports SEC. 3102 of H.R. 4, legislation passed recently by the House relating to further expanding the eligibility of renewable open-loop biomass eligible for the Section 45 tax credit. Alliant Energy is also working with the Iowa DNR to set up a fast-track permitting process for biomass-to-energy projects. In Nevada, Iowa, we are working with the Iowa Energy Center on biomass conversion and we are beginning to explore how swine manure in particular might be complemented with other crop residues and ultimately converted to energy.

It is important to remember that the technology we are looking at and the waste might work best to produce gas or to run a generator or to be co-fired with other fuels or to produce steam unable to be fired at a higher temperature. Any Federal support should be mindful that the technology and fuel sources are still fluid at this point and language assisting development should not accidentally cutoff what might end up being fruitful avenues of economic, technological and biomass-to-energy development.

Alliant Energy proposes that the Natural Resource Conservation Service expand their eligibility for matching loans for collection and retaining structures to include structures intended to hold manure for digesters. This would be under the Environmental Quality Incentive Program, EQIP, funded under the Section 4 USDA Waste Storage Management Code. Alliant Energy also supports any encouragement you can give to the Offices in the Department of Agriculture such as Energy Policy and New Uses and Agricultural Research and Technology Transfer to direct more of their financial support for innovative technology into early research and demonstration projects involving biomass and biomass-to-energy applications. The economic opportunities for the farm economy suggest that these are fruitful areas to pursue. Farmers need economic incentives to develop sound environmental practices that have both societal and economic benefits.

One final word, Mr. Chair, on a program we conduct on the state level which should be of interest to the committee. Alliant Energy is offering a Demand Side Management utility program to farmers directly and specifically. These are incentives to farmers to acquire and to install energy-efficient technologies at a much broader scale than had been done in the state of Iowa before. For farmers who have not sought energy efficiency in the past, the energy savings can literally be enormous. We are confident that the farm community will see significant savings in the years to come.

In conclusion, Alliant Energy is actively committed to agricultural and rural economic development. In part, this means making farms and farmers more competitive and more efficient as businesses. In part, this means helping to make and keep our rural communities a place to live and work and grow in.

Thank you, Mr. Chair, for this opportunity to testify and I look forward to answering any questions.

[The prepared statement of Mr. Helbling can be found in the appendix on page 59.]

The CHAIRMAN. John, thank you very much. I congratulate you and Alliant Energy for all of your forward thinking and getting involved in the alternative energy projects that you mentioned. I have some more questions about that. Let me just review, if I might, to make sure I understand what everyone said.

We heard from Ross who said that basically with the WTO we have to make sure we're in the amber box in our farm bill, and that trade is about 50 percent of our crop income. Ross feels that we should continue the AMTA payments—correct me if I'm wrong—and that we should re-adjust loan rates but keep the soybean loan rate at $5.26, and re-adjust loan rates for historical averages. He wants a counter-cyclical support program, expansion of the conservation reserve program, and elimination of the limits on participation. He pointed out that he could not participate. He has three families that he supports and because of those limits he can't participate in the program. He mentioned an environmental incentives program they supported and an energy title they support. He supports and wants to expand the scope of trade in farming.

Mr. Krier said that the current policy is not working. We've had 30 percent decline in prices. He mentioned the outdated bases that we have and proposed we raise the market loan rate and index them to the cost of production. He said we needed more renewable fuels, emphasis on that. Mr. Krier suggested we have a farmer-owned reserve—I think he said basically for ethanol or energy production. Mr. Krier says we should enforce the payment limitations, also mentioned a voluntary flex-fallow system was needed, mentioned in trade we need country-of-origin labeling plus environmental and labor regulations and said that in rural development we needed some value added enterprises and financial help for those.

Deb Ryun mentioned that 25 percent, she believed, of the funding in the Farm bill ought to go for conservation. Flexibility should be built in to the program and research and education is critical. She liked the Conservation Security Act as a centerpiece of the new bill, mentioned that incentive payments should go to all types of farmers and not just a few and that it should compliment and not replace the existing programs. She also said that we should support the continuation and strengthening of the present programs and that conservation compliance is needed. Ms. Ryun opposed shifting the EQIP program to the Farm Service Agency and mentioned that the House bill provides less than 10 percent of the funds to producers on working lands. Maybe we'll cover that in a little bit.

Mary Holmes said that basically the environmental costs and the social costs are billed to the rural communities and they're the ones that pay it, indicating we need that development of local food systems. She mentioned INCA in Iowa and the workshops that they have around Iowa were well attended, that there's little or no support in the present farm bill for changing practice if farmers want to change their practice. She also supported the Conservation Security Act and mentioned that the Community Foods Security Initiative that's in the present Farm bill needs to be extended.

John Helbling mentioned both affordable housing and energy. On housing he mentioned the 515 rental program that we've had for a long time under Farmer's Home, now Rural Development. He mentioned the Eagle Bluff project that I'm familiar with in Fort Madison. He said that many elderly are being priced out of rental markets in our small towns and communities and mentioned that we needed to maintain a $114.3 million for section 515. He also said we need to extend the biomass to other items like animal digestives for direction of methane, also support Senate bill 1219 produced by my colleague, Senator Grassley and to expand Section 45 to cover methane. Now, he mentioned both open and closed loop biomass systems need to be supported, and because technology is very fluid at this point, we have to be very careful of what we do. He mentioned expanding the conservation program to build storage for manure for digesters—I think that's what you said. That's what I wrote down anyway, and mentioned at the end that Alliant Energy is providing incentives to farmers to apply energy saving technologies. I don't know exactly what all those are, but maybe we'll get into that.

Mr. HELBLING. I can provide those to you in detail, sir.

The CHAIRMAN. Thank you all so much for your testimony. I have some questions for the panel and then we'll open it up for the audience.

Let me just say at the outset how proud and privileged I feel to be the Chairman of the Senate Agriculture Committee. I'm the first Iowan to chair it since 1910. I feel very proud to have this opportunity and responsibility which I take very seriously. I've been on the Senate Agriculture Committee now for 17 years and 10 before that in the House. I've had 27 years. I legislated a lot of farm bills. I have some real questions about what's happened over those years and the directions that we've taken. I say to those of you who perhaps think we need to change direction of the Farm bill—which I do also—that essentially we've been going down this road for a long time. It's pretty hard to turn everything on a dime. We may have to think about how long it's going to take to turn this thing and get it moving in a different direction. I just want to lay that out there. I don't know that everything will be changed all at once, but certainly some changes do need to be made.

When I first took over chairmanship of the Agriculture Committee I asked this question. I have asked this at every hearing: Should Federal farm programs continue to support every bushel, bale and pound that is produced and earned? I just ask that question. If the answer is yes, I would like to have the justification for it. If no, then I'd like to know what should replace it and where should we go? That is just an essential question that we have to ask. The next question is do we take into account all of the consequences of an action that we take? We say, we're going to do this and we know how it's going to effect one element. How does it effect other elements? How do we take those into account? Those are really the few fundamental questions we have to ask.

First of all, let me thank all of you for the strong expression of support you made for conservation. That is going to have to be an essential part of the new Farm bill.

Mr. Paustian, you say that you support continuing fixed AMTA fixed contract payments. I have some question about continuing those into the future. Since these payments are fixed and then they're written into the bill so we know what they are every year, do they not, then, become reflected in rental rates and land prices every year? Do we not create some kind of a bubble and it's reflected into increasing land prices above what the value of the commodity is that can be produced? If you have that same payment that everyone knows what they're going to get every year regardless of what the price, does that not get reflected in that price?

Mr. PAUSTIAN. Yes. Possibly it does. It does provide a way for farmers who plan in that year as far as crop inputs and can plan a little bit ahead of that. When he has to go to his lender he can tell them what the projected income is and what his expenses are going to be.

The CHAIRMAN. That's a question for everyone here and for you on the panel. It seems like our farm programs over the last 20 years or 30—I don't have a definite cutoff here—the last 20 or 30 years basically have had the unintended effect of not only increasing farm size but increasing land prices above really what the value of that commodity compares. We have what I call a bubble out there. It's been built-in. In other words, I ask this question. If you have a system that pays for every bushel and bale and pound that's produced—and since I'm not in the south I can use just bushels here in this audience—does it not mean that the bigger you are the more you get. That means you can bid up the price of land more than what your neighbor is farming and get it up and then next year you're going to get that too so you keep bidding it up? I ask that question because it seems like that's what's happening.

Mr. PAUSTIAN. Yes. It appears that way. The larger farmer gets a bigger payment but that's over more acres too. When you look at it on a per acre basis I don't see that much difference.

The CHAIRMAN. Well, that comes back to my question again. Is that good policy for us to do that? I don't care if a farmer wants to get big. If you can get big, God bless you. That's what the market's all about. Should the government and the programs sympathize and be making the payments that actually encourage and promote that? If a farmer can be more efficient and more productive, work harder, save money and increase their capacity, that's fine. I have no problems with that. I just ask the question about whether or not the government should be involved.

Mr. Krier, you mentioned the cost of production and raising the marketing loan rate and indexing the cost of production. Well, I've wrestled with this a long time, but—It's very attractive. However, there's a wide variation in the cost of production for any given commodity, even for corn. It varies from farm to farm, region to region. If you're on the outskirts of Cedar Rapids it might be one thing and if you're in southern Iowa it might be quite another. How do you figure what it is because it various so much?

Mr. KRIER. That's difficult, I guess, because we're dealing with farmers all the way across the nation.

The problem with the Farm bill is you're going to have a fixed bill for 10 years and the cost of production is going to be changing every year.

The CHAIRMAN. If we reduce that on an average then to some farmers you're giving too much and for some you're giving them too little. That's the tough thing. Now, there does seem to be a difference here. I want to cover the size of livestock operations. Right now under the CAFO rules, Concentrated Animal Feeding Operation, if you have the equivalency of 1,000 head or more you are not eligible for the manure management program. There have been suggestions that that will be raised. There have been suggestions that we ought to just make it a money cut, up to a maximum amount of so much money regardless of your size. We have basically three things: Either keep the limits that we have now, raise the limits above 1,000 to some other level wherever it might be, or three, the maximum amount of money you could get we don't care how big you are. What do you say on that?

Ross, you seem to think that the limit ought to be raised. Jim, you seem to think that the limit ought to be kept down.

Mr. KRIER. The limit needs to be set and kept there instead of coming in a year or two later and putting the pressure on and then upping the payment limits the way we have. We had the limits set, supposed to receive ample payments, maximum payments and these payments keep getting bumped. They need to set them.

The CHAIRMAN. I'm just talking about the limits on EQIP for conservation.

Mr. KRIER. It would be the same thing because if you keep rolling the limits higher that allows the larger productions to keep getting money.

The CHAIRMAN. Ross, what do you say?

Mr. PAUSTIAN. The limits should be raised.

The CHAIRMAN. Do you have any idea how high?

Mr. PAUSTIAN. I can't say that right now. That's kind of tough. Definitely above 1,000

The CHAIRMAN. Well, this is something maybe somebody else has got some views on in the audience. The point is that under the Clean Water Act the minimum was set and it was assumed that anyone who had over the equivalency of 1,000 units should be able to take care of their own manure management. They had to be subject to the regulations. It was over 1,000 subject to the regulations and therefore they had to pay for it themselves. Under 1,000, not subject to the regulations. We recognized in the Farm bill that this also contributed to environmental pollution so we wanted to support and encourage the smaller units to have a good sound manure management program so we provided EQIP money to them. That's where this is. If, in fact, we're going to open it up to above 1,000 we're going to have to put a lot more money into it. If we don't, then the bigger operations will get more money. They'll require a lot of the money and there will not be enough money left for the smaller operations. That's the dilemma that we're on right now on this thing.

Ross, you mentioned rebalancing loan rates. You said keep soybeans at $5.26. That means we've got to raise the others. Do you have any thoughts on how high do we do it and if we do raise those loan rates in accordance would that just promote and encourage more production, more planting and thus more AMTA payments?

Do you see what I'm saying? If you have a higher loan rate doesn't that just promote more planting?

Mr. PAUSTIAN. Yes. The idea behind announcing that was that it appears that especially this year we're getting more soybean planting because of the imbalances between corn—in this area—corn and soybeans. That's why it balances out. This year as far as more acres being planted there's only a certain number of acres in the state and if more acres of corn are being planted that's less acres of beans. I don't see that as being a real big problem. The total number of acre farms is going to be the same.

The CHAIRMAN. Might be some shifting in there?

Mr. PAUSTIAN. Yes. Just shifting.

The CHAIRMAN. OK. Mary Holmes, you mentioned some things that I'm quite interested in in terms of developing local food systems and things like that. It is ironic that in a rich agricultural state like Iowa we import almost all of our food. That doesn't make sense, but then again how feasible is it, really, to think that we're going to change the system that we have in Iowa to get more local grown produce or whatever? I assume there's a certain amount of that we can do, but isn't that just a small part of our economic structure?

Ms. HOLMES. It is small, but it's growing very rapidly. Five years ago we had about six CSA's in the state. Today we have 60. I have communities calling me every week saying how do I reach out to farmers? How do I develop some of this in my community? I believe consumers more and more are concerned with the safety and the health of their food and they also are concerned with having farmers in their area. As we see the incorporation of the larger and larger farms we don't have those people in our school systems, we just have less people to go around in the communities. Communities are looking at it as a way to do both community development and economic structure.

The CHAIRMAN. One thing you mentioned was that a lot of farmers don't even benefit from farm programs.

Ms. HOLMES. Absolutely. Right.

The CHAIRMAN. What about farmers that have a long history of hay and stuff like that? They might not have a good base and so they don't——

Ms. HOLMES. Right. They don't have a corn and soybean base. If they don't have that then they don't qualify.

The CHAIRMAN. We have a lot of people that have questions. John, again, I want to congratulate you. The biomass project that you've done in Chariton County is a great incentive you're providing out there. The fact that you're now looking at how to move into other areas like methane production, this is the kind of partnership that we're going to have to have Federal, state, local, private sector. You mentioned about the digesters and we're going to look at this and we're going to have an energy title, as I said, in the Farm bill. Do you have to have a huge operation for this to work? Can you scale this down?

Mr. HELBLING. Right now we're looking at dairy operations with 500 head of cattle and up. With hog confinement we're talking about 1,000, but technology is allowing us to bring it down. It is a matter of economics right now. Capital costs are quite high for

some of these. It may get to the point where some producers—because of their neighbors or whatever—may not be able to get a permit to do the manure management the way they are. We think that the digester is growing. USDA has indicated it can help us bring that level of production down and make it accessible to lower and smaller levels of production. It takes right now about 750 head in order to make this thing close the cash-flowing out.

The CHAIRMAN. Let me ask you a provocative question. If you move ahead—Technology is good. If there's a market out there you might find new technologies that could be applicable to smaller——

Mr. HELBLING. That is correct.

The CHAIRMAN. I'd like to say this to all of you out there. The House of Representatives 2 weeks ago passed an energy bill. Most of the press was on the fact that there was a lot of drilling in the arctic national wildlife area. What they didn't mention is it provides up to $33 in tax credits, tax benefits for oil, gas and coal over the next 10 years. I mean, to my way of thinking that's 19th, 20th Century technologies. When I look out over a field out here I don't just see food, I see a lot of renewable fuel out there too. I just keep thinking that if we just had one-third of those tax breaks—What if we had $10 billion that we could put out so that your consortiums and things could get together and build these tax write-offs and tax credits that they're going to try to give for drilling off the coast or something like that? Would that make an impact?

Mr. HELBLING. Not even talking about the closed-loop production, if you look at the waste recovery which is why we're focusing on methane right now which is a waste product, which is an environmental issue. If we harness all the methane that's being produced right now as a waste product and converted it to energy we could substantially meet all of Iowa's energy requirements. Right now most of that is not financially or economically feasible. There is enough methane—there's enough energy there to provide it, but we can't afford that energy right now. We do need assistance and that's why we're asking for the Section 45 tax credits to be extended from closed-loops to open-loops to allow us to take advantage of not only the manure but other residual crop residues that also are generating methane and use that for renewable fuel.

The CHAIRMAN. There's an ethanol plant I know of in Kansas that's using all of their heat source for the making of ethanol from methane from I think both landfill and from feeding operations.

Mr. HELBLING. We are currently working with five——

The CHAIRMAN. This is the last one for the panel. Just one question before I open this up. What is a closed-loop and an open-loop?

Mr. HELBLING. The closed-loop under the tax code right now. Closed-loop is an agricultural product that is grown specifically for the generation of energy. Switchgrass in this case would be considered a closed-loop biomass source as opposed to open-loop which is—We look at it as the waste streams of other agriculture production. It was not grown for the specific purpose of generating energy and that is a tax code issue more than a science or a technology issue.

The CHAIRMAN. I understand. Thank you all very much. I'm going to have to ask that you give your name as clear as you can for the reporter and I am going to have to ask you to limit your

comments to a minute to give everyone a chance. I'll just go back and forth.

AUDIENCE PARTICIPANTS

Mr. WILSON. My name is Brad Wilson. We've had some great discussion here and I'd just like to focus on clarity, that we be clear about things. It's so confusing sometimes, this farm policy. First, keep in mind what are the core issues. I find that as issues that have the power to destroy family farms and dole out subsidies to corporate welfare activists or on the other hand to really help farmers. Of course, we have the fringe issues and we have had some excellent discussion up here with some good definitions. I'm going to speak for the other side and talk about the other definitions that are used by politicians coming out of Washington on some of these things. One general point is a statement that we can't go back to the field programs of the past. What that means is we can't update successful commodity programs from the past. Instead, we only go back to corporate welfare and Hooverism. Another term that we heard——

The CHAIRMAN. I'm going to have to ask you to sum up. If there's room at the end you can go around a second time.

Mr. WILSON. There's still happy days I'd like to add. A hearing is a place where you call the office of the senator and you're told you'll have 3 minutes. If you actually show up you'd find that after an hour and a half three-fourths of the time the people back here will have less and less time to speak.

The CHAIRMAN. Yes, sir.

Mr. HEITHOFF. Good morning. My name is Jerry Heithoff. I'm a farmer from Nebraska and I raise corn, soybeans, hogs and cattle. Mr. Chairman, first of all I'd like to congratulate you on your new position and thank you for letting me voice my opinion. I won't be able to read everything I have here, but I'll try to sum it up quickly.

The CHAIRMAN. If you have statements, I'll put them in the record.

Mr. HEITHOFF. The current system of decoupled welfare type payments is not a substitute for a fair price in a competitive marketplace. If you ask for a show of hands in any room full of farmers whether they want decoupled welfare type payments or a fair price in a competitive marketplace, the fair price in a competitive marketplace wins every time, yet many of the politicians and commodity organizations that are supposed to be representing us farmers continue to tinker with a farm bill that most farmers are fundamentally opposed to.

Senator Harkin, I think you agree with me and most farmers that ag markets are a long way from either fair or competitive. The 1996 Farm bill makes an already bad situation worse. Thanks to the 1996 Farm bill the marketplace value of my corn and soybeans has collapsed.

Some ag producers do not fully understand that until farmgate prices exceed the marketing loan rates their incomes will not actually go up. As long as the cash market is below the marketing loan rates, they are either getting more income from the market and less in LDP's or less from the market and more in LDP's. Either

way, their total income is about the same and well below their cost of production. This is why a new farm bill must force the grain traders to pay us a fair price for what we produce in the first place.

Why should I sell my products for less than my cost of production? In order to get higher prices for what I produce, I want the marketing loan rates to be set at a minimum of 100 percent of my full cost of production.

Our current trade policy is a dismal failure. In 1996 our ag balance of trade was $27 billion. Last year it was down to $12 million. The only Farm bill proposal that I have seen that would maintain planting flexibility while also forcing the grain trade to pay farmers a fair price for what they produce and staying within the budget guidelines is the American Corn Growers Association and the Nebraska Farmers Union farm bill proposal. I hope you give that approach serious consideration. Thank you for your time.

[The prepared statement of Mr. Heithoff can be found in the appendix page 64.]

The CHAIRMAN. I do have all the proposals from all the farm groups. My staff has been going through them on a continual basis.

Mr. SPECHT. John Specht, a student at Mar-Mac High School. Specht, S-p-e-c-h-t.

If, through the opposed free trade agreement of the Americas, every nation in the western hemisphere besides Cuba will be able to freely exchange goods including commodities, what's to stop countries like Argentina and Brazil from completely dominating the beef, corn and soybean markets in other countries of North and South America?

How can this and other free trade agreements be beneficial to the farmers of Iowa and the rest of America besides those which are owned by corporations which also control ag production in Argentina and Brazil?

The fact that these free trade agreements are spawned by ag giants as being beneficial to small farmers only proves the fact of their total dominance of the current system which rewards increased production when as anybody who knows anything about economics knows the greater the supply the lower the demand and lower prices. Thank you.

Mr. LAMB. Senator, first I'd like to thank and commend you for coming out to the very heart of the heartland and giving these good people an opportunity to express their thoughts and concerns on a public policy that effects every person in this country in some way, shape or form. My name is Gary Lamb. On October 7th of this year it will mark 49 years since my father lost his life in a farming accident and I took over the family farm. In that half a century I've seen it all, Senator. I've seen every sight you can imagine. I've seen high prices and low prices and good production years and bad production years and floods and droughts, but I can honestly say I've never experienced in a half a century anything like I've seen in the last 3 years when all of our major commodities are at 20, 25-year record low prices. To give you some measurement, in terms of real dollars even with inflation the market price of a bushel of grain the last few years would buy less goods and services than the market price of a bushel of grain did for my father and grandfather in the Great Depression of the 1930's.

I also have served in the last 8 years as chairman of the Farm Service Agency State Committee. As you well know the 1996 Farm bill was based on the principle that we would have transition payments for 7 years and then we'd phaseout all income protections and price supports. As you well know we have had appropriation aid packages in the last 4 years. To give you some measurement of that in my home county alone, Tama County, we pumped out $30,528,000 to 1272 farmers. If you average that out that's an average of $24,000 per farmer in Tama County. Now, if anyone in this room or this nation thinks if you remove that $24,000 from each Tama county farmer and you remove that $30 million from Tama County and you remove nearly $5 million from the Iowa economy—If you for 1 minute think we wouldn't be looking at a gigantic economic trainwreck of great proportion out here then you don't understand agriculture and what it's all about.

I would like to remind us all here today of the thoughts and the words of the last U.S. Secretary of Agriculture from the State of Iowa, the great visionary and innovative ag leader, Henry Wallace. When they first implemented Roosevelt's farm program his response was rather simple: I've never met a farmer yet that didn't want to get his price from the marketplace.

If we truly understand the inherent weaknesses and vulnerabilities of production in agriculture and what makes it uniquely different from any other industry, then we would understand the need to have in place the checks and the balances and the mechanisms that will encourage or at times force the marketplace to give the farmers a decent price. What other entity other than government can do that? Those words, Senator, are probably even more true today than they were 60 years ago because of the lack of enforcement of antitrust trust laws, with the rapid mergers—[Applause].

As much as we would want it that way, as much as we would wish it that way, it's virtually impossible to think about a fair competitive marketplace giving us a decent price.

I may be able to best express my thoughts, Senator, by telling you about a dream I had recently. I dreamt that the small rural community of Chelsea was alive and vibrant again much like it was when I graduated from high school in 1955. I dreamt that the three grocery stores and the three implement dealers and the three feed stores and the two elevators and the two drug stores and the hardware store and the lumbar yard were all open again, vibrant.

We established that understanding that we needed those businesses in that small community to provide our needs on the farm and those businesses needed us out on the farm to keep them in business. I dreamt that on a summer night you could go into Wednesday night band concert night and you'd see literally hundreds of people visiting and buying groceries and listening to the music. I dreamt that on a cold winter night you could go into the local high school gym and watch the local high school team play teams from other communities. I dreamt that if you drove through the streets of Chelsea on a warm summer evening you'd once again see retired farmers sitting on the porches in the summer twilight watching their grandchildren play while their parents shopped and visited downtown. I dreamt that I saw a couple of kids on the back

of a pony on a lane of a farm going nowhere and going everywhere. They were beginning to learn and understand the wonders and the values of rural America.

You see, then I woke up and I realized that that was but a dream because all of those things I speak of gradually disappeared through the years. The only question that remains unanswered is can we save those small rural communities that still exist out there?

If you remember, Senator, you had a hearing much like this in Ames, Iowa in 1984 or 1985. One of the people who testified was a reknowned economist. You asked him the question about all the farmers that were being forced into bankruptcy and foreclosure and how they were going to effect our communities. His answer was that these small rural communities contribute no economic value to our nation whatsoever. That may be, Senator, but to us they're the most important place in the world because to us they're home. This is where we were born, this is where we were raised, this is where we put our roots down, this is where our parents and grandparents are buried and this is where 1 day we too will rest. I want to commend and thank you for your efforts to try to preserve those places across the rural roads of this country that are still important to all of us.

The CHAIRMAN. Thank you very much. That's a little bit long there because he speaks poetry. He has a wonderful way of expressing himself.

Mr. GRAY. Walter Gray, Delaware County, Manchester, Iowa. Senator Harkin, I think the state of Iowa is very fortunate to have you in a powerful position, Chairman of the Senate Ag Committee and the other committees you are on. I really am impressed today with this young man that spoke earlier. I guess what we're here today about is to make sure that that young man has a place in agriculture. To do this I think this new farm program has to look at price supports to a realistic level per producer. Crunch the numbers and see whether that's 500 acres, 800 acres or 1,000 acres that will be supported, not only corn and soybeans in this base but also grass and hay. After you do this, then let's see what the economists say. If bigger is more efficient, support bushels up to this acre level and after that turn them loose on the global market and let the bigger produce.

We also have to have country of origin labeling. Now, people do want to know where their products are coming from. As you look at the trade deficit that we have as a nation—and I believe I'm correct that it will exceed $30 billion a month—how long can a great country stand this?

We need a competition title in this bill. Earlier you mentioned that you supported the competition title in this bill. I'd like to see some hearings on that and that title included.

Earlier this year a free democratic process was taken away from all swine producers. A free, fair democratic vote was overturned by compromise. This is not what this great country was built on. This injustice must be corrected and not repeated.

Complacency and compromise have lead to the ruination of a lot of great societies. This Farm bill needs to include parts that brings

back our free markets, our competition and breaks up the mergers that ruined our agriculture. Thank you.

The CHAIRMAN. Thank you very much. We are working on including a competition title into the Farm bill. I just want you to understand, though, that we have some jurisdictional problems here. Antitrust and things like that fall under the judiciary committee jurisdiction. Having said that, we're still looking at how we might work around that and do some things that fall within our jurisdiction to be able to address that. When it comes to antitrust we just don't have jurisdiction. There may be some other things we can do. I invite any of you that have some ideas and suggestions to let us know.

Mr. GINTER. Thank you, Senator Harkin. It's an honor to be here. It's also an honor to followup behind Gary Lamb, one of the great orators of family farm life production.

My name is Larry Ginter and I'm a member of Iowa Citizens for Community Improvement. I'm from Rhodes, Iowa and I've lived on the same farm for 62 years except for a 2-year stint in the military. I've been involved in this political and social fight to preserve family farms since 1961. During this timeframe I've seen farm policy go from bad to worse.

Since 1952 trillions of dollars have been robbed from rural America because the New Deal legislation that matched the support price to the yearly inflation of farm input costs was scuttled. It is safe to say the farm programs over the past 40 years have driven farmers off their land and concentrated food production into fewer and fewer hands.

Since 1952 there's been a great tug of war between those who favor raising the support prices each year to match inflation on farm inputs and a grain cartel that wants to monopolize and control the market. Sadly, each year the monopolizers like Cargill and ADM buy more political influence and curry more favor from our elected officials and each year more farmers leave the land and the marketplace becomes less democratic and competitive.

With that said, Grass-roots groups like Iowa CCI, Missouri Rural Crisis Center, the Western Organizational Resource Councils and 30 other groups that are part of the National Family Farm Coalition have come together and agreed upon a new farm policy called the Food From Family Farms Act.

We propose that Congress raise the current loan rate to reflect true costs of production which would stop the need for farm subsidies and use a non-recourse loan—not a marketing loan—to set a reasonable floor under grain prices. We need a fair price, plain and simple.

Congress should establish a farmer-owned grain reserve to ensure food security in times of scarcity and price stability in times of plenty, maintain flexible planting options and establish conservation measures that help protect the water and land and help avoid overproduction.

We demand that all branches of the Federal Government enforce antitrust laws and stop waltzing with the agribusiness giants who are trying to control food production. Our trade policy is a sham because it's designed to enrich the pockets of corporate agriculture and not family farmers. Trade policies should reflect the needs of

farmers, laborers and consumers and every nation must maintain its right to develop its own domestic food policy and protect its environment. Under the policies of NAFTA and GATT, coupled with the help of an unelected and undemocratic World Trade Organization, that right has been eroded worldwide.

Finally, with regard to the mandatory pork, we need to end it now. Last fall, over 30,000 American hog producers voted down the pork tax by a clear 53 percent to 40 percent margin in a democratic and legally binding referendum. In Iowa we voted down the pork tax 60 percent to 40 percent. Despite this, Ag Secretary Veneman cut a back-room deal with the National Pork Producers Council and now she's trying to flush our vote down the drain. Thousands of people are outraged because Veneman and the Bush administration have declared war on one of the most basic principles that this country was founded on; the right to vote and the right for our votes to count.

CCI and other member groups of the Campaign for Family Farms are fighting Veneman's decision in the countryside and in court. We need you, Senator Harkin, to stand with us and demand that Veneman honor our vote and end the pork tax now. Anything less is a blow against democracy and fairness in our land.

I worked 6 hours to try to get this thing put together and they told me I had 3 minutes. That's exactly 3 minutes. This is a farm hearing and this is about democracy and justice of family farmers, Senator, and it's time that senators in all of the states understand what this battle is all about. It's not about complacency and it's not about kissing up to the big agriculture giants.

[The prepared statements of Mr. Ginter can be found in the appendix on page 74.]

The CHAIRMAN. You said more in that 30 seconds than you did in the 3-minutes before that. If you've got a written statement I'll put it in the record. I'd rather hear from your heart what you got to say if you have any personal kinds of insights or something like that.

Mr. DEMMER. My name is Wayne Demmer. I'm a livestock and grain producer from Dubuque County. I guess I'm here today to ask you to support the small family farms in this country. The first place is farm bills should start by capping the amount of money that goes out. I have several counties here that the Des Moines Register posted with the top 10 farmers of each county. I'll present them to you today. This is why my sons who want to farm can't compete against farmers that are getting a half a million dollars, $1 million from the government. We have to be able to farm the farm. We've got to remember if dad makes a profit his sons will farm too. What has happened today is we're going to lose our next segment of agriculture because our family, our sons can't farm. They see dad and everyone else trying to survive. I guess what I'm trying to say here today is if we keep family farms, the cities and towns of Iowa will prosper, not be left vacant.

We've got to remember the House bill has already summarized they want to raise the checkoff limits. They say that the big-size farms are much more efficient than the small ones. We need cap. We've got to get it back. We need government grain reserves so we

can put a bottom on the cost of production floor. Let the big grain purchase our product for at least what it costs us to produce it.

We have a lot of alternatives out here. You talk about conservation and I agree with you 100 percent, but we have one farming program promoting beans in the hills of Iowa and we have another program that says we have to have a CRP to stop the erosion. We're competing against each other.

You have to remember that I raise hay, I raise oats, I raise grain and I raise beans. I'm doing a conservation program. I have fields that are 2, 3, and 4 years seeded out. You should benefit the people that are already conserving the soil, not the people that are abusing it.

In closing, as the two gentlemen before, I've been very active in the pork checkoff. It's time—60 percent of the producers in Iowa voted to end it. We voted it in, we voted it out. It's time for you to stand up and support the pork producers of Iowa and support democracy and our right to vote for it to the court.

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

Mr. STEVENSON. Hello, Senator Harkin. I'm Rod Stevenson and I farm 820 organic acres in southern Iowa.

The CHAIRMAN. What county are you from?

Mr. STEVENSON. Davis County. First of all, I'd like to say that this talk of lowering the value of land to make our commodities more competitive worldwide scares me to death. I don't make any money on my farm now and all I've gained over my lifetime is tied up in the value of that land.

What I really came here to talk about is value added agriculture. I don't want to take anything away from Mary Swalla-Holmes because, frankly, her agency has given us more support than anyone else we've gone to. Thank you, Mary. To add to what she has to say we need to focus on value added agriculture that serves our more conventional Iowa farm in addition to the small market gardeners. We can't all raise vegetables for each other. I personally am involved in three different value added agricultural efforts and anything you can do in our farm bills to enhance that and provide us technical support and the kind of expertise we need to run these as value added co-ops, that will give a big boost to us as farmers and serve all of rural America. We don't have MBA's here and the kind of skills that are required to run these sophisticated businesses on a competitive level. I have a statement——

The CHAIRMAN. Let me ask a question. You say you organically farm?

Mr. STEVENSON. Yes.

The CHAIRMAN. What do you raise?

Mr. STEVENSON. My cash crop is tofu soybeans.

The CHAIRMAN. You raise soybeans of a particular——

Mr. STEVENSON. Several varieties.

The CHAIRMAN. Do you have to clean them and all——

Mr. STEVENSON. Right. They have to be bagged and cleaned.

The CHAIRMAN. Where do you market them?

Mr. STEVENSON. Mine goes to the Heartland Organic Marketing Co-op and goes to Japan. The domestic market is developing in soy milk as well.

The CHAIRMAN. Do you raise anything else organic or just beans?

Mr. STEVENSON. I haven't had any success with my rotation. That's one of the reasons I'm so dependent on farm programs. For instance, this year I didn't get any corn planted because of the wet spring. I have neighbors who never got any crops planted. My wheat that I had the corn and wheat both contracted. My wheat got taken by the weeds because it rained through the harvest period. I'm still hoping to get some of that. My beans were planted a month later than I normally plant. It's a tough year for me.

The CHAIRMAN. Do we have anyone here who is a member of the Practical Farmers of Iowa? When I was in Washington in July we had Maria Rosen—Ron and Maria Rosen farm out in Shelby County. It was interesting because we had all the witnesses lined up there, we had the different farm groups and everything and Maria was the last witness. She pointed out that her and her husband farm 600 acres, they do not have any off-farm jobs, both of their sons work in the summertime, they had one full-time hired man year-round on 600 acres and they're making it. About 12 or 13 years ago they shipped it to all organic. They raise those beans too and they raise organic barley, organic hogs, they raise organic chickens. Her biggest complaint was that in the slow transition period they had practically no help at all from all of the arms of the Federal Government to the extension service to Iowa State in terms of research and technical support. She said we need more emphasis in a new farm bill about this. You just said that. Maybe this isn't for everybody, but to the extent that some people want to do that there at least ought to be the technical assistance, support and research and incentives that enable them to do so.

Mr. STEVENSON. I agree. Thanks.

[The prepared statement of Mr. Stevenson can be found in the appendix on page 77.]

Mr. THICKE. My name is Francis Thicke, T-h-i-c-k-e, from Jefferson County.

Senator Harkin, I'd like to address three of the questions you asked. You asked if we should support every bushel. I say we should not support every bushel. We need to get out of denial. What we're doing to the farmers is a transfer mechanism, transferring money from the government to the large corporations. The more we support every bushel the more we support that. This gentleman had an alternative. There are alternatives to that. Of course, the Conservation Security Act is I think the ultimate alternative. We need to decouple. Let's face it. Let's not be in denial. Let's not try to continue in a process that's going to take us down to handing over agriculture to the corporations.

You ask, Senator Harkin, do we need to take into account all the consequences of our actions? I say we do not. We also work with the WTO. Publicly we do. What we're doing I think here is handing over world agriculture to the corporations again. In Iowa we think by providing the people with corn we're going to support the hungry in the third-world countries. We are not. The world trade organization is actually going to destroy the agriculture in these countries as well as in our country. We need to wake up and stop that now.

The last thing you asked is if we should limit the payments for CAFO for the manure treatments. Yes, we need to limit it because otherwise we're going to perpetuate this.

The CHAIRMAN. In response to somebody who just spoke a bit ago, Mark just handed me this note. I'm not saying that you've got to lower land values. That's not my point. My point is to ask the question if the system of the farm program payments we have now simply go through the fingers of the producer in the higher rents, higher land values, all that stuff, go right through their hands for equipment purchases and things like that, have we promoted a bubble where land prices are here and the value down here? You bring the value of the commodity up to match what the value of the land is. That's my point.

Mr. JEPSON. Hello. My name is Mike Jepson, J-e-p-s-o-n, from Seattle, Washington. I'm here visiting my grandparents. I have a question. What scares me from what I've observed and being very ignorant on agriculture and just knowing my family and seeing my grandfather being sharecropped in the 40's and 50's, is that the farmers aren't getting support. As a consumer working in the school district where it's a Federal lunch program I read on the carton of orange juice that it is from China and Brazil. Another example would be in the grocery stores out there. When I see meat imported from Canada I put it down. By putting it in the other packaging I don't know if it's domestic or imported meat. The question I would say is I hope that the labelling would be better and that they'd get out their message. I'm afraid it's all going to be corporate bail-outs and there's nobody representing the small farmer. A good example of that would be people who—I keep hearing the word export but the problem is nobody's addressing the word import in the domestic market that you already have. We're going to get slaughtered because there's nobody watching us. Thank you.

The CHAIRMAN. Thank you very much.

Mr. BIERSCHENK. Thank you, Mr. Harkin. I want to thank you for two things. I want to thank you for going after those extra market assistance payments. That was great for farmers here in Iowa. I'm sorry that you didn't get what you asked for. At least you asked.

Second, I'm very proud to have you as my senator because you're at least willing to speak at these ag committee hearings where a lot of times in the past especially in the House you couldn't even get up to speak at that time.

My name is Gary Bierschenk. I farm over in Benton County. I'm also on the board of directors for an organization called Organization for Competitive Markets. We're a multi-disciplinary group of farmers, ranchers, academics, attorneys and businessmen dedicated to reclaiming competitive markets in agriculture for independent farmers, ranchers and rural communities.

I have a couple suggestions. I'm glad that you think that's important because I believe there's only two places to get the money for the farmer; one is on the marketplace and the second is from the government. That's been unbalanced in the past. There's no reason that we can't get our money from the marketplace if things are managed correctly. As far as USDA is concerned and their regulation enforcement, I believe the Farm bill should create a special

council for the competition within USDA that is Presidentially appointed with the advice and consent of the Senate.

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

Mr. ZACHARAKIS-JUTZ. My name is Jeff Zacharakis-Jutz—I'll give you the spelling later. My wife and I farm about 20 miles west of here and I'd like to point out there's a lot of people in this audience that helped us get started. We didn't have families to inherit land from. We didn't get any of that to start. We got started with $20,000 that we had saved.

The point I want to make is simply that we need to do more to promote new farmers. The new farm program is one way. We need to be looking more at grass-based dairies, ways that we can convert CRP for opportunity. As it is now most of the CRP in our area is a retired package for farmers who struggled while they were farming and are doing quite well thanks to CRP. I just think we need to do more to help new people get into farming. I hope the new Farm bill does that.

Mr. PETERSEN. I'm Chris Petersen, vice president of the Iowa Farmer's Union.

No. 1, I hope, Senator, you can leave a legacy of saving the family farm. You're on the right track. We need to get away from a policy that eliminates family farmers. The government has been guilty of this and the farm bureau and commodity groups. I enter a 60-Minutes tape as evidence of that. We need a new farm bill centered around family farms, conservation. We need a competition title and we also need to keep EQIP funding for CAFO down so it helps the family farmers. Thank you.

Mr. DIETRICH. My name is John Dietrich. I'm a policy analyst for the American Corngrower's Association and Farmer's Union of Nebraska. I also advice a number of other fellow organizations around the country on agricultural policy.

Thank you for the opportunity to talk in Iowa today, your home state. I hope people from Iowa recognize that you're viewed nationally and have been viewed nationally for many, many years as a leader and a rural advocate for rural communities and farmers for many, many years. You're very lucky if you're in Iowa to have Senator Harkin. Today I'd like to say that all these statements by all these people today boil down to one thing in the end; Specific legislation must be put together by the agriculture committee that addresses the concerns of all these people's needs like this around the country and that's a very, very difficult job.

Over the past 2 years my organization and other organizations that we work with have put together a farm bill proposal called the Family Farm Agriculture Recovery and Maintenance Act. That's a proposal that was put together by a number of individuals and organizations based on the things we hear. We listen. It's the only farm proposal that does three things; improves market price, improves farm income over current levels and maintains or stays within the budget. I'd like if I could—I know I'm running over—address two particular items that you have interest in particularly; targeting, which everybody has an interest in, and rural development.

Our proposal targets farm price supports to buy maximum volume of bushels or pounds produced. The limit would be simply based on a family farm unit which would consist of the operator, spouse and minor children. The limit would apply to that unit whether that unit was—whether those names appeared in a single operation or in multiple entities. One individual limit would be set for that unit. It will do a number of things. I need to get into more specifics with you, but it's based on volume rather than dollars—bushels and pounds rather than dollars. There's enormous value differences in cotton and rice, for example, compared to soybeans and wheat and corn. We would bypass those things by basing the limits on volume.

What I'd like to talk about second is rural development. As you mentioned, I think you said one out of fifteen in rural communities are farmers. We believe that if you design a farm program that enhances farm products and saves program expenditures that that money and those years of cost savings should—some of that money should be redistributed into the rural communities so that communities can immediately see the positive benefits of higher farm prices. They need a share of it just like we do. That's all. Thank you.

The CHAIRMAN. John, thank you very much. At the end of this I am going to have a statement to make about the pork checkoff.

Mr. MCGIVERN. Thank you, Senator. I'm Ed McGivern from Keystone in Benton County, Iowa. I have been farming for more than 50 years. I want to congratulate and commend Senator Harkin for his work he's done not only lately but throughout his political career with farming.

We all know that there is a crisis. We are already at the accident. There are people bleeding whether we can see it or not. We need to stop the bleeding and then let's work on something to revive the patient.

We need to have a new farm bill. I believe very strongly that that bill should not exceed 5 years. God forbid we would have a 10-year one like we have now. We also need to make some things simple and we know that that's not always possible. We need higher loan rates, we need a conservation program and we certainly need a conservation reserve—not only for energy security but for national security. Those of us old enough know what happens. When we have 100 people we have anarchy.

Again, Senator, thank you very much for your time. We appreciate this.

I want to just say one thing. The senator is working hard on our behalf. He cannot do it alone. He needs our help and if it means standing up and taking the first stand, let's do it. Let's support him. Thank you.

The CHAIRMAN. I see we're losing people, but I had a number of questions that I wanted to ask and get a show of hands. I wonder if I should do that before too many people leave. Is that OK?

I wanted to get a sense of how people felt here about certain things. I just want to get a show of hands. They may be general-type questions. They're not real specific. I wanted to get a feel of how you feel about these things. I have about six questions.

Should we raise commodity loan rates? How many think we should?

[Show of hands.]

How many feel that there should not be any raise in the marketing loan rates?

[Show of hands.]

Should we restore the farmer owned reserve? How many people believe we should have a farmer-owned reserve?

[Show of hands.]

How many people don't believe we ought to have a farmer-owned reserve?

Should Federal programs incorporate some kind of type of payment limitations? I'm not saying where or what. Generally, should they incorporate a payment limitation? How many think they should?

[Show of hands.]

How many don't believe there should be an effective farm payment limitation? How many say no to that?

[Show of hands.]

Should we have some kind of a voluntary set-aside program for a shorter period of time? I don't know the number of years, but some shorter period than the CRP. Should we have that? How many believe we should have a voluntary set-aside program?

[Show of hands.]

How many don't?

[Show of hands.]

EQIP, should we limit the eligibility for cost-share payments for livestock operations? Should we limit them under the CAFO limits of 1000 head or should we go above that? How many think we should limit eligibility for cost-share payments for livestock under EQIP?

[Show of hands.]

How many people don't think we should?

[Show of hands.]

Should the length of the Farm bill be—The house passed 10 years. Should the length of the Farm bill be—Put it this way. How many people favor a 5-year farm bill or a 10-year farm bill? How many people think we ought to do a 10-year farm bill?

[Show of hands.]

How many people think we ought to do a 5-year farm bill?

[Show of hands.]

I'm just trying to get some idea whether it ought to be longer or shorter. I hope that's fair. All right. Thank you very much.

Mr. BREMLEY. I'm Ron Bremley from Morley, Iowa. We ought to have a 5-year plan for a farm bill. If it works, continue it. If it doesn't work, I don't want to be suffering what we've got now. There should be an energy title in the next Farm bill because I think we have a renewable product out here with corn and soybeans for fuel. The farm subsidy should be raised, but I think we shouldn't be using the Federal Government to subsidize someone for getting huger and huger all the time. There should be a cap on that. I got a lot more to be said, but I want to hear the other people.

Ms. HOLDGRAFER. My name is Carrie Holdgrafer. My husband, Brian, and I farm in east central Iowa east of Maquoketa. I guess the issue that I would like you to clarify is what exactly is a family farm? My husband and I are part of a family farm. It's my husband, his brother and his father. Sometimes it is more family than I can stand. It's also large and it's grown significantly in the last few years, enough so that I left a career with a Fortune 500 company to stay home and work on the farm. It's grown and it will continue to grow. As I look around and see the average age of the farmer in America and rural America today, it's going to have to grow because somebody our age has to farm those acres someday. The peers that I went to school with, I went to college with, many of them chose not to go back into production agriculture. Some of them didn't have the opportunity. Some of them chose not to. It's hard work and they had other interests and other things they wanted to do. Our age group is going to have to take responsibility. Somebody's got to farm the acres. If we don't, Brazil will.

I guess another thing I'd like to say is that when I was young girl my mom and dad said if you sell a lot of Girl Scout cookies, you're going to win the contest and I did. When I went to college they told me, if you build a good resume you're going to get the best job offers and I did. They told me when I started farming with Brian, if you work hard and you work long hours and you're innovative and you're aggressive you will grow your acres and you'll make it and we have. I hope that we will not be kept from growing—even though we're a family farm—by limitations if the reason we're growing is because we are aggressive. We skip things our friends go to because we work. We run extra custom businesses. We do things to make extra money and to make our input costs low. We're not growing because of an AMTA payment. We're growing because we work hard and we work aggressive and we're going to keep doing that whether the money comes from the government or not.

Ms. JENNIFER. My name is Jennifer. I want to ask you something. My aunt and uncle owned a farm up in Dyersville and they could not make it in farming because everyone was just buying up everyone else. They have no one to sell their hogs to but IBP in Waterloo so why can't they have one in Dubuque that's closer? Could you explain that problem?

The CHAIRMAN. What's the question?

Ms. JENNIFER. They want more marketing to sell their products to.

The CHAIRMAN. We just don't have enough packers out there. That's what we're talking about by putting a concentration title in the Farm bill.

Mr. HOLDGRAFER. My name is Brian Holdgrafer and I can't believe a group of farmers could sit here for two and a half hours and talk about a farm bill and never bring up one good thing that's come out of the last program and that is government assistance and CRC Federal profit program. All the money that you guys are kicking into second payments, if you'd rethink that once and channel that money putting it into CRC—putting it into the premium we pay and taking it from $30 down to $10 or $12 which most of us like to pay we don't need all this safety net because the Federal

crop program will take care of itself just like every other insurance in the world takes care of itself for automobile accidents and everything.

I guess one other point I just want to say is everybody that voted to have a set-aside, I hope you remember that every acre we do not farm Brazil will farm. Somebody will produce the corn and the beans. If you want to let them do the farming and us do the set-aside, that's fine, but I hope you remember that. It don't matter what we do, somebody will grow it.

Mr. PETERS. My name is Bruce Peters and I thank you very much, Senator Harkin, for coming to the middle of America and listening to all the farmers. It provides me with a great opportunity to be here, to be able to see. I'm originally from Kansas. I grew up on a small farm in Kansas. I'm one of the farm casualties of the 1980's. I went back to farm and because the prices were climbing at the time I lost my farming business and had to go back and work in industry. I'm working for a big industrial company on the Fortune 500 now which is not what I really like to do. I look out here and I see the average age of farmers here is probably 50's and up and I certainly appreciate you trying to help get small farmers started. That's one thing that I think the Farm bill should really help.

The other thing is that every time I drive through—We have corn in Kansas too and every time I drive by a farm field I see an oil well. I applaud you for your opportunity to look at vision because when you compare the cost of farming in Brazil and the cost of farming here, they can grow soybeans and they can grow corn a lot cheaper than we can. On a global basis it's hard for us to compete. We do need some safety nets to help us in low prices because for the last two or 3 years farm prices have been pressed to the point where we're selling our products for less than we produce it. Prices will go up in the future, but we need more markets is what we really need. We need the opportunity of the Federal Government to help us get into ethanol markets and get into soy diesel. Right now the gasoline that we sell in America, only 1 percent of it has ethanol in it. If you compare that to Brazil, 22 percent of the gasoline in Brazil is ethanol and it's going up to I think 28 percent. I would like a new-based agriculture and not the old agriculture where you have all these safety nets and everybody depends on the government. We need more vision. We need to look forward to providing value-based agriculture and getting the farmer to be able to compete with farming. That's the real problem that we have. We just can't compete.

The CHAIRMAN. I'd just like to respond to the last couple of people. If all we're going to do is to continue to try to compete on the global market on a who-to-defeat basis, we're going to have our lunch handed to us. First of all, recognize we are in a global market. We are there. The doors are open. We may wish we could turn the clock back, but it isn't going to happen. If all we're going to do is compete on a food and feed basis Brazil is going to beat us. They can grow soybeans so much easier—and corn.

I was in China last summer. I remember when the Freedom to Farm bill was passed in 1996 thinking China is going to be buying corn, they're going to be improving their diets, they're going to

have this growing economy. Last year China not only fed one billion people, it exported corn and they have hybrids. They've got corn just as good as anything you'll see out here and they've got more land to put in production. I visited those farms and mile after mile is some of the best corn you'll see anywhere. Guess what, none of the farmers own that land. They don't have that cost. The government owns it all. I don't like that system. I don't think it's a good system, but you have to recognize the reality. I believe just what you've said and others have said. We've got to look for new markets. It's not just taking land out of production. That could be a dead-end street. Obviously we have to have conservation. I'm big on CRP. We'll expand it. I have my Conservation Security Act. We've got to look at energy. Now, our energy needs are not going to go down and we know that we can compete on that basis. It may take some up-front money.

Second, value added other processes, building materials and other things that we can make out of the crops and residue that we have. We can look at pharmaceuticals and biotech. Some of you may be opposed to biotech, but it's here. We can't turn back the clock. Through biotech we can raise different types of things out there. Farmers might be able to market their beans, their oil seeds, their rice, their corn, their soybeans for other things in terms of pharmaceuticals, other things that we might want to get from that for different purposes. I see all that out there and I think I understand the thrust of it and that is that we can do more than just grow food and feed.

I have a picture in my office taken in the year I was born, 1939. It's a picture of Henry Ford, the old guy, the first one. He's got a baseball bat in his hand and he's hitting the trunk of a 1939 Ford with a baseball bat. He's hitting the trunk of the car. He was demonstrating that this trunk wouldn't dent and wouldn't break when he hit it with a baseball bat and it was made out of soybeans. That was 1939. Henry Ford predicted that the car of the future would be built from soybeans. With all the things that they had—plastic—it would be built out of soybeans. What happened to that? World War II. We needed oil and we needed petrochemical products. We built that whole industry up and we've lived on it ever since. Even the visionaries of the past recognize what else we can do with this great productive capacity we have out there on our countrysides. In the 21st century that we have to think about it too and what we can do with that great productive capacity out there may not just be food. It may be a lot of other things. Before you race out of here and say, oh, Harkin doesn't want to produce food anymore, I'm not saying that. I'm just saying we need to build new markets. There are other things we can do with that productive capacity. I didn't mean to take so long, but I just wanted to respond to some of the things.

Mr. SAND. I'm Dwayne Sand with Iowa Natural Heritage Foundation in Des Moines. We want you to know how much we're depending on you to provide leadership in the Senate and to get a good farm bill. You've got your work cut out for you. I'll just mention four of the really bad ideas that are coming your way from the House side.

First of all, the intent is to duck Swampbuster. The effect on that—while some farmers would like it—is that the economic research service shows that Swampbuster keeps 13.2 million acres out of production that could otherwise be farmed. The impact of that if it were to happen would be a reduction from $1.6 to $3.2 billion less net farm income every year in the long-run. We want you to save Swampbuster.

Second, we're concerned about rewarding farmers who bowed out and created more crop land. The most recent USDA inventory showed 12.7 billion additional acres plowed out from grasslands to wetlands in the 5-year period of 1992 to 1997. We're concerned that the provisions in the house bill will just accelerate that trend, especially the way it rewards soybean production.

My third point is what they've done to EQIP as far as ducking the watershed program. Their intent is to spread the money over far more areas. However, in Iowa we've got 157 water bodies. We really depend on that watershed money if we're going to have any hope to clean up farm requirements under the Federal Clean Water Act.

The fourth comment I wanted to make to you relates to your funding of CAFO. The House would allow $200,000 per feed lot with no limit on size. I would suggest to you that we ought to be looking at a fourth option beyond what you mentioned as the three.

The fourth one is the use of the clean water state—funded by EPA in every state. These things could be used for and in many states are used for livestock manure management, for businesses that are regulated and their competitors have already complied with regulations. If we really have an economic hardship we really ought to be talking about loans rather than grant moneys, especially for these large operations. We've certainly worked with your staff to explore that and we've worked with farm groups to explore that. Thank you.

Mr. HOLECEK. My name is Lloyd Holecek from Marion, Iowa. The answer to your question about every bushel is an unequivocal no. There's no reason that every bushel should count. The farmers that are best at farming the farm programs are the ones that are able to buy out their neighbors. Those people that take the half a million dollars, of course their values are up so they can buy out their neighbors that don't have that same thing. Their values are down.

What we need to do is you need to support the conservation type programs and I think there would be enough money there to keep up farmland prices.

The CHAIRMAN. Thank you very much.

Mr. SPECHT. My son spoke earlier, but I wanted to address something that hasn't been addressed, the dairy. I milk 130 cows near McGregor. The current farm legislation has been tilted against pay and forge crops tremendously. They're giving hundreds and thousands of dollars to guys that have corn and beans. If you grew and cared for the land over decades you have lost the ability to compete in a neighborhood against subsidized cash grain operations in our counties that are driving family farmed dairymen out of business and planting soybean on hills where they do not belong. I've got a couple points. My neighbor's got a quarry. He called Jim Jeffords the man who saved the country. Please allow dairy compacts, the

ability of dairymen to set a minimum price for milk like would be a minimum wage to extend to the rest of the country. Give dairymen a chance to set a minimum price for milk. Thank you.

[The prepared statement of Mr. Specht can be found in the appendix on page 80.]

Mr. SERBOUSEK. My name is Tony Serbousek. I live in Johnson County and I've farmed basically all my life. One of the issues that hasn't been touched on here today is the high value of the dollar. When you take the high value of the dollar against all the other currency of the world we are the Nation of last resort to sell our products. Now, the rest of the world is turning around and producing these products. A lot of this problem would go away on all these issues if the government would address the value of the dollar against all the other currencies of the world.

Now, the import to export ratio is going way out of sight. We're importing way more than we're exporting and one of these days it will catch up to us. In fact, I ain't so sure it hasn't already started. One of the other issues that I want to touch base on is—When you're talking about this new Farm bill, in 1995 Congress passed a farm bill that gave the most discretionary power ever to USDA to interpret. This is what has happened. We have a lot of things going on in the 1995 Farm bill that was not the intention of the Congress that passed the law. I feel for one thing that Congress has to take back control of our elected officials and make the decision, not USDA. Thank you.

Ms. SMITH. My name is Therese Smith and I'm a representative of the Farm Service Agency County Office Employees. I represent the eight states in the Midwest area. I wonder why we can't work doing the farm program together with NRCS and FSA—delivering the farm program together. To me it seems the most efficient and the most effective way of delivering. One of the things that the farmers in this room—They don't care who delivers the program as long as it's delivered. If we would combine the two administrative portions of those agencies together and work this program together we can do it. Thanks.

The CHAIRMAN. First of all, thank you all very much. That was a good exchange. I said that I would comment on the pork checkoff and I will. Immediately after the USDA announced the results under Secretary Glickman there was a meeting in a court case file that was tied up in court. It was not clear at all whether the Court would have allowed them to end the checkoff or not because there were questions about it in the court. Then the administration changed and Secretary Veneman had to deal with it. Again, earlier this year it was not clear whether or not the Court would allow them to end the checkoff. In fact, the Court issued a temporary restraining order to continue the checkoff. Veneman, faced with this, agreed to a compromise. Under that compromise the checkoff would continue, but the Pork Board would be separated from the National Pork Producer's Council. The two of them would be separated. Also there would be a survey taken to see whether or not pork producers wanted to hold a new vote in 2003.

Now, here are the points I want to make. The case is still being argued in the Michigan court. It has not come to a closure. There has been a Supreme Court case recently decided dealing with

mushrooms from Tennessee in which the Supreme Court held that because certain mushroom producers did not agree with the type of advertising they could not be compelled to pay into a checkoff. Big decision. Now it looks as though maybe the Court just may influence what the Court's going to decide in Michigan on whether or not people can be compelled to make that stance.

The checkoff should be decided fairly on the law. The case in Michigan has yet to be decided. I'm sure that there will be briefs filed by the lawyers on both sides arguing that the mushroom case should apply or should not apply on that and then we'll see what happens after the Court makes its decision. Now, having said all that, it is my opinion that all of these checkoffs, every single checkoff we have, ought to come up periodically for an automatic vote. This ought to be put in the Farm bill. Every so many years, every 5 years or so, there should be an automatic vote. There won't be a vote to see if you have a vote. There will just be an automatic vote by producers to see whether or not that particular checkoff ought to continue.

With regard to pork checkoff I think basically we're in a situation where we—basically I think Secretary Veneman did what was reasonable and responsible. With the pending case in Michigan——

Audience member. You've only told one side of the story.

The CHAIRMAN. If you want to go with the temporary restraining order, that's going to continue the checkoff without separating the boards. At least Veneman separated the boards out.

Audience member. Let someone tell the other side of the story.

The CHAIRMAN. That's where we are right now with the pork checkoff right now. As I said, I'm going to put this in the Farm bill and we're going to have a vote every 5 years on all the checkoffs.

Audience member. I voted a legal and binding vote. The ones that voted for it did the same thing. Independent farm producers voted to end the mandatory pork checkoff. We won that vote in a legal and binding vote. You're supposed to stand up there for democracy and tell Secretary Veneman that she did not do what was right. Now, there's a court case involved in Michigan, but that judge did not hear all sides before that ruling was made and before Secretary Veneman acted. She acted out of line. You should stand up and say that she acted out of line.

The CHAIRMAN. That's why it's in Federal court. I don't know which way they're going to decide. I don't care. I mean, I do care, but we're going to put it in the Farm bill.

With that the hearing is adjourned.

[Whereupon, at 12:55 p.m., the hearing was adjourned.]

APPENDIX

August 18, 2001

U.S. SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY
HEARING ON AGRICULTURE AND RURAL COMMUNITY ISSUES
SENATOR TOM HARKIN, CHAIRMAN
TIPTON, IOWA, AUGUST 18, 2001

This morning I am pleased to be holding this official field hearing of the United States Senate Committee on Agriculture, Nutrition and Forestry. The testimony from the panel and from the audience will become a part of the Committee's official hearing record for the next farm bill.

Farm families and rural communities in Iowa and across America have not shared in our nation's prosperity. They need new directions in federal agriculture and rural policies. Freedom to Farm had some positive features – such as planting flexibility and support for conservation – but it went too far and took away critical farm income protection. Farmers need a better system of farm income protection that works without annual emergency legislation.

The new farm bill should also help farmers earn a better return and a better share of the consumer dollar in the market. And it should focus on building opportunities for the future for farm families and rural communities. Value-added processing ventures, new biotechnology products, new marketing channels and increased exports all can help. However, if family farms are to survive, we must ensure that agricultural markets are open, competitive and fair.

Farmers in Iowa and elsewhere have a tremendous ethic of stewardship of the land, but too often they do not have the necessary money to conserve natural resources as they want to do. The new farm bill should extend and strengthen USDA's current conservation programs, and it should create a new system of conservation incentives. The bipartisan legislation I have authored will both improve farmers' incomes and help them conserve our precious natural resources.

We have barely scratched the surface of the potential for producing farm-based renewable energy, such as ethanol, biodiesel, biomass and even wind power. When I look across Iowa's corn and soybean fields I see oil fields. Anything we can make from a barrel of oil we can produce from farm commodities. There should be a special title to promote renewable energy in the new farm bill. That has never been done, but the time is right.

We cannot have healthy rural communities unless both farms and small towns are doing well. Rural communities are too often at a disadvantage when it comes to basics like enough good water, telecommunications and access to capital. The next farm bill should do more to revitalize economies and improve the quality of life in rural communities.

Thanks to all of you for being here today. I look forward to hearing your views and suggestions on the next farm bill.

Testimony of
Ross Paustian, farmer,
Walcott, Iowa
Before the Senate Agriculture Committee
Field Hearing on the 2002 Farm Bill
Tipton, Iowa
August 18, 2001

Good morning. My name is Ross Paustian and I am a farmer from Walcott, Iowa. Together with my wife, parents and brother and his wife, I raise corn and soybeans on a 900-acre farm. We also operate farrow to finish hog operation. I have been farming for 23 years. I appreciate the opportunity to present my thoughts to the Committee on the 2002 farm bill.

Farmers are now facing their fourth year of low prices for nearly every commodity. Barring a major disaster such as the drought that is possible in the Upper Midwest, projections are for prices to continue at all-time lows. What we in agriculture want is the opportunity to be profitable.

The question is what type of program is needed to help farmers weather the down years while giving them opportunity in the up years. I believe Congress made the right decision to eliminate the old supply management programs and replace it with Freedom to Farm. At that time, the federal budget was a political issue and many in agriculture didn't want the same program with additional cost savings like payments on fewer acres. We wanted flexibility. We wanted the freedom to make our own decisions.

I believe the current criticisms of Freedom to Farm are unwarranted. Under Freedom to Farm, the safety net provides more than $20 billion in money to farmers through the transition payments and the loan deficiency payment program. Many other factors have impacted the agricultural economy, none of which are directly related to Freedom to Farm. We have had bumper crops around the world, a strong U.S. dollar hurts our ag exports, and problems in the worldwide economy and a lackluster trade policy have caused exports to decline. We cannot control this and must instead search for a way to help farmers deal with the global realities of agriculture.

I offer these thoughts to help in the development of new farm policy:

1. **The new farm program must stay within the World Trade Organization (WTO) amber box commitments.** Trade is vital to Iowa farmers. Nearly 50 percent of a crop producer's gross income and 13 percent of a livestock producer's gross income can be attributed to the export market. Put another way, Iowa's export income translates to $76 per acre for corn and soybean farmers, $18 per head for pork producers and $111 per head for beef producers. We cannot afford to ignore the impact that international trade has on our bottom line. Violation of the WTO amber box commitments would put that in jeopardy.
2. **I support continuation of the AMTA program**. Payments to current contract holders should be continued but producers should be allowed a one-time opportunity to adjust their base acres as provided for in the bill passed by the House Agriculture Committee. In addition, soybeans should be added as a program crop but producers must chose whether to shift planted acreage from a current program crop to soybean payments.
3. **Loan rates must be rebalanced**. I support adjusting loan rates for corn and other program crops so that they are in historical alignment with the soybean loan rate. The soybean loan

rate should remain at $5.26. In addition, farmers want more flexibility in the loan deficiency payment program. The next farm bill can provide additional marketing flexibility by allowing producers to lock in an LDP rate at any time during the crop-marketing year.

4. **Congress can improve the safety net of the farm bill by establishing a counter-cyclical income assistance program**. This program should be revenue based and must fall within the confines of the green box under the WTO guidelines. The best way to accomplish this is to base payments on a four-year average of cash receipts for each crop at a state level. This is the best reflection of local production and price conditions and will provide the additional level of assurance that many producers need.

5. **Conservation programs should be expanded in this farm bill**. Producers are facing increased pressures from federal regulatory programs such as EPA's animal feeding operation rules, water quality standards and total maximum daily loads. Voluntary, incentive-based conservation programs are proven to work. But these programs have been significantly underfunded and targeted primarily to row crop producers. I would also suggest that the next farm bill eliminate the limits on participation in cost share and technical assistance by larger livestock producers. I am a family farm livestock producer – our operation supports three families – but cannot qualify for any cost share or technical assistance yet I must meet an increasing number of state and federal regulations. In addition, I believe you should take this opportunity to redo the formula that allocates EQIP funds to states. For instance, more weight should be given to states that have a high amount of cropland and a large number of producers. Finally, I want to commend Senator Harkin for his leadership to establish an environmental incentives program. A program like the one

proposed in the Conservation Security Act provides farmers like myself an opportunity to be rewarded for the practices that I already have in place.

This farm bill presents an opportunity to implement a long-term strategy for agriculture while we address the short-term economic problems facing many producers. I support your vision to expand the scope of the trade title and provide more opportunities for value-added agriculture through the rural development title. I also believe this year presents us with the opportunity to expand agriculture's role in our national energy strategy. While Congress will continue to debate the administration's energy policy, I would also encourage the committee to include an energy title to the farm bill. This title should provide for a national renewable fuels standard and incentives for energy production from wind, biomass, ethanol and biodiesel among others.

But, we cannot take an isolated look at federal farm programs. Our success, or failure, on the farm is dependent on many factors including the export market, federal monetary policy, tax and regulatory policy, and transportation to name a few. The last farm bill was to be part of a three-legged stool. Farmers would assume more of the risk and be responsible for their own management and marketing decisions. In return, Congress would expand our trading opportunities, reduce the tax burden on family farmers and provide us with regulatory relief. With the exception of tax relief, this has not occurred and in fact, regulation of farmers has increased. I urge you to look at the broad spectrum of policy issues that impact agriculture as you design a recommendation for the next farm program.

In conclusion, farmers look forward to working with you and the Senate Agriculture Committee as we develop a new federal farm program. I believe my ideas form the basis for a proposal that takes the best features of the 1996 FAIR Act and combines them with some additional income safety net protection and expanded conservation and trade programs to help

agriculture share in the economic success that this country has felt over the last several years.

Thank you for the opportunity to testify today before the Senate Agriculture Committee.

STATEMENT OF

MR. JIM KRIER

BEFORE THE

SENATE AGRICULTURE, NUTRITION AND FORESTRY COMMITTEE

AUGUST 18, 2001

Statement of Mr. Jim Krier
Before the Senate Agriculture, Nutrition and Forestry Committee
August 18, 2001

Mr. Chairman, members of the Senate Agriculture Committee, I am Jim Krier, a farmer from Southeast Iowa near the confluence of the North and South Skunk Rivers. My wife Mary and I operate a 900-acre corn and soybean farm, and in addition, finish about 3300 feeder pigs per year. It is an honor to appear before you today to discuss the next farm bill and its importance to farmers and ranchers in the future.

At the outset, let me commend you, Chairman Harkin for your effort in expediting consideration of new farm legislation that recognizes the importance of developing a comprehensive farm bill that provides a better economic safety net for producers while addressing numerous other needs of farmers, ranchers and rural communities. In addition, I want to thank you for your effort in seeking a more adequate level of economic assistance for the current crop year. As you are aware, we have experienced market prices well below the cost of production, rapidly increased input costs due to fuel and energy prices and uncertainties concerning production levels due to weather. Combined, these factors indicate the real needs of producers have not improved since last year, contrary to the President's claims of an improved farm economy and less need for assistance funding.

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

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

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

Program Crops –

The program crop provisions of the House bill provide for a continuation of the provisions of the 1996 farm bill for the traditional program crops, and extension of fixed, de-coupled payments to oilseed crop producers in exchange for a reduction in their counter-cyclical marketing loan rates. The proposal also provides a one-time optional adjustment in program payment acreage bases

and the establishment of a target price mechanism to reduce the impact of depressed program crop prices on producers. In addition, the legislation maintains the current payment limitation provisions on contract payments, provides a $150,000 limitation on marketing loan benefits and creates a new $40,000 payment limitation on target price benefits. Presumably, the "three-entity" rule is maintained for the re-authorized program elements and extended to the target price provision. This system has proved grossly inadequate in recent years, and continues to fail to address the critical issues of commodity prices and creating a better balance of supply and demand.

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

For my farming operation, an equitable, counter-cyclical safety net based on current productivity levels for program crops is needed that reduces the likelihood of future ad-hoc assistance and provides assistance when prices are low. I am concerned that the farm bill concepts under discussion fail to address and correct many of the shortcomings of Freedom-To-Farm, including the creation of new, price-enhancing, market opportunities for producers.

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

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

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

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

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

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

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

Last June, the National Farmers Union (NFU) provided a set of agriculture policy recommendations to this committee that would provide an equitable, production-based, counter-cyclical safety net for producers that would maintain planting flexibility, and ensure market competitiveness without distorting production. The NFU also suggested the use of new tools to create additional market demand for U.S. farmers as well as programs to ensure our capacity to be a reliable supplier of commodities to the market. In addition, it supported providing discretionary authority for the secretary of agriculture to implement cost containment mechanisms to balance supply with demand should future market expectations fall short of being realized. I believe this approach is far more desirable as a matter of public policy and would certainly be of greater benefit to my farm than a continuation of the failed Freedom To Farm law.

The National Farmers Union proposal is based on an improved commodity marketing loan program that provides a comparable safety net level for all program crop producers based on a percentage of the full economic cost of production and the elimination of de-coupled payment programs. Utilizing cost of production as the basis for annually determining loan rates provides a mechanism to automatically adjust the safety net for each program crop relative to changes in input costs as well as productivity, maintaining an equitable balance between those crops over the long-term. This proposal will more closely reflect my needs to maintain a sustainable operation than arbitrarily established payment mechanisms.

The NFU also supports programs that can enhance demand beyond that which can be reasonably expected from the commercial market under current conditions. These market expansion programs include, at a minimum, the establishment of a renewable fuels standard and a long-term commitment to the Global Food For Education Initiative. Both of these programs can be of great benefit to Iowa producers.

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

A third, limited reserve should also be established to complement existing risk management programs. This farmer-owned reserve would be similar to a commodity savings account that could be utilized by the producer to offset a portion of the economic losses sustained due to production or quality reductions that are not indemnified by multi-peril crop insurance. For my farm, this program would operate like a commodity savings account that I could draw upon when my production level is below average but has not yet triggered crop insurance payments.

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

I believe a better system can be implemented that allows eligibility for one hundred percent of all earned marketing loan benefits. In my view, a single attribution system should be established that ties program participation to the individuals who actually undertake the production and market risk of farming. All participants should be eligible for marketing loans established as a declining percentage of cost of production on those units of production necessary to reach a maximum "gross sales" level or tier. The sales levels should be comparable to those established by USDA in their farm typology analysis. For example, all producers would be eligible for the same percentage level of marketing loan up to their first $100,000 of loan commodities. A slightly smaller percentage level of marketing loan would apply on the next $150,000 of loan commodities. A further reduction in the marketing loan rate would apply to the next $250,000 of

loan eligible commodities. This new targeting mechanism will not only help ensure a more responsible distribution of program benefits, but also can be a source of additional savings in commodity program costs. The committee should request a further analysis of this proposal.

Finally, NFU has recommended the secretary have authority to offer a voluntary "Flex-Fallow" type of program to establish an appropriate balance between supply and demand in order to ensure program costs are maintained at an acceptable level should demand and market prices fall short of expectations due to unpredictable circumstances. This provides needed flexibility to respond to unpredictable situations that are likely to occur in the future.

Conservation -

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

While I support expansion of conservation related programs, I believe Senator Harkin's approach of providing incentives through the Conservation Security Act will be of more farmer and rancher benefit and provide greater sustained conservation efforts.

I also support the NFU position that was generally accepted by the House Agriculture Committee that the enrollment level for the Conservation Reserve Program (CRP) be established at not less than 40 million acres and capped at 45 million acres. I am believe, however, that additional regulations concerning whole farm bids and other issues that create a conflict between the benefits of the CRP and the ability of a new generation of producers to begin farming can and should be addressed.

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

To the extent that EQIP funding is increased, I encourage the committee to ensure that the program does not result in conservation subsidies to large, integrated enterprises that have the capacity to meet environmental and conservation objectives and regulations without federal assistance. Furthermore, I am opposed to the use of conservation funds as a tool to increase the

scope of production and marketing contracts where producers have little or no management control over the livestock or crop enterprise.

Trade

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

In addition to existing programs, I believe the committee should utilize this opportunity to promote a U.S. trade policy agenda that seeks to ensure fair competition in global agricultural trade.

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

Research -

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

Rural Development -

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

I believe a significant expansion in rural development programs to enhance both future opportunities for producers in areas such as value-added development as well as rural infrastructure issues that affect both agricultural producers and rural communities is needed. For farmers and ranchers, the value added grants program represents the most important priority among the limited list of priorities identified in the draft. I am concerned, however, that it may not be an adequate catalyst to expand value-added opportunities to the next level. An even greater level of funding, along with an expansion of programs to facilitate broader participation in value-added enterprises by producers who may not be able to meet the immediate investment requirements should be provided. This is of great importance to the ability of future generations of family producers to create sustainable and economically viable farming and ranching enterprises.

Other Issues –

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

An energy title to reflect both the new opportunities in agriculture to produce a broad range of renewable energy resources as well as the increased reliance of modern agriculture on external sources of energy related inputs should be included in any new farm legislation.

In addition, the committee should add a title to the farm bill to address the issue and impact of agricultural concentration, including provisions to address the rights of contract agricultural producers and consumer issues such as mandatory country of origin labeling of livestock, fruits and vegetables. Although this issue may have multiple committees of jurisdiction, it is so critical to the effectiveness of both domestic and trade policy and the future of U.S. production agriculture that it should be an integral part of any effort to address agricultural policy.

Conclusion -

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

I do not believe the farm bill proposal approved by the House Agriculture Committee can adequately address the food and agriculture needs of America within the available budget. This reality requires all of us who support and promote American agriculture to seek new methods to ensure the available resources are utilized in the most effective ways possible to enhance the economic well-being of producers while meeting the conservation and rural development challenges we must face as a nation.

I will be pleased to respond at the appropriate time to any questions you or members of the committee may have.

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Written Testimony

Senate Agriculture Committee Hearing on the Future of the Farm Bill

Chairman Tom Harkin
August 18, 2001

Thank you, Senator Harkin, for the opportunity to comment on the 2002 farm bill. I am the Executive Director for Conservation Districts of Iowa (CDI). CDI represents Iowa's 500 Soil and Water Conservation District (SWCD) Commissioners and the 100 districts they work on behalf of. Each SWCD has five locally elected, volunteer board members or commissioners, from different townships throughout their district. While the commissioners come from a variety of backgrounds, most are farmers or have a farming background. They have a vested interest, many a life-long commitment, in promoting wise land use and the conservation of our soil and water. These folks live and work on the land; it is their future.

While I might enjoy commenting on other aspects of the farm bill, CDI must focus on the conservation title. Anticipating the need to unite our voices to send a strong, clear message to Washington, D.C., CDI and several state conservation leaders collectively decided on a list of priorities we feel must be in the next farm bill.

- Soil and water conservation must be a significant component in both concept and funding of the next farm bill. Program objectives must complement the conservation objectives, and conservation programs must receive a minimum of 25% of Farm Bill funding.
- Conservation provisions and funding of the farm bill must be balanced in their support of (a) conservation on working lands and (b) land retirement to achieve conservation objectives on private lands.
- Conservation technical assistance (CTA) is an important component necessary to implement conservation programs. However, CTA is also critically important to individual producers who want to protect their land with total conservation systems with or without other USDA programs. CTA provides research and development of practical, economic conservation measures, planning of resource management systems with clients prior to implementation, and operation and maintenance of systems after implementation. Funding for conservation technical assistance must reflect its importance in achieving the overall conservation objectives of the farm bill.

- The programs of the farm bill must be focused and provide direction to achieve landscape and watershed objectives for water quality, resource protection and the entire range of conservation benefits consistent with sound private, working lands conservation.
- Flexibility must be built into farm bill conservation programs to allow them to be tailored within states to meet the variety of unique conservation needs that exist within states, geographic regions and at the local producer level. The role of State Technical Committees needs to be strengthened to assist USDA in establishing priorities for program implementation.
- Current USDA conservation programs must be maintained in the current agency structure and relationship of NRCS and FSA to assure that resource conservation objectives are achieved and programs are administered efficiently and effectively.
- The conservation provisions of the farm bill are critical to the ability of agriculture to meet public expectations for water quality, resource conservation and environmental enhancement within a framework that sustains family farms and ranches both economically and socially.
- Funding for research and education to achieve coordinated program objectives is a critical component of the farm bill. Research and education programs will directly assist producers in the evaluation and implementation of conservation systems designed to achieve soil conservation, water quality and resource protection.

CDI strongly supports the concept of the proposed Conservation Security Act (CSA), which you, Senator Tom Harkin, have co-introduced to the United States Senate. We applaud this voluntary and comprehensive approach to agricultural conservation policy. We praise the intent of this legislation to provide financial rewards to agricultural producers who are following sound natural resource conservation practices, and thereby encouraged to increase conservation on private lands.

CDI would like to see the CSA concept positioned as the centerpiece of the 2002 farm bill. In the agribusiness world we talk about value added as a means to survival, and this may be an example of value added at its best. The CSA would foster the development and implementation of whole-farm conservation plans for the protection of each farm's natural resources. Through conservation incentives, producers would also receive financial support at a time when agriculture is struggling to survive. In addition, society as a whole would gain from increased environmental protection. Here in Iowa, where water quality makes the headlines on a regular basis, this point seems especially important.

Currently the USDA offers several other conservation programs with technical assistance provided through NRCS, which are designed to help farmers be good land stewards. The Conservation Reserve Program and the Wetland Reserve Program are examples of set-aside programs, which provide much-needed soil and water protection, wildlife habitat, and natural ecosystem enhancement. However, set-aside programs only directly protect land that is taken out of production, and Iowa is still principally

an agricultural state with about 93% of its land in some sort of farm production. If we are to have an adequate impact on the quality of our environment, we need to target the majority of the landmass. It is crucial to target working lands, -all- working lands and achieve a better balance in the conservation programs

It is important to reward those who are already good land stewards. The existing system only offers incentives to those who have not yet implemented conservation practices, which in effect penalizes those who have. Many producers, aware of the long-term benefits of good land stewardship, have long farmed on the contour on slopes, reestablished wetlands on hydric soils, and pastured their highly erodible land and kept it out of row crop production. They have set aside timberland and worked to improve its quality, and have protected rare prairie remnants. It makes no sense to encourage producers to plow up native prairie, undo sound soil and water conservation practices, or clear established timber stands in order to then be eligible for incentives for subsequent conservation efforts. We should compensate those who are voluntarily incurring personal cost to establish *and maintain* wise land use practices, which in turn help to protect everyone's water quality.

The current system provides financial assistance to a select group of producers. Commodity producers receive about 80% of USDA program benefits and 2 out of 3 producers don't receive any farm program funds. The farm bill should provide incentive payments to producers of all types of products, including fruits, vegetables, specialty crops, row crops, small grains and livestock, for adopting or maintaining conservation practices on land in production. It is important, and fair, to provide financial incentives to those farmers who have traditionally not benefited from this type of support. This kind of conservation payment has been suggested in Senator Lugar's Working Lands Conservation Act and others and merits attention.

The next farm bill should have elements which complement, not replace, other conservation programs. It should ensure maintenance of aging structures through programs like the small watershed rehabilitation program and fund them at appropriate levels. CDI supports continuing and expanding the current programs administered through the USDA by NRCS.

CRP (administered by FSA)

- Reauthorize and expand to 45 million acres

WRP

- Reauthorize and increase cap to 250,000 acres annually

EQIP

- Reauthorize at $1 billion annually, with 20% of this designated for technical assistance

WHIP

- Reauthorize at $50 million annually

Forest Stewardship Program

- Reauthorize at $50 million annually

FIP/SIP

- Current programs do not offer the flexibility the states need.
- Substitute new Sustainable Forestry Assistance Program introduced by NASF as a companion to FSP

Forest Legacy Program

- Reauthorize at $50 million annually

Urban/Community Forest Program

- Reauthorize at $50 million annually

RC&D

- Give permanent authorization and expand to 450 areas

Farmland Protection Program

- Reauthorize at $65 million annually

Conservation Private Grazing Lands

Reauthorize at $60 million annually

General consensus among Iowa's conservation and education groups, and the commodity organizations, is that participation in USDA programs should require conservation compliance for direct government payments. Compliance provisions established in 1985 HEL-Sodbuster and Swampbuster provisions are important to protect land from erosion. Noncompliance should result in a person being ineligible for USDA benefits (AMTA, LDP, CRP, WRP etc).

The media and others remind us often that when it's time to make policy decisions farmers have dwindled in numbers to the point of insignificance. Rural Americans who make a comfortable living on working land could be considered a threatened, if not endangered, species. An even more rare breed is those of us who work to achieve more conservation on agricultural land. In fact, the House Agriculture Committee Farm Bill proposal reflects very little consultation with the 3,000 conservation districts or others of this country that have been working in this arena for over sixty years. We ask that you listen to our small but important voice.

While CDI applauds the house proposal to increase EQIP funding to $1.2 billion annually, we are very much opposed to shifting the administration of this program to the Farm Service Agency (FSA). NRCS provides technical assistance and in Iowa has a proven track record in getting the job done. Shifting EQIP or any of the programs, which require technical assistance, appears to be part of the constant battle of power at the national level. Common sense should prevail; don't try to fix something that isn't broken. The biggest roadblocks to providing more conservation assistance are money and technical assistance. The house proposal overcomes one of the roadblocks only to install another.

Technical assistance is something the producers should expect in a timely manner. Funding for technical assistance has long fallen short of the existing needs. According to the report issued by the Soil and Water Conservation Society, technical assistance has shrunk from 60 percent of the conservation budget to about 30 percent since 1985.

CDI's interpretation of the house proposal raises serious concerns with decreasing TA in an already stressed system. Language changes are something to be very alarmed about. None of the funds for programs such as CRP, WRP EQIP and others could be used for technical assistance. Changing words from "shall" to "may" can have huge implications.

The house proposal continues the tradition of providing conservation to less than 10 percent of the producers working lands. This raises serious credibility issues. It severely limits Commodity Credit Corporation technical assistance funding to implement federal programs. It overlooks the effective partnership delivery system already in place. It does little to address the tremendous workload of conservation assistance.

The focus of the next farm bill should be to reduce topsoil loss, improve soil health, improve air and water quality, and provide wildlife habitat, while at the same time providing assistance to financially struggling farmers. CDI hopes that this objective prevails. Conservation of private lands is important. All of society will benefit.

Thank you for the opportunity to provide testimony to the Senate Committee on Agriculture, Nutrition and Forestry. I am Mary Swalla Holmes, project coordinator for Iowa State University Extension to Value Added Agriculture. I have traveled the state of Iowa for five years working with communities to develop sustainable agricultural opportunities in Iowa. I am here today representing my clients, family farmers who live on the land and grow fresh, nutritious food for their neighbors and the small towns that welcome and support this "New Agriculture." I am also a member of the Governor Vilsack's Food Policy Council and Iowa Secretary of Agriculture Patty Judge's Local Food Systems Task Force, and the Iowa Community Food Security Liaison.

I believe that the new Farm Bill must begin to address the realities of the emerging global economy. In the rapidly consolidating and vertically integrating food and fiber industry, trans-national companies will soon own or directly contract for all raw materials. Agricultural raw materials will be produced wherever it is cheapest – and where social and environmental costs can be externalized. Current farm bill payments, which directly subsidize production of commodities, ultimately subsidize these mega-corporations. While profits accrue to the corporations, environmental and social costs are billed to our rural communities. Iowa's water quality is already among the worst in the nation, our rivers and streams choked with soil, chemical runoff and fecal contamination. Our rates of rural poverty are high and in a land awash with corn and soybeans, we continue to battle hunger and food insecurity. Farmers feel trapped, unable to break the dependency on farm payments that are based on production of cheap commodities, even though they recognize how dysfunctional the system has become. They know that the price of competing as low-cost producers in a global system is to be locked into a downward spiral, forced to make choices that destroy their land and their health.

One ray of hope in Iowa has been a grass-roots movement toward developing local food systems. This movement led by Practical Farmers of Iowa and INCA (Iowa Network for Community Agriculture) connects farmers and consumers through direct marketing enterprises. The growth of the number and quality of farmer's markets and CSA's (community supported agriculture subscription farms) in Iowa is being driven by consumers who are looking for a source of food they can trust. These consumers are willing to pay more for food that is produced on a healthy, sustainable farm by a farmer they know by name. Widespread interest in local food systems was recently shown by over 300 people that attended workshops in five locations in Iowa. When Practical Farmers of Iowa announced that they would work with groups of producers to develop direct marketing enterprises, over 30 groups applied. With limited resources, they will be assisting eight groups develop marketing strategies and business plans. Working together with Iowa State Extension, the Leopold Center for Sustainable Agriculture and USDA Rural Development and NRCS outreach, small amounts of grant funds have been leveraged to assist the growing number of interested farmers. But additional support is needed to support farmers converting to new enterprises.

Under the current farm bill, there is little to encourage or support farmers who are converting to high-value, market oriented enterprises. In a recently completed survey of specialty produce growers in Iowa, 56% had less than twelve acres in production. With limited acres and no corn base, they are not even considered farmers under USDA designation, even though they often feed twenty to sixty households, supply the local farmer's markets and provide social, educational and environmental benefits for their communities. On the other end of the scale, 25% have 75-1500 acres under production, much of this in seven-year organic field crop rotation.

As you re-structure the farm bill, I urge you to consider these farmers and their communities. Direct payments that focus on re-building our natural resource base and reward farmers for conservation practices, uncoupled from commodity production, will renew the countryside. I fully support Senator Harkin's proposed Conservation Security Act as a beginning. Please consider also the amount of technical assistance that will be needed as cultural and economic restructuring takes place. The ACRE (Agricultural Community Revitalization Initiative) proposal, which would support the development of cooperatives, networks and associations of producers and technical assistance, addresses this issue.

One important piece of the current farm bill to expand on is the designation and support of the Community Food Security Initiative, which builds and strengthens food systems at the community level. The Community Food Projects Grants Program has improved incomes for farmers while improving nutrition for citizens all over the country. The Farm to School initiative in particular seeks to improve access for local farmers to sell into local schools. In Iowa, we are working to create a pool of producers that would sell ground meat to Iowa schools. The Community Food Security Initiative is the centerpiece of a strong, secure America, weaving a tightly woven safety net of food access for all citizens.

Thank you for your work on this most important and far-reaching committee. Please design a farm bill that marks the turning point for America. We are ready to turn away from cheap production that destroys our land and our people and ready to turn towards a real future of abundance and health.

Testimony of John K. Helbling
General Manager of Economic and Market Development
Alliant Energy Corporation

Mr. Chairman and members of the Committee, my name is John Helbling, General Manager of Economic and Market Development for Alliant Energy Corporation, a diversified energy company employing approximately 6,500 people. Alliant Energy provides electric and gas service to customers in a four-state area comprised of Iowa, Wisconsin, Minnesota, and Illinois. I am here today to discuss economic development in agriculture and in rural America.

Thank you for the opportunity to testify this morning on a subject of great importance to the communities we serve, and to Alliant Energy as well. First, Mr. Chairman, I want to take this opportunity to thank you for your leadership on this issue. Your assistance enabled Iowa farmers to provide set-aside switchgrass to Alliant for the biomass-to-energy demonstration project at the Ottumwa Generating Station, which is as you know a part of the Chariton Valley Biomass Project.

I want to talk briefly first about housing. Alliant Energy's diversified holdings include Heartland Properties, a corporation that finances and constructs low income housing throughout the Alliant Energy service territory. Your support for the Eagle Bluff project in Fort Madison is one example of the projects Heartland undertakes. Utilizing low income tax credits and low-income housing loan programs, Heartland's projects provide affordable community housing that is comfortable, tasteful, decent, and safe. Heartland Properties is concerned that the U.S. Department of Agriculture's Housing loan program,

which plays a very important rural development role, has been reduced annually over the past 10 or so years. Construction in a rural area costs nearly as much as it does in an urban one, but developers cannot charge anywhere near the same rent: the market will not bear it. And if rents are too high, seniors and families are forced to leave rural communities to look elsewhere for more affordable housing, significant blows to rural and small town communities. The loan and credit programs cited above, combined, work to make financing new housing in rural areas possible while leaving the rents affordable to the lower end of the market. We recommend, Mr. Chair, that the decline in the Department of Agriculture Housing loan program funding levels be halted, and that funding be at least maintained at its current levels.

Representing an energy company, our strengths in many ways remain in our focus on energy, and Alliant Energy is committed to finding and applying new and innovative solutions to energy and other problems today. I mentioned the Chariton Valley Biomass Project above, which involves testing whether switchgrass can be co-fired with coal to power a commercial generator to make electricity. Alliant Energy is extending this same question to other forms of biomass, exploring the practicality and profitability of converting animal waste, crop residue, and other forms of waste and combinations of waste ultimately into electricity or other forms of energy, such as steam.

Presently, Alliant is involved with the Iowa Department of Natural Resources, installing an anaerobic digester at the Top Deck farm of Westgate, Iowa. Digesters like this convert cow and swine waste to methane, which is burned to generate electricity.

Capturing the methane prevents it from escaping into the atmosphere; the digester eliminates 90% of the odors from the waste; runoff is dramatically reduced; the farmer's electric needs are supported - often entirely - while excess power is sold back into the grid; and the waste from the digester can also be used as a marketable fertilizer product that has 50% higher quality than the unprocessed manure going into the digester.

The above biomass applications is one of the most exciting applications, if it works economically, because of the numerous environmental and agricultural problems it can help farmers solve. That is why Alliant Energy is supporting Senate Bill 1219, sponsored by Senator Grassley, expanding the Section 45 tax credit, currently available for electricity produced from wind, solar, poultry waste, and certain "closed loop" biomass, to cover electricity produced from swine and bovine waste. We hope this bill might be added to any Senate Energy legislation considered later this year.

In addition, Alliant Energy supports provisions of H.R.4, legislation passed recently by the House, relating to further expanding the eligibility of renewable open loop biomass eligible for the Section 45 tax credit. Alliant Energy is also working with the Iowa DNR to set up a fast track permitting process for Biomass-to-Energy projects. In Nevada, Iowa, we are working with the Iowa Energy Center on biomass conversion , and we are beginning to explore how swine manure in particular might be complemented with other crop residues and ultimately converted to energy.

It is important to remember that the technology we are looking at, and the waste, might work best to produce gas, or to run a generator, or especially to be co-fired, or to produce steam (unable to be fired at a higher temperature). Any federal support should be mindful that the technology and fuel sources are fluid at this point, and language assisting development should not by accident cut off what might end up being fruitful avenues of economic, technological, and biomass-to-energy development.

Alliant Energy proposes that soil conservation programs in the USDA expand their eligibility for matching loans for collection and retaining structures to include structures intended to hold manure for digesters. Second, Alliant Energy supports any encouragement you can give to the Offices in the Department of Agriculture - such as Energy Policy and New Uses, and Agricultural Research and Technology Transfer, to direct more of their financial support for innovative technology into early research and demonstration projects involving biomass and biomass-to-energy. The economic opportunities for the farm economy suggest that these are fruitful areas to pursue.

One final word Mr. Chair, on a program we conduct, on the state level, which should be of interest to the committee. This year, for the first time in Iowa, Alliant Energy is offering a Demand Side Management utility program to farmers that provides them incentives to acquire energy-efficient technologies applicable to their operations. Independent dealers work with farmers and identify with them the efficiencies they can make, and the farmers apply to the utility for the incentive. For farmers who have not

sought energy efficiency in the past, the energy savings can literally be enormous. We are confident that the farm community will see significant savings in the years to come.

In conclusion, Alliant Energy is actively committed to agricultural, and rural, economic development. In part this means making farms and farmers more competitive, and more efficient as businesses. In part, this means helping to make - and keep - our rural communities a place to live and work and grow in. Thank you, Mr. Chair, for this opportunity to testify, and I look forward to answering any questions the Committee might have.

8-18-01
Hello: My name is Jerry Heithoff. I am a farmer from Elgin, Nebraska. I raise corn, soybeans, hogs and cattle. Sen. Harkin, thank you for letting me voice my opinion about the next farm bill. I did not get that chance in the House Ag Committee version, nor did I get that chance in either the House or Senate version when the 1996 Farm Bill was being discussed six years ago.

The current system of decoupled welfare type payments is not a substitute for a fair price in a competitive marketplace. If you ask for a show of hands in any room full of farmers whether they want decoupled welfare type payments, or a fair price in a competitive marketplace, the fair price in a competitive marketplace wins every time.
Yet, many of the politicians and commodity organizations that are supposed to be representing us farmers continue to "tinker" with a Farm Bill that most farmers are fundamentally opposed to.

Sen. Harkin, I think you agree with me and most farmers that ag markets are a longways from either fair or competitive. The 1996 Farm Bill makes an already bad situation worse. Thanks to the 1996 Farm Bill, the market place value of my corn and soybeans has collapsed.

Some ag producers do not fully understand that until farmgate prices exceed the marketing loan rates, their incomes will not actually go up. As long as the cash market is below the marketing loan rates, they are either getting more income from the market and less in LDPs, or less from the market and more in LDPs, but either way, their total income is about the same, and well below their cost of production. The current budget agreement should make it clear to all farmers that we can no longer produce our commodities for far below their cost of production and then expect taxpayers to make up the difference. That is why a new Farm Bill must force the grain traders to pay us a fair price for what we produce in the first place.

Why should I sell my products for less than it costs me to produce them? No other player in the food economy does. The 1996 Farm Bill has allowed the grain traders to buy my products at far below my full cost of production. That is wrong, it is unfair, and it must end. I am an efficient producer. If I was not, I would have been out of the business long ago. I think I deserve a Farm Bill that treats me fairly, and that means paying me a fair price for

what I produce, and that means making a profit so I can replace my worn out equipment, make improvements around my farmstead, and yes, even buy some luxury items for my family like owners of any profitable business does.

I happen to believe that when family farmers are profitable, everyone in my rual community and state benefits. Agriculture is the largest single industry in my state, I cannot believe that when agriculture does well, that our state does not do well also. Real rural economic development means paying farmers a fair price for what we produce. If that were to happen, we would not be worrying about how to get young farmers started, how to keep our rual people in our small towns, or how to stem the tide of rural depopulation.

In order to get higher prices for what I produce, I want the marketing loan rates to be set at a minimum of 100% of my full cost of production. I am willing to participate in set aside program if it means that I am paid a fair price for what I do produce. I want the option to control excess production when if does occur, so I can force the market to bid up to get my product. The Farmer Owned Reserve should be restored. A Farmer Owned Reserve also

could be earmarked for specific needs like ethanol, or food assistance. A Farmer Owned Reserve also provides livestock producers and grain exporters alike with a dependable supply. It is good to know the product is there, even if you have to pay up to get it. Nothing could do more long term harm to either our exports or domestic livestock industry than to run out of grain. If the Farmer Owned Reserve is run right, it allows farmers to benefit from tight supplies, it forces the grain traders to bid up to coax the supply into the market, and it can operate with a minimum of costs.

Our current trade policy is a dismal failure. Everything we are exporting, we are selling at a loss. Selling more of our products at a loss is not sound economic policy. The oil producing nations do not sell their oil at below their cost of production, so why should us food producing nations sell our food at below our costs of production? The 1996 Farm Bill caused the collapse of marketprices for the seven major crops. Guess what happened to the balance of trade for our agricultural proudcts? It followed the collapse of our domestic prices right on down. In 1996 our ag balance of trade was $27.4 billion. Last Year it was down to $12 billion. When are we going to stop letting the grain traders run our national ag and trade policy. It looks like to me they have run our farm policy and trade policy for their benefit, not the benefit of American agriculture or America as a nation. Besides, as long as we continue to have a strong dollar, American agriculture is never going to be on a level playing field with the rest of the world, and until that happens, there will be no fair trade for agriculture.

I also think it is high time we included a competition title in the Farm

Bill. We either need to force the government entities that are supposed to be enforcing anti-trust laws to function as they were supposed to. Or, we should change the laws so they can enforce them, or start over with new enforcement agencies, but one way or another, we should no longer tolerate non-competitive agricultural markets that strangle family farmers and rural communities.

Like most farmers, I think of myself as a steward of my land and water. But, I need to be rewarded for what I do that is right, and helped to do better where I fall short. I want more conservation cost share for sound conservation practices like we used to have in the old ACP cost share programs. I don't want to subsidize mega-hog operations livestock waste problems with my soil and water conservation money.

It is also high time to end meat packer owned livestock feeding. The Packers and Stockyards approach to enforcing mandatory price reporting is totally unacceptable. We need more, not less enforcement of market reporting when there are fewer players in local markets. What I want is the same marketplace transparency in reporting as there has always been in the local salebarn. Bid out in the open. What is wrong with knowing who is bidding, and how much they are paying?

The only Farm Bill proposal that I have seen that would maintain planting flexibility while also forcing the grain trade to pay farmers a fair price for what they produce and staying within the budget guidelines in the American Corn Growers Association and the Nebraska Farmers Union Farm Bill proposal. I hope you give that approach serious consideration. Thank you for this opportunity to share my thoughts today.

Jerry Heithoff

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WRITTEN TESTIMONY OF
THE ORGANIZATION FOR COMPETITIVE MARKETS
presented to the
UNITED STATES SENATE
COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

Presented by Gary Bierschenk of Blairstown, Iowa
August 18, 2001
Tipton, Iowa

Thank you Chairman Harkin for the opportunity to speak here today. My name is Gary Bierschenk. I am a farmer from Blairstown, Iowa. I am also a board member of the Organization for Competitive Markets. The Organization for Competitive Markets is a multi-disciplinary group of farmers, ranchers, academics, attorneys and businessmen dedicated to reclaiming competitive markets in agriculture for independent farmers, ranchers and rural communities. I am going to speak about a Competition Title in the Farm Bill and would respect permission to submit written testimony and a three page summary of the proposal for the written record.

I hear a lot about producing a Farm Bill that is "market oriented." My response is "what market?" The structural change in the industry has made the imbalance between farmers and agribusiness buyers worse than ever before. The 1980's and early 90's gave us rapid horizontal concentration in livestock. The mid to late 1990's gave us vertical integration and captive supplies in the form of packer-controlled, off-market livestock inventories through packer ownership and contracts.

These structural changes are driven more by the desire to increase market power rather than efficiency. To the extent that agribusiness has used market power to exploit the weak position of farmers to decrease farm prices and increase profits. That is not efficiency, it is the bald exercise of market power.

Further, consumers are not demanding vertical integration. They are demanding increasingly healthful, safe food and many choices. Small or large firms can produce that. We do not need an industry dominated by one or two companies to produce what a consumer wants.

The biggest problem with industry consolidation is the rapid degradation of the marketplace. The result is increasing opportunities for illegal market conduct, market access problems for producers, unfairness in contracts, price discrimination, poor market information, and decreasing farmer-marketing choices.

It is the role of your committee, Chairman Harkin to facilitate the proper operation of the agricultural markets through rules based upon fundamental principles of access, fairness, transparency, elimination of conflicts of interest, and competition. Similar rules exist to facilitate markets in equities and in commodity futures contracts. The rules and regulations of the stock exchanges and commodities exchanges work very well for market participants both large and small. Family farmers deserve no less for their markets.

The Organization for Competitive Markets and over 70 other organizations respectfully request that the Committee on Agriculture include a Competition Title in the Farm Bill to reestablish fairness, access, transparency and competition in the agricultural marketplace. The Competition Title should focus on the three areas. First, promoting the proper operation of the open market. Second, promoting fairness and equity in contracts. And third, creating more intelligent regulatory and enforcement capabilities in USDA.

First, the Packers and Stockyards Act should be amended to eliminate the market disrupting effects of captive supply. Packer ownership should be prohibited because it creates conflicts of interest, disrupts the market, and freezes out producers from the market. All contracts to supply livestock to packers should have a price negotiated and agreed to at the time the contract is entered into. The packers should offer the contracts in an open and public manner. Because the contracts are currently secret and have no price attached, they drive down prices while cannibalizing the volume and information available to the open market. As a result, the open market has become depressed, inaccessible, unreliable and subject to manipulation. Economic theory predicts that increased captive supplies cause bidding to be less aggressive and thus apply downward pressure on prices. Studies of actual transactions have shown that increasing captive supply results in lower prices. Requiring contracts to have a price negotiated at the time of the agreement would convert captive supplies into an actual market, increase market information, and eliminate much of the downward price pressure problems of packers. It would make the market broad, deep, accessible and reliable as well as less subject to manipulation by the powerful players.

Second, the Packers and Stockyards Act should be clarified as to price discrimination. Farmers – big and small – with quality livestock should be paid similarly and have equal opportunity to access the market. Farmers – big and small – should be paid less when their livestock is of poor quality. Price preferences for volume or based on favoritism are contrary to the public interest. If I buy 10 shares of GM stock on the New York Stock Exchange I do not pay a different price than Warren Buffet who buys 10,000 shares. The price for the GM stock at any given moment is the same for both of us. So it should be with farmers selling their commodities to buyers. Fairness, access and equal opportunity have a long history elsewhere and should the driving principles here.

Third, the Competition Title should create a Special Counsel for Agricultural Competition in the USDA. The position should be presidentially appointed with the advice and consent of the Senate. It should be lateral to the undersecretaries and house both the investigation and prosecution functions of the USDA under Section 202 of the Packers and Stockyards Act as well as the Agricultural Fair Practices Act. Currently, the Packers and Stockyards Division of USDA investigates and the Office of General Counsel prosecutes. There are many problems with this system that have been documented in various reports by the General Accounting Office (GAO) and the USDA's Inspector General. Placing the enforcement role in the office of such a presidentially appointed Special Counsel for Competition would increase the status and professionalism of competition enforcement and free it from many of the problems identified by past government reports.

Fourth, the Competition Title should provide for attorneys fees in the Packers and Stockyards Act if farmers successfully enforce their rights in court. Currently, farmers cannot find an attorney to help them seek a court remedy for harm by packers because the cases are expensive and the damages are usually too low to persuade an attorney to risk taking the case. If an attorney is found, most of the damages which a farmer could receive would be lost in paying

the attorney. The farmer loses again unless attorneys fees are a part of the Packers & Stockyards Act.

Fifth, the Competition Title should specifically give USDA the option of hiring outside counsel to prosecute competition cases. USDA attorneys are not experienced litigators. When they prosecute a meat packer, they are met with seasoned litigators. The result is, and has been, predictably dismal. Currently, USDA's Office of General Counsel takes the position that it is prohibited from hiring outside counsel as the Department of Justice does occasionally. The law should clarify that USDA does have this option.

Sixth, the Competition Title should be amended to allow USDA to bring enforcement actions against poultry companies. Currently the P&S Act regulates poultry companies but does not allow enforcement action. The Act should also be amended to provide protections to those who raise breeding hens and pullets. Poultry producers should have the same protection from unfair practices that red meat producers have.

Seventh, the Competition Title should provide fairness in contracting. There are and will be contracts in agriculture. But the powerful party, the integrator, drafts the contract. The contracts are often unfair and provide opportunities for improper conduct on the part of the integrator. You introduced the Producer Protection Act last year. That bill should be a part of the Competition Title.

Eighth, the loopholes in the Agricultural Fair Practices Act should be closed to allow producers meaningful protection from retaliation by processors in response to producers engaging in collective bargaining. A requirement of good faith bargaining with producer groups by the processors should also be required.

Lastly, the Competition Title should provide for labeling of pork, beef and lamb by country of origin. Meat derived from livestock which is born and raised entirely in the United States should have this label. Such labeling would satisfy the consumer demand for such information, provide choice in the marketplace, and give producers added incentives to increase quality to enhance the consumer experience identified with them.

These rules will have no effect on efficiency. Agribusiness can still pursue efficiency through technology, innovative management, hiring quality employees, creating new and better products, buying quality livestock and many other ways. The Competition Title, however, will eliminate many opportunities for processors to engage in strategic and improper behavior at the expense of farmers. The Competition Title will lessen the ability of processors to use market power to drive down prices and trumpet the result as an example of their "efficiency." Efficiencies should result from true innovation, not from exercising market power at the expense of farmers.

Thank you for the opportunity to testify here today.

COMPETITION TITLE SUMMARY[1]

I. Packers and Stockyards Act Reform and Enforcement

The Packers and Stockyards Act of 1921 prohibits packers and live poultry dealers from engaging in or using any unfair, unjustly discriminatory, or deceptive practice or device, or making or giving any undue or unreasonable preference or advantage to another party. USDA's Grain Inspection, Packers and Stockyards Administration has not adequately protected farmers from the unfair packer and processor conduct that has accompanied the new industry structure. Congress should reform the Act to provide real protections to farmers, ranchers, and poultry growers.

A. Improve Enforcement of the Packers and Stockyards Act

(1) Create Office of Special Counsel for Competition within the USDA. A recent GAO Report found that investigative and prosecutorial oversight functions under the P&S Act are segmented between two entities, resulting in poor coordination and lax enforcement. To improve enforcement and consolidate decisions in one position, Congress should create a new Office of Special Counsel for Competition Matters which will be Presidentially appointed. This office will have the responsibility of investigating and prosecuting section 202 of the P&S cases and the Agricultural Fair Practices Act. (This proposal is similar to ideas included in S. 1076 and H.R. 1526 that create new positions to encourage better enforcement of statutes designed to protect farmers.)

(2) Further Define Undue Preferences Under the Packers and Stockyards Act. In January 1998 the National Commission on Small Farms called for legislation clarifying the authority of GIPSA to take action against undue preferential pricing by packers. Congress should pass legislation that clarifies that preferential pricing – paying different prices to different producers for livestock – is justified only for real differences in product value or actual and quantifiable differences in acquisition and transaction costs. The Department of Agriculture should have the ability to address unfair, deceptive and predatory practices by all agricultural processors, not just packers and poultry processors. Congress should provide the USDA the competition and trade practice protection authorities like those found in Section 202 of the Packers and Stockyards Act to cover anti-competitive practices by dealers, processors, and commission merchants of all agricultural commodities (See S. 1076, Section 5, and S. 20, Subtitle B, Section 111).

(3) Provide Attorney Fees in the Packers and Stockyards Act. Many times GIPSA lacks the resources, expertise, and sometimes the will, to enforce the broad provisions within the Packers and Stockyards Act. Providing an attorney fees

[1] The idea of a Competition Title in the Farm Bill has been agreed to by over 70 farm, rural, faith, consumer and environmental organizations. Contact OCM for a full list of supporting organizations. The National Campaign for Sustainable Agriculture has provided much of the organizational/networking support for this collaboration.

provision in the Act would allow farmers to leverage the resources of the private bar to seek a viable alternative to USDA enforcement and would bring the P&S Act in line with other antitrust and trade practice legislation. (See 15 U.S.C. sec. 15(a), that provides attorney for private litigants in Sherman Act cases.)

(4) Provide USDA With the Ability to Seek Outside Counsel for Enforcement of Packers and Stockyards Act Cases. Certain Packers and Stockyards Act cases demand well-seasoned litigators and legal experts in antitrust-type issues. The USDA requires the authority to seek outside counsel when conducting complex trade practice or competition litigation. The Department of Justice already exercises this type of authority, such as when it sought David Bois to lead the Department of Justice's trial against Microsoft.

B. Poultry Amendment to the Packers and Stockyards Act

Although the Packers and Stockyards Act prohibits unfair and deceptive trade practices and other anticompetitive practices on the part of live poultry dealers, the Act does not give USDA the authority to bring administrative actions against such dealers. In addition, the limited authority that USDA does have over poultry applies only to broiler operations, and does not apply to growers raising pullets or breeder hens. An amendment is needed to the Packers and Stockyards Act to broaden GIPSA's authority and close these loopholes. (See Title III of Senator Harkin's S. 3243 from 106th Congress, and H.R. 231).

C. Regulating Captive Supplies

Use of captive supplies – control of livestock by packers through forward contracts -- and agreements in highly concentrated markets has led to anticompetitive conditions in the markets for fed cattle. Captive supplies increase the potential for price discrimination and undue preferences, and the potential for intentional or effective price manipulation. Congress should limit captive supply contracts and prohibit packers from procuring cattle and hogs for slaughter through the use of a forward contract, unless the contract contains a firm base price that can be equated to a fixed dollar amount on the day the contract is signed, and the forward contract is offered for bid in an open, public manner. (See WORC Petition, Federal Register, v. 62, no. 9. Jan. 14, 1997, pp. 1845-59).

D. Prohibition on Packer Ownership or Feeding

Packer ownership of livestock prior to slaughter results in less competition for all sellers in the market. Because packers have slaughter livestock supplies locked up, they do not have to bid competitively for all of their livestock needs. This depresses the market and restricts market access for other producers. It also increases the likelihood of price manipulation in the marketplace. Congress should prohibit ownership and control of livestock by packers for more than two weeks prior to slaughter. (See S. 142, introduced by Senators Johnson, Grassley, Thomas, and Daschle).

II. Contract Agriculture Reform

By 1998, over a third of the total value of U.S. agricultural production was under contract agreements, and the percentage continues to increase. The use of contracts is quickly increasing, and already prevalent in many industries, such as poultry, tobacco, and hogs. Many contract producers find themselves with no power to negotiate the terms of these contracts, which are often offered on a take-it-or-leave-it basis, with mandatory confidentiality clauses that limit the price transparency in these markets.

A. Producer Protection Act

In response to dangers posed by contracting, sixteen Attorneys General provided model state legislation, the Producer Protection Act, designed to set basic minimum standards for contract fairness and promote meaningful competition in agriculture. These standards have been translated into various pieces of federal legislation, including Title I of Senator Harkin's S. 3243 from 106th Congress, and in Subtitle C of Senator Daschle's S. 20. Several noteworthy provisions include: (1) Clear disclosure of producer risks; (2) Prohibition on confidentiality clauses; (3) Prohibition on binding arbitration in contracts of adhesion; (4) Recapture of capital investment (Contracts that require a significant capital investment by the producer cannot be capriciously canceled without compensation.); and (5) Ban unfair trade practices including "tournament" or "ranking system" payment.

B. Bargaining Rights for Contract Farmers

Loopholes in the Agricultural Fair Practices Act and changes in farm markets are making it near impossible for producers to organize and attain a fair price for their products. For example, while the Act prohibits processors from refusing to deal with producers simply because they are part of an association, it includes a disclaimer provision permitting the processors to refuse to do business with a producer for *any* other reason. This makes discrimination based on association membership extremely easy to disguise. Congress should amend the AFPA to close this loophole and require good faith bargaining on the part of processors. Such an amendment would facilitate a more equal balance of power between contract producers and processors, and therefore enhance competition in these contract negotiations. (See Title II of Senator Harkin's S. 3243 from 106th Congress, and Title I, Subtitle D of Senator Daschle's S. 20.)

III. USDA Review of Agribusiness Mergers

The Department of Agriculture is better able to assess the true impact of agribusiness mergers on farmers, ranchers, and independent producers than the Department of Justice or the Federal Trade Commission. Congress should authorize and require the Department of Agriculture to assess the impact of proposed agribusiness mergers on family farmers, independent producers. Congress should further authorize the Department to suggest changes to proposed mergers, and to challenge mergers in federal court to stop or impose appropriate conditions or limitations on mergers. (See S. 1076, Section 4, and S. 20, Subtitle B, Section 112.)

IV. Country of Origin Labeling

In concentrated markets such as those for beef, pork and lamb today, packers can use imported livestock, meat and produce to drive down prices in domestic markets by strategically drawing on imported supplies. Country of origin labeling would give U.S. consumers the knowledge and ability to choose U.S. beef, pork, lamb, or produce, and effectively create separate markets for domestic and imported goods. Congress should require mandatory labeling of meat and produce by country of origin (see S. 280).

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IOWA CITIZENS FOR COMMUNITY IMPROVEMENT

Statement of Larry Ginter to Sen. Tom Harkin
Tipton, Iowa
August 18, 2001

My name is Larry Ginter and I'm a member of Iowa Citizens for Community Improvement. I'm from Rhodes, Iowa and I've lived on the same farm for 62 years. I've been involved in this political and social fight to preserve family farms since 1961. During this time I've seen farm policy go from bad to worse.

Since 1952, trillions of dollars have been robbed from rural America because the New Deal legislation that matched the support price to the yearly inflation of farm input costs was scuttled. It is safe to say that farm programs over the past 40 years have driven farmers off the land and concentrated food production into fewer and fewer hands.

Since 1952 there has been a great tug of war between those who favor raising the support price each year to match the inflation on farm inputs and the Grain Cartel that wants to monopolize and control the market. Sadly, each year the monopolizers like Cargill and ADM buy more political influence and curry more favor from our elected officials, and each year more farmers leave the land and the marketplace becomes less democratic and competitive.

With that said, grassroots groups like Iowa CCI, the Missouri Rural Crisis Center, the Western Organization of Resource Councils and 30 other groups that are part of the National Family Farm Coalition have come together and agreed upon a new farm policy called the "Food from Family Farms Act."

We propose that Congress **raise the current loan rate** to reflect true costs of production which would stop the need for farm subsidies, and use a **non-recourse loan** -- not a marketing loan -- to set a reasonable floor under grain prices.

Congress should also establish a **farmer-owned grain reserve** to ensure food security in times of scarcity and price stability in times of plenty, maintain **flexible planting options**, and establish **conservation measures** that not only protect our water and land but help avoid overproduction.

We demand that all branches of the federal government vigorously enforce anti-trust laws and stop waltzing with the agribusiness giants that are trying to control food production.

Our trade policy is a sham because it's designed to enrich the pockets of corporate agriculture, not family farmers. Trade policy should reflect the needs of farmers, laborers and consumers, and every nation must maintain its right to develop its own domestic food policy and protect its environment. Under the policies of NAFTA and GATT, coupled with the help of an unelected and undemocratic World Trade Organization, that right has been eroded worldwide!

And finally, with regard to the mandatory pork checkoff, we need to end it now. Last fall, over 30,000 American hog producers voted down the pork tax by a clear 53% to 47% margin in a democratic and legally binding referendum. In Iowa, we voted down the pork tax 60% to 40%.

Despite this, Ag Secretary Veneman cut a backroom deal with the National Pork Producers Council, and now she's trying to flush our vote down the drain. Thousands of people are outraged because Veneman and the Bush Administration have declared war on one of the most basic principles that this country was founded on -- the right to vote and the right for our votes to count.

CCI and other member groups of the Campaign for Family Farms are fighting Veneman's decision in the countryside and in court. We need you, Sen. Harkin, to stand with us and demand that Veneman honor our vote and end the pork tax now! Anything less is a blow against democracy and fairness in our land.

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IOWA CITIZENS FOR COMMUNITY IMPROVEMENT

Food from Family Farms Act

A Family Farmer Policy Agenda

Adopted by grassroots farm groups, it contains the following provisions to change federal farm policy. Immediate action is necessary in response to the economic devastation facing our nation's family farmers and rural communities.

1. We call on Congress to pass a farm bill that will:

Establish support prices at full economic cost of production plus a profit, to ensure that farmers earn a fair price from companies and processors who buy our commodities, not from taxpayers.
Create a farmer owned reserve to ensure food security in times of scarcity, and price stability in times of plenty.
Maintain flexible planting options and establish short-term conservation measures to avoid over-production, and promote environmentally sustainable farming practices.
Establish dairy policy to ensure cost of production plus a return on investment through a farmer controlled inventory plan.
Require labeling of meat and other foods imported into the U.S. to give consumers the right to know and choose the country of origin of their food.
Promote community based food systems.

2. Restore competition to the farm and food sector through:

Vigorous enforcement of anti-trust laws in the farm and food industry, from seed to retail.
Placing a limit on mergers and acquisitions to stop the unrestrained expansion of agribusiness, transportation, food processing, manufacturing and retail companies.
Strict enforcement of Packers and Stockyards Act to end price discrimination and price fixing.
A ban on packer ownership of livestock.

3. Negotiate Fair Trade Agreements that:

Ensure that all countries retain the right to develop domestic farm programs that respond to the needs of their farmers and consumers.
Put an end to export dumping (sale of commodities below the cost of production), that forces family farmers out of business, but instead, seek agreements with other exporting countries to end resource depleting over-production.
Ensure that environmental protection, fair wages and worker rights are part of every trade agreement.

4. Hold USDA accountable:

Terminate the mandatory pork check-off as voted for by hog farmers in the national referendum.
Urge USDA to immediately schedule the vote on the beef check-off as petitioned by independent producers.
Ensure that all farmers have equal access to all USDA farm and credit programs.
Implement a strong organic rule that benefits organic family farmers and consumers.

This policy statement was developed by the National Family Farm Coalition, which is comprised of 33 grassroots groups across the country that are working on federal farm policy issues. Iowa CCI is a member of NFFC.

Stevenson Organic Farm

Stevenson Organic Farm
27077 338th Ave.
Moulton, Iowa, 52572
August 17, 2001

Senator Harkin:

I farm 820 organic acres in southern Iowa. My family has farmed in this area since the 1860s and in Ohio and Kentucky before that and Ireland and Scotland back until lost in prehistory. The hard work, savings and sacrifices of these generations of accumulated effort have made it possible for me to farm today. This is the legacy we in rural America struggle to hang on to. We also have our personal sacrifices. My father died when I was 13 and I've been working the land since I was 14. Last spring I faced the possibility that I may not have a crop this year. I have neighbors who didn't get any crops planted. I never got any corn planted and finally got beans planted a mouth later than I ever have before. A friend of mine said, "I don't know why you worry about going broke. You live as if you're broke now." I have close to a million dollars invested and can't make a living. I can't even afford health insurance. I depend on help from the farm programs. There's something wrong with this picture.

We're told to get more efficient. A neighbor told he's as efficient as he can get. Many of us are. Working harder won't do it any more. I can't farm any more acres and I can't find farm help for what I can afford to pay. It's not a good idea to put minimum wage employees on $50,000 tractors. The risk of them damaging equipment is too high. A mistake can cost more in repairs than the profits from raising a crop. If I hired all the help I need they would make more with no investment than I do owning the farm. With world grain prices as low as they are, there doesn't seem to be much promise for the future.

I hear that risk management is going to replace farm programs. Insurance hasn't worked for me. I made it clear that I farmed organically when I bought crop insurance, but when it came time to collect, my methods were sited as the reasons my yields were low. There is more to this issue.

I rotate my crops and keep a winter cover crop on the fields to prevent erosion. I'm enthusiastic about providing for wildlife and have left many areas of my farm unused for this purpose. If the American people are willing to help bear the cost I'll do even more.

We're also told to move up the value chain. Farmers average 3000 hours of work per year. Where will we find the time? Running businesses on a larger scale involves taking on new roles that are better suited to MBA graduates than farmers. These efforts need funding to hire consultants with skills to make the co-ops successful. I'm involved with three value-added ventures. I know how much time they can take. Yet we as farmers are willing to make these efforts if we have some help. The Iowa Farm Fresh Poultry Co-op spent two years going from one funding source to the next. Some told us we needed a market study to do a business plan. Others told us we needed a business plan to get funding for our market study. After two years we spent the $5000 we had on a market study of far less scope that I would like to see before investing millions of dollars. This is another area of the farm bill that could benefit all of rural America.

The question is do all Americans benefit from this style of land ownership? Is society better off with land in the hands of those who have loved it for generations or the hands of corporate owners who will maxmize profits per quarter now, at the expense of deserts later? If this system of agriculture is to be sustained the American people must help us bear the cost and give us a living for our efforts. Farmers no longer want their sons to farm because of the hardships. They are asking themselves if it's worth the effort when they see factory workers with a higher standard of living. Few new farmers are coming into the business. The average age of farmers is nearing the age of retirement. Who will carry on if these problems are not solved?

All we ask is our piece of the pie in return for holding this land in sacred trust for all future generations of Americans.

Thank You, Rodney Stevenson

Mr. Harkin

Farm Bill

I Needed to ~~keep~~ help support small + medium size farms + larger + larger farms

A Cap on spending limits or ~~Not~~ Raising them ~~the House proposal~~

Merge B Limit on acres subsidized ~~Same~~ ~~Enough~~ Enough to support a family

Farm more gb to ~~go~~ the MKT for whatever it is.

C This will keep our small cities + towns growing + Prospering (1st Time History More people ~~Living in~~ Urban than Rural 2003 56%

II Stop Supporting large farms growing + squeezing out medium + small farm through the gov't ⇐ subsidies (Give Papers From D. Register

A We talk about Young Farmers Starting

1 Two Sons want to farm

Young farmers Can't compete against Price Paid for Land + Rent Due to Govt subsidies Driving up Prices (Big squeezing out Young)

III Time for farmers to stop farming Govt + go back to farming the land. Need a profit to stay in farming

IV Need Govt own Grain Reserves

A Give us a cost of Production bottom on Grain

B Conservation Issue

1 Govt programs promoting Erosion

2 another Program taking land out of production. These are farms that young farmers maybe could farm to start

3 Farmers who grow alternative crop oat Hay + Etc ~~Same~~ have their own 2-3 4 yr CRP they should benefit even more + (No Weeds) because the have been conserving the land.

Wayne Dammen
9518 Lone Pine Rd
Epworth IA 52045
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Cheering Talking about Family Farms

The poll Checkoff is an issue that is also
effecting Family farmers. 60% of the P.P
in Ia voted to End it,
Turn for now to Stand up + support us
P.P of Ia + the people of Ia by supporting
Democracy + supporting our right to vote + for it
to count

Lead the Fight ask Sec Ags, Veneman
to up hold the vote as we voted
We P.P Voted it in + Now we voted
it out to our money.

Phil Specht McGregor Iowa 130 dairy cows
Jim Jeffords — The man that saved the country.

1. Allow dairy compacts all over the country.

2. Raise dairy supports to ave. cost of productions.

3. Absolute payment limits thru bushel based limits, bales, tons set to average farm.

4. Put conservation central to farm bill

5. Allow freedom to conserve flex CRP

Jim Sisson

DOCUMENTS SUBMITTED FOR THE RECORD

AUGUST 18, 2001

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LOIS J. SCHIFFER
SENIOR VICE PRESIDENT, PUBLIC POLICY
TESTIMONY SUBMITTED FOR THE RECORD
BEFORE
THE SENATE AGRICULTURE, NUTRITION AND FORESTRY COMMITTEE
AUGUST 18, 2001

Mr. Chairman, thank you for the opportunity to submit this testimony before your Committee on the Conservation Title. We will outline our reaction to the conservation proposals that are already being considered in the Senate. We will also point out what we have learned working with landowners in certain states where we run grassroots programs, and highlight the issue of conservation programs focused on working lands.

Audubon has over a million members and supporters, and has 518 chapters throughout the United States. Our organization works to conserve and restore natural ecosystems, focusing on birds, other wildlife, and their habitats for the benefit of humanity and the earth's biological diversity.

Audubon is uniquely situated to provide experience-based advice in developing and implementing a strategy to promote conservation programs for the next Farm Bill. In addition to the policy expertise located in Audubon's Washington, DC office, we also have field staffs in North and South Dakota and Florida that work with local landowners in developing conservation policies and programs.

Background

It is important to differentiate programs for working lands from programs for land retirement. Audubon supports a better balance in conservation payments between these two programs. In 1985, 97% of federal payments for conservation were directed to working lands. By the year 2000, 85% of conservation payments were directed to land retirement. Our goal is to shift the payments balance back toward working land conservation to increase the ability of farmers to enroll fragile land in conservation programs. The conservation provisions in the farm bills under consideration provide an opportunity to establish a better balance between land retirement and conservation for working lands and shift more money to conservation for working lands.

Additionally, farm program benefits tend to be directed toward states that produce large quantities of farm program crops, for example, corn. These benefits can reach a broader group of producers if conservation and protection of working lands receive equal billing with commodity programs. In many regions of the country, a viable farming

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operation is the only buffer between open space and urban sprawl development. Allowing working lands to be enrolled in conservation programs can prevent these lands from growing new crops of houses and strip malls. It is also important to offer programs to farmers who have been following good conservation practices on their ranches and farms, and who up to this point have not been eligible for some conservation programs.

The following are Audubon's comments on the major proposals that have been introduced in the Senate and how we see these proposals contributing to conservation and the protection of working lands. We will also comment on selected conservation provisions contained in the bill passed by the House Agriculture Committee.

Conservation Security Act, S. 932

This bill, introduced by Senator Harkin (IA) would provide increasing levels of conservation payments for greater conservation efforts by farmers. Audubon supports the consideration of this new concept and we look forward to working with the Committee as this bill is considered.

As this proposal moves forward, we urge the Committee to identify a net gain in conservation and wildlife benefits that would be appropriate benchmarks of success to justify the proposed new large investment in conservation.

We strongly urge that this program be funded in addition to the resources directed to mainstream conservation programs such as the Conservation Reserve Program (CRP) and the Wetland Reserve Program (WRP). Conservation payments under all of these approaches could eventually replace some or most of the current commodity price support programs.

Working Lands Conservation Act, S. 1326

Introduced by Senator Lugar, the Working Lands Conservation Act offers several approaches that should be incorporated into a Farm Bill Conservation Title. We support Senator Lugar's objectives of meeting long-term environmental concerns and enhancing the long-term sustainability of land. Below we will analyze the pros and cons of the specific conservation provisions of the bill.

Conservation Reserve Program

The Lugar bill freezes the acreage that can be enrolled in the Conservation Reserve Program at 36.4 million acres. This is woefully inadequate to meet farmland conservation needs. Audubon supports increasing the enrollment cap to 45 million acres, the level originally established in the 1985 Farm Bill. Continued and increased funding for expanded conservation programs is critical to giving farmers, ranchers and landowners the ability to conserve soil, water, and wildlife while supporting and maintaining smaller, family operations.

Senate Agriculture Committee Testimony
August 18, 2001

Grassland Reserve Program

The lack of a Grassland Reserve Program in the Lugar bill misses an important conservation opportunity. Audubon supports a Grasslands Reserve Program that would protect up to three million acres. In Audubon's work with farmers and ranchers in the Dakotas, we have found strong support for a Grassland Reserve Program. Other parts of the country would benefit as well. For example, Florida has significant areas of native prairie that could benefit from this new conservation approach.

Wetland Reserve Program

We support the Lugar bill's provision to increase the enrollment to 250,000 acres a year in the Wetland Reserve Program. This is an important Audubon goal. We should farm land that is appropriate and protect critically important wetland resources that should not be drained or tiled.

Farmland Protection Program

The recommended funding in the Working Lands Conservation Act for the Farmland Protection Program is inadequate. The Lugar bill provides only $65 million annually. Audubon would like to see this fund increased to $500 million annually to purchase development rights for farmland.

Farmland across America is threatened with development. Our Florida office has found that one of the greatest challenges to farmers in Florida and to the Everglades is urban sprawl. According to the American Farmland Trust, Florida's farmland continues to be some of the most heavily threatened in the country. In Fiscal Year 2001 alone, Florida farmers offered to sell development rights on 22,622 acres of agricultural land worth $9.65 million. Due to insufficient funding, however, the federal Farmland Protection Program was able to purchase development rights to only 7.7% of the lands offered for sale.

Environmental Quality Incentives Program

Audubon supports increasing the funding level to $1.5 billion for the Environmental Quality Incentive Program as proposed in the Lugar bill. However, Audubon has serious reservations about the removal of a funding cap for applicants. While a modest upward adjustment to the funding cap may be appropriate, the elimination of or substantial increase in the funding cap would inappropriately direct program funds to larger livestock operations that, in fact, generate point source pollution regulated under the Clean Water Act. Furthermore, a funding increase to $1.5 billion will not adequately improve water quality if larger livestock operators receive unlimited funding. Audubon wants the Environmental Quality Incentive Program to be available to as many farmers and ranchers as possible, therefore Congress needs to differentiate between spending money for appropriate conservation measures and using farm bill funds to inappropriately address or remediate point source pollution A farm with a

number of animal units that EPA defines as a point source should not be eligible for Environmental Quality Incentive Program funding.

Audubon's work in Florida has identified water quality and polluted runoff as very serious issues facing the state. According to the Environmental Protection Agency's 1998 Report on section 303 of the Clean Water Act, Florida has more than 710 watersheds that fail to meet water quality standards, in large part due to excess nutrient loading. In Fiscal Year 2000 alone, more than 1,160 farmers and ranchers in Florida applied to USDA's Environmental Quality Incentives Program for help in reducing runoff from their land, but USDA turned away 67% of the applicants due to inadequate funds. The increase in funding we seek would help to improve water quality in Florida and around the country.

We agree with the Lugar proposal to establish comprehensive nutrient management planning as a practice and to fund technical assistance by certified private providers through the use of incentive payments. This is key step to improving water quality from livestock operations.

Audubon supports the addition to the Environmental Quality Incentives Program of the $100 million/year grants program to encourage new conservation initiatives on private lands. This incentive could promote new and innovative approaches to some of the water quality problems in our urban watershed areas. For example, New York City worked with farmers to reduce runoff, which contributed to preventing the need for now to build a new, expensive water treatment plant.

Within the Environmental Quality Incentives Program, there is a provision to allow the Secretary of Agriculture to enter into agreements with non-farm entities to harmonize the terms and purposes of the Environmental Quality Incentives Program, Wetlands Reserves Program, and Conservation Reserve Enhancement Program. Audubon has been advocating a Super Conservation Reserve Enhancement Program similar to this to provide for better coordination between local, state, and federal conservation programs. This provision would allow states and local governments to submit plans to guarantee part of the resources of all federal conservation programs to address a coordinated problem with a range of tools – from farmland preservation, to improved farm management, to wetland or forest preservation or enhancement. State and local governments would target funds to efforts ranging from estuary water quality improvement, to wildlife corridors, to forest preservation and enhancement. We support this provision and believe it would be a step forward in maximizing the conservation benefits in these existing programs.

Conservation Extension and Enhancement Act of 2001, S. 1267

Audubon supports many of the objectives in the bill introduced by Senators Roberts (KS) and Crapo (ID). These include:

- Creation of a Grassland Reserve Program. The Roberts/Crapo Bill authorizes a Grassland Reserve Program at one million acres. Audubon supports the creation of this new program and believes the acreage should be set at three million acres as discussed above.

- Increasing the Conservation Reserve Program (CRP) to 40 million acres. While this is an improvement, Audubon's goal continues to be 45 million acres.

- Increasing the Wetland Reserve Program to 250,000 acres.

House Farm Bill Conservation Title, H.R. 2446

The House Farm Bill grants the Secretary of Agriculture the authority to enroll up to 150,000 acres of land into the Wetlands Reserve Program annually. This is significantly less than today's needs. The bill also makes numerous other substantial changes reducing the conservation benefits of the program. The proposed changes to the law appear to be an attempt either to discourage landowners from enrolling in the program or to reduce the bird and wildlife benefits of the program to the point where the program no longer will receive broad public support.

Below are some of the changes proposed by the House Conservation Title to the Wetlands Reserve Program that will compromise the conservation values of the program.

- Elimination of the requirement to enroll any permanent easements. The bill changes the program rules to provide only for the enrollment of short-term easements and restoration cost share agreements.

- Elimination of the requirement that land is eligible only if important wetland values can be restored. This weakens the objectives of the Wetlands Reserve Program because it would make land eligible for payments even if it does not provide significant wetland habitat.

- Elimination of the requirement that wetland restorations maximize wildlife habitat values.

- Elimination of the requirement that farmers must consult with the Fish and Wildlife Service in developing a wetlands restoration plan.

- Elimination of the requirement that the Natural Resource Conservation Service be involved in development of the wetland restoration plan and in specifying compatible uses.

- Elimination of the requirement to give priority to easements based on their value for protecting and enhancing wetland habitat for migratory birds and other wildlife.

Audubon also strongly opposes the House farm bill's proposed shift in the administration of the Environmental Quality Incentive Program from the Natural Resource Conservation Service (NRCS) to the Farm Service Agency within the U.S. Department of Agriculture. The Farm Service Agency does not have the technical expertise necessary to assist farmers who want to enroll in conservation programs. This move only serves to dilute the water quality benefits of the increased funding for the program.

We look forward to working with the Senate Agriculture Committee to address these problems in the House Conservation Title.

Conclusion:

Mr. Chairman, the Conservation Title of previous farm bills has greatly improved land and water quality in the United States and has succeeded in preserving bird and wildlife habitat. Sixteen years later, we can see the tremendous positive affect on the environment of the policies and programs initiated in the 1985 Farm Bill.

The next Farm Bill gives Congress an opportunity not only to continue these programs but to focus on other key areas such as working lands. Conservation is a win for farmers, conservationists, sportsmen, birders and in many cases the rural economy of counties and states.

Audubon has a long history of working at the national policy level and at the grassroots level with farmers, state governments and local environmental organizations. We look forward to working with you and other members of the Committee on the development of the next Conservation Title.

To: Senate Agriculture Committee,

The new farm bill needs to continue the AMTA payments with no payment limitations and no supply management. None on my AMTA payment go to the landlord and my rent was not raised when this program started. If a farmer paid more rent or let the landlord get the AMTA payment and is now complaining about not having enough income, it is his own doing. He made the decision to pay too much rent or let the owner get the payment. The payments need to be changed to tillable acres, not old corn bases that are not equable among farmers.
The loan rates need to be rebalanced among commodities. The current program promotes planting more beans. Lowering the loan rate on beans and paying more with the AMTA payment to bring income up based on tillable acres, not corn base acres, will accomplish that. Loan rates do not need to set high enough that a farmer can make a profit growing for the government. This is a base that will keep the farmer from losing large amounts of money and keep him farming till prices improve,
A farmer owned grain reserve would put a cap on the market and never let us make a profit.
The bill does not need any supply management or mandatory setasides. I cannot make a living farming 80-90% of my farm.
I like the conservation program as the house farm bill, add money to the existing programs that are working. I have mostly not highly eroidable land and use waterways and no till to control erosion and do not need terraces or other measures. If you pay for having terraces or other programs, my farm will not qualify as I now more than meet the requirements.
Thank you very much for the opportunity to have comment on the next farm bill

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