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DROUGHT CONDITIONS

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

AUGUST 20, 2002

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HEARING ON DROUGHT CONDITIONS

TUESDAY, AUGUST 20, 2002

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

The committee met, pursuant to notice, at 2 p.m., College Park, Hornady/Marshall Auditorium, 3180 West Highway 34, Grand Island, Nebraska, Hon. E. Benjamin Nelson presiding.

Present: Senator Nelson.

STATEMENT OF HON. E. BENJAMIN NELSON, A U.S. SENATOR FROM NEBRASKA

Senator NELSON. Good afternoon, everyone.

This hearing of the Senate Committee on Agriculture and Nutrition and Forestry is now called to order.

The Committee has convened this hearing to discuss the devastating drought that has afflicted the Great Plains and most States west of the Missouri River. I would like to thank all of the panel members who are here today and members of the audience who are here for attending this important hearing about the most widespread drought since the Dust Bowl years of the Great Depression.

Whether you read this morning's *World Herald,* where you see that water is off from running irrigators or you are experiencing it directly yourself, there is no question that this drought is truly a record-breaking drought and is causing heartbreaking losses for producers.

Even worse, this is the third drought in a row in many regions causing producers to go into further debt instead of being able to recover from the previous losses. As you can see from the maps that we have been able to put up here for visual purposes, the drought has steadily consumed Nebraska. It is expanding from the Western States now to Iowa, and this illustrates just how dire a situation we are facing.

In Nebraska, the drought has had a severe impact on the livestock producers, especially cow/calf operators, as is true in many neighboring States.

In its most recent crop progress report, USDA found that 91 percent of Nebraska's pastures are either in poor or very poor conditions. The combination of a very mild and dry winter, plus the drought, has resulted in very little grass growth in pastures and rangeland forcing ranchers to take the cattle off and spend a fortune to either move them to feed sources or move feed sources to

them. In addition, many producers have culled their herds, and more expect to, selling them into an already depressed market.

I have already heard many stories about how producers are suffering. We all have. One rancher from Valentine said that he estimated he would spend $90,000 to ship 600 cattle 250 miles away for 5 months so that they can feed on cornstalks. He expected at that cost, plus the money he would pay for hay he is having shipped from Wisconsin, it would completely wipe out his profits for this year.

Another constituent from Custer County wrote to me recently saying that for the first time ever he was forced to sell 50 cow/calf pairs over the last 3 months from in cow herd of 450 head. He said that he had approximately $49,000 in added expenses so far this year from renting additional pasture, purchasing hay, weaning calves early, and transporting cattle to the feedlot. I have heard about how the worst has come to many ranchers who are having to sell their entire herds, ending a business that had been in the family for numerous generations.

In addition to these stories, the cattle producers, in general, have faced additional costs due to grasshopper infestations covering vast areas of rangeland and cropland. None of these costs would have been incurred had Nebraska received normal precipitation in the last few years.

Crop producers around the country are also facing tough times. In many areas of Nebraska, dryland crops will yield absolutely nothing. According to USDA's August estimates, Nebraska's 2002 corn crop is likely to be only 919 million bushels, at least 20 percent below recent production levels.

Irrigated crops are faring better, but the lack of rainfall has reduced the water available. Constituents are telling me that their pumping costs have almost doubled from past years, not because of the cost of fuel, but the need for longer pumping hours.

These circumstances make it crystal clear that our farmers and ranchers need help, and that is why the Senate Agriculture Committee has convened this field hearing as we discuss the drought and what to do in response. Much has been said recently about funding drought relief assistance by taking money away from programs in the new Farm bill.

If that means taking money away from programs that won't be paying out this year, like loan deficiency payments, I am willing to consider it, but if it means taking away money from programs that producers do use and are looking forward to utilizing, like programs funding agriculture technology services, I am dead set against it.

When people talk about these kinds of offsets from the Farm bill, it is necessary to keep a few things in mind.

They need to remember that when we have had little carry-over moisture from the previous year, when we have had a bone dry winter, when we have had only a quarter inch of rain in June, a quarter inch in July, and a quarter inch in August, we are not just having bad weather; we are suffering from a natural disaster. That is the point.

This drought that we are experiencing is a natural disaster, the kind that has not happened since the Dust Bowl. What folks in

Washington must be made to understand is that we need to treat it like we have treated every other natural disaster.

When Florida gets a hurricane, for example, Congress sends out disaster relief. When California gets an earthquake, Congress sends out disaster relief. It is only common sense then that when the country has a recordbreaking drought, Congress should pass disaster relief.

That is why I am cosponsoring Senate bill 2800 that has had four cosponsors, bipartisan in nature. It had four cosponsors when it was introduced on July 25, but now has 17 cosponsors on a bipartisan basis. This bill would provide disaster assistance needed to cover crop and livestock losses in both 2001 and 2002.

With the information that will be provided in this hearing, I hope that I can provide some perspective to those among my Senate colleagues who are thinking about funding relief through offsets that will hurt farmers, and I hope the concerns raised by the members of the panels and the producers in the audience today will help make the case that we need to treat this natural disaster like a natural disaster.

Like any other natural disaster, this drought has hurt the very livelihoods of good, hardworking people who struggle every day to stay afloat even under normal conditions.

Our testimony today will be divided into four parts. The first panel is comprised of Federal and State officials to provide a brief overview of the drought for all as a background. The second panel is made up of agriculture and commodity organizations to describe the impact that the drought has had on their membership. The final panel, a large panel that will be divided into two parts, is a producer/operator panel that will describe how the drought has caused shortages of both available land and available water and will describe what needs to be done to provide some help.

Finally, if time permits—and we hope that it will—we will take a few questions from the audience. If you have questions, please put your name and address on some index cards that are provided so that the record can reflect your concerns, and hopefully we can answer your questions from the podium.

In the interest of providing every panel member an opportunity to speak, I would ask that you would limit your spoken testimony to no more than 5 minutes, and to make sure that you do, Betsy is going to keep a timer to help enforce that in a friendly way, to make sure that we are able to get as much testimony as possible. Now, any written testimony can be submitted to the court reporter to become part of the record.

Let me thank you all for being here today, and a very special thank you to the chairman of this committee. I want to say that Chairman Harkin has clearly understood why we need to have this hearing. He has submitted a letter, which we will add to the record in support of what we are doing here today. I thank you personally on behalf of him.

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

Senator NELSON. Then we have some representatives for our congressional delegation. Janice Nygren—Jamie, excuse me. Jamie Nygren. I know better. Jamie, identify yourself, from Senator

Hagel's office—there he is. Jamie, if you had been a little closer, I would have known it was not Janice. I won't do that again, we have Adam Olson from Congressman Bereuter's office. There he is. We have Bruce Riker from Congressman Osborne's office. We are glad to have you here as well, Bruce.

That is all the information we have to provide at the moment.

Now we turn to the panel, and the first panel member is Steve Chick. Steve, we thank you. He will be here representing—as a State conservationist from the Natural Resources Conservation Service that showed me yesterday some very concrete examples of how the EQIP program is helping guard against erosion in southeast Nebraska. I appreciate that very much. Steve, we are anxious to get your remarks.

STATEMENT OF STEPHEN K. CHICK, STATE CONSERVATIONIST, USDA-NATURAL RESOURCES CONSERVATION SERVICE

Mr. CHICK. Thank you, Senator Nelson, and thank you for taking the time yesterday to visit us in the field.

It is a privilege for me to be requested to provide testimony regarding actions taken by the Natural Resources Conservation Service to deal with the drought in Nebraska. My testimony will provide information about three main issues regarding the drought.

The first one will be my perspective on the magnitude and the severity of the drought problem in Nebraska. Second, I will talk about the importance of the Environmental Quality Incentives Program for long-term drought prevention. Third, I will talk about NRCS' immediate actions in the short term to deal with the current drought.

Let me begin with my perspective on the magnitude and severity of the drought problem in Nebraska. It is an understatement for me to say that Nebraska's farmers and ranchers are facing a very serious drought this year.

In July I traveled to north central Nebraska near Ord and toured Rick Welniack's and Joe Navotny's farming operations. In one case I saw a nearly dormant pasture, which was the first pasture of a full year rotational grazing system, and yet the cattle were returning to that pasture in early July. Joe Navotny commented, "The cattle will probably beat me back to the gate when I turn them loose in here."

I saw Rick Welniack's quarter section of irrigated alfalfa, which is supposed to be a cash crop this year, but instead will be used on the farm for winter feed. Rick had sprayed for grasshoppers three times, but the grasshoppers kept coming in waves wreaking further damage on the already stinted dryland corn crop.

Two weeks ago I traveled to Perkins, Chase, Dundy, and Hitchcock Counties in southwestern Nebraska. The trip underscored for me the difficult conditions in that area. I specifically visited Pam and Harold Potthoff's farm near Stratton. Pam is the Nebraska president of the Women in Farm Economics and serves on our State Technical Committee. I saw their 300 acres of dryland corn, and it was just wilted right to the ground. We were only able to find one 6-inch nub of an ear of corn.

As we drove south of Stratton with the Potthoffs, we saw field after field experiencing similar problems. Yes, the drought is severe in Nebraska.

Let me turn now to the importance of the Environmental Quality Incentives Program for long-term drought prevention.

Time and time again, farmers and ranchers have expressed to me that they are so much better off than some of their neighbors because of the conservation practice applied through the Environmental Quality Incentives Program and its predecessor, the Great Plains Conservation Program. The Environmental Quality Incentives Program is the main long-term Federal cost-share program available to farmers and ranchers to help them prepare for and withstand drought conditions.

On our State's 26 million acres of grassland, we are using Environmental Quality Incentives Program funds to install cross fencing, water developments, and rotational grazing systems. On our 8 million acres of irrigated lands, we are utilizing Environmental Quality Incentives Program to install more efficient water conservation practices, such as center pivots, subsurface drip irrigation, and surge systems. On our 10 million acres of dryland cropland, we are using Environmental Quality Incentives Program to install terraces, grassed waterways, and expand our acreage of conservation tillage to conserve valuable soil moisture.

The Environmental Quality Incentives Program is our most valuable conservation cost-share tool for helping our State's farmers and ranchers prepare for drought on our working lands.

Let me now turn to what NRCS has done in Nebraska to deal with the current drought. I go back to the Environmental Quality Incentives Program where we are offering a deferred grazing option.

We are extremely concerned about the potential long-term impacts to our State's grazing lands in our most drought-plagued counties. Thanks to the outstanding input of our State Technical Committee, we have made available funds from our fiscal year 2002 General EQIP Program for an incentive payment for prescribed grazing.

This opportunity is being offered in the 16 counties that first received national drought declaration. Landowners in these counties may receive up to $2 an acre for prescribed grazing for the rest of the season, and from May 15th to July 15th of next year. This will hopefully allow these stressed grasslands an opportunity to recover, assuming we receive adequate moisture this fall and winter.

Second, we have offered a variance to allow grazing and harvesting of crop stubble. Landowners who participate in farm programs must meet highly erodible land requirements. Most highly erodible land plans rely on crop residues on the soil surface. Winter feed will be very short this winter. Landowners may need to bale and glean stalks to get by. We have provided guidance to our field offices that they may temporarily issue a variance allowing the use of crop residues on highly erodible dryland cropland for this purpose.

Then, finally, under the Resource Conservation Development Program we are promoting Operation Hay Lift.

We sent a message to our national network for RCND councils across the Nation in seeking them to reach out and get help and refer them to the Orphan Grain Train International in Norfolk.

That is the summary I have today, and I thank you very much for the opportunity to speak here.

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

Senator NELSON. Thank you very much, Steve.

Now Brian Wolford, the State Executive Director of the Nebraska Farm Service Agency. We are sandwiching the director of agriculture in between some of our Federal folks and others.

Brian.

STATEMENT OF BRIAN WOLFORD, STATE EXECUTIVE DIRECTOR, NEBRASKA FARM SERVICE AGENCY

Mr. WOLFORD. Good afternoon, Senator Nelson, and members of the audience. Thank you for allowing me to testify before you today. It is a pleasure to talk to you about what Nebraska Farm Service Agency is trying to do to assist producers in our State.

As you are aware, a large portion of the United States is suffering from this moderate to extreme drought, and in Nebraska the drought has adversely impacted crop production and pasture grazing across our entire State, beginning in our western counties this spring and moving eastward throughout the growing season.

County FSA offices, along with personnel from other USDA agencies, which comprise our County Emergency Boards, have monitored and reported crop and pasture production losses throughout the year. These reports describe the disaster conditions and provided estimates of crop and pasture losses in their counties.

Upon receipt of these reports at the State level, we compile these reports and forward them on to the Nebraska Agricultural Statistics Service, which computes loss calculations compared to prior year averages. Those counties which had at least one crop or pasture enterprise with a 30 percent or greater estimated loss were then recommended by the USDA State Emergency Board to the Governor for consideration of a Secretarial Natural Disaster Designation request.

At the present time, 37 Nebraska counties have received such a designation. Nebraska Governor Mike Johanns has also requested a disaster designation for the remaining 56 counties in Nebraska, and these designation requests are pending. A map is attached to my handout that shows you the counties that are approved and the counties that are pending approval.

Once the disaster designations are approved, the designations make available several things to producers: No. 1, a low-interest FSA Emergency Loan Program; No. 2, it allows eligible FSA direct loan borrowers in the primary or contiguous counties to be considered for Disaster Set-Aside Program; No. 3, allows SBA to utilize a disaster loan program to assist businesses impacted from the disaster; four, serves as a documentation for the IRS allowing producers to defer income from certain livestock sales; and, finally, may serve as part of the county eligibility requirements for other FSA disaster assistance.

Briefly, some of the disaster assistance programs that we are operating right now include:

Conservation Reserve Program Haying and Grazing Release. By mid-July all Nebraska counties had been released for emergency haying and grazing, making available nearly a million acres for this effort.

Emergency Conservation Program for Drought Assistance. ECP provides a water supply to the livestock when they must be moved to another pasture due to grass being depleted and there is no other water source in the pasture. As of August 16th in Nebraska, 12 counties had been approved for ECP drought assistance. Three counties had pending applications, and over $300,000 had been provided to producers through this program.

The NAP program, Non-Insured Assistance Program. In Nebraska, we had over 2,200 applications this year, and that program is designed for producers who grow crops that are not covered by normal Federal crop insurance programs. Pasture is one of those crops. Producers are beginning to file Notice of Losses with our counties, and this is the first step that they go through to initiate benefit payments.

The Emergency Loan Program that I mentioned earlier is provided to family size farms and ranchers in primary and contiguous counties. The producers must show that they could not receive credit from other sources. At the present time 37 primary and 14 contiguous counties have the EM Loan Program available to them.

The Disaster Set-Aside Program is a program that allows existing Farm Loan Program borrowers to extend their payment to the end of their loan as long as they can show repayment. The purpose of this program is to relieve some of the immediate financial stress caused by the disaster.

To further respond to feed needs of Nebraska cow/calf operations drastically impacted by severe drought conditions, on the 12th of August Secretary Veneman announced a $150 million cattle feed program. This assistance will ease the shortage of feed due to drought for the owners of Nebraska's 1.9 million beef cows.

Nebraska FSA is working hard on drought assistance as well as Farm bill implementation. Again, we thank you for this time.

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

Senator NELSON. Well, thank you very much Brian.

Our next panelist is the Director of Agriculture for the State of Nebraska, the Honorable Merlyn Carlson.

I might mention, Merlyn, before you start, that the Governor requested that the rest of the State—the counties be—and I wrote a letter to Secretary Veneman requesting that this be handled as expeditiously as possible. I want to put my full support behind that effort.

I also have a letter of position submitted by my colleague, Senator Hagel, on this issue that we would also like to put into the record.

[The letter of Senator Hagel can be found in the appendix on page 66.]

Senator NELSON. Merlyn.

STATEMENT OF MERLYN CARLSON, DIRECTOR, NEBRASKA DEPARTMENT OF AGRICULTURE

Mr. CARLSON. OK. Thank you, Senator, for that support, and thank you for the opportunity to appear today, and members of the audience. I appreciate the opportunity to address the Senate Ag Committee and express the drought-related concerns and issues of the Governor and myself and of Nebraska agriculture industry. I am hopeful and trust that the testimony you hear today will provide the insight and the platform from which to build a Federal drought assistance package.

My assignment today is to provide you with an overview of the drought situation in Nebraska and review action taken to date. Given the brief time I have to speak, I will try not to duplicate the message of my fellow panelists.

Needless to say, it has been a long summer for all of us involved in agriculture. The set-up for the parched pastures, the dry streambeds, the grasshopper-shredded fields, and the shriveled crops that you see as you drive across the State began last fall, and even further back for southwest Nebraska. The State Climate Assessment Response Committee began sounding the warning bell months before spring planting and worked through its membership to get the word out to its producers to be prepared.

Obviously, since that time, drought-related activities have continued to grow. Allow me to briefly recount our activities, keeping in mind these address mostly my biased agriculture background.

The Governor has contacted USDA Secretary Ann Veneman on numerous occasions, both in writing and personally. In partnering with her office and the State Farm Service Agency, in particular, the Governor has worked to get Conservation Reserve Program acres released for emergency haying and grazing. The entire State was released, as you have just heard, in early July.

He has requested, and will hopefully receive, designation of each of Nebraska's 93 counties as drought disasters, which would open up the opportunity for producers to access low-interest loans and other potential assistance programs.

The Governor, in cooperation with several of his State agencies, opened up Nebraska roadsides for hay, and, to date, producers have received 1,274 permits to hay roughly 6,860 miles of roadside right-of-way, which is on a one-side basis.

The Governor has lobbied for and received Federal grasshopper eradication dollars and designated matching State funds for the program.

Both the Governor and I have been in contact with our congressional leadership, in writing and in person, to discuss the need for Federal assistance programs such as the Livestock Assistance Program and the Crop Disaster Program and other possible programs and assistance tools. I also had the opportunity in July to discuss these needs with White House official Chuck Conner, who, as you know, is the President's assistant on agricultural issues.

Other issues. We have asked the Risk Management Agency to encourage insurance companies to make crop damage adjustments in a timely fashion and so that the remainder of the crop could be used for livestock forage.

The Governor and I each have contacted our counterparts in other drought-ravaged States to build cooperation, communication, and collaboration on drought needs. Several agricultural leaders have written me back, noting that they too are contacting their congressional representatives to raise awareness of the need of assistance.

Then, finally, Nebraska governmental leaders have been meeting, and will continue to meet on a regular basis, to assess the drought situation and make decisions on relevant actions. This includes topics such as pre-positioning of fire-fighting equipment, on community water system checks and irrigation and stream flow issues. In fact, a regular meeting of this group is taking place in Lincoln as we talk right now.

I want to pause here and acknowledge the positive response we received during our visits at the Federal level. The USDA, in particular, has been extremely open to listening and responding to our requests and our suggestions. Let me thank our congressional delegation as well for your understanding and your dedication.

Then just last week Secretary Veneman announced the release of $150 million in emergency livestock feed assistance to qualifying cow/calf producers. We are fortunate Nebraska was included in the four-State program, and we appreciate that. We hope to have details on how that program will operate soon. Also on Friday Secretary Veneman announced the extension of CRP haying and grazing through November 30. The Governor had made the request based on feedback from producers, and we are extremely grateful for that approval.

All these activities have not been enough to stop Mother Nature from robbing our State of its No. 1 economic driver. Figures compiled by University of Nebraska Agriculture Economist Roy Frederick in mid-July place the drought's impact on agriculture in Nebraska at roughly $686 million, and this figure includes estimated yield losses on corn, sorghum, soybeans, wheat, hay, pasture. and range. Dr. Frederick acknowledges the report is missing some significant factors. It leaves out losses for other nonprimary but important Nebraska crops. It does not include the increase in irrigation costs as producers pump around the clock to beat the dryness and the heat.

My point is that $686 million in estimated agriculture losses and resulting statewide economic impact of $1.4 billion is probably substantially higher, as we look today.

Is that a bleak projection? Yes. Is it overinflated? No. In fact, our State is already struggling through these tough economic times.

We need a Federal drought assistance package, and we need it now.

Based on these experiences, Senator, let me go through several other tools that I would like to suggest: changes to tax law governing capital gains on livestock sales during a drought disaster; more funding for grasshopper eradication with State match requirements eased; the release of surplus Commodity Credit Corporation grain for use in livestock feeding programs; raising the amount of coverage provided under the Non-Insured Crop Disaster Assistance Program; and, finally, release of funds to help supplement the cost of hauling forage supplies to needy producers.

I realize the picture I have laid out for you today is not very pretty, but it is factual, and it is reinforced by low stream flow and reservoir levels and a forecast that is not very promising. I hope the information you receive from panelists today will be useful in your deliberations. I thank you very much for the opportunity to testify and I am happy to answer questions.

[The prepared statement of Mr. Carlson can be found in the appendix on page 68.]

Senator NELSON. Thank you, Merlyn.

Now we have Susan France from the Nebraska Department of Natural Resources. Susan.

STATEMENT OF SUSAN FRANCE, DIVISION MANAGER OF WATER ADMINISTRATION, STATE DEPARTMENT OF NATURAL RESOURCES

Ms. FRANCE. Thank you, Senator.

Nebraska surface water laws are based on "first in time is first in right". The Department of Natural Resources administers surface water such that during times of shortage newer water rights are closed so that older water rights can use their appropriation.

My testimony will indicate the severity of this year's drought on surface water users.

This year water administration started 2 to 3 months earlier than normal in the Platte River Basin, which is our most heavily regulated basin. In mid-April, 54 water appropriations were closed because a 1993 instream flow appropriation was not being met. Instream flow requirements throughout the Platte Basin have not been met for most of the summer on the lower end, which causes all of the Platte, the Loup, the Elkhorn, and the Salt Basins to be administered for the 1993 date. Previously, such administration did not occur until late July.

Also, in late July, we will normally regulate for some 1930's permits on the Platte. This year, as of June 24th, we had closed 106 appropriations for priorities in the 1890's. In late July, we had as many as 220 appropriations closed, some of which dated back to 1884.

Most of the larger irrigation districts located in the Platte River Basin and the Republican River Basin early in the year knew that they were not going to be able to deliver a normal supply because of the lack of storage water in reservoirs. Farmers were notified that they could expect to receive reduced amounts of water during the season. Several irrigations districts stopped delivering water by late July, when normally they operate through September. One irrigation district for the first time chose not to deliver any water because of an inadequate water supply.

Several irrigations districts in the Panhandle borrowed storage water from a U.S. Bureau project located in Wyoming. However, there is a repayment of such water that may cause problems in future years. Our largest reservoir in the State is being drawn down to its lowest level since its construction in the 1930's to meet irrigation and power demands. Inflows to this reservoir so far this year have been the lowest of record since the reservoir was built.

In the Big Blue River Basin, we closed appropriations junior to November 1, 1968, because State line flows required under a com-

pact with Kansas were not met for the first time since the compact was enacted in 1971. This action included approximately 1,500 appropriators, mostly irrigators and storage owners. On the Little Blue River, users junior to November 1, 1968, were also closed twice because of the required compact flows not being met.

In the Hat Creek Basin, the Department closed 55 appropriations in an effort to satisfy a riparian right for cattle watering. This is the first time that such a closing has been required in the summer months.

In summary, of the 12 water basins that we administer in the State, only two have not had severe administration, and that is the Missouri River trips and the Nemaha's, both located on the eastern edge. Everything else has been just a record administrative year. If things do not get better—there is not a lot of snowpack up in the Rockies this year and there is not a rainfall in Nebraska—it will be much worse next year.

Thank you.

[The prepared statement of Ms. France can be found in the appendix on page 73.]

Senator NELSON. Thank you.

Now we have Rebecca Davis, the regional service director for the Risk Management Services Office, and she comes to us from Topeka, Kansas. We appreciate your venturing to Nebraska.

STATEMENT OF REBECCA DAVIS, DIRECTOR OF THE TOPEKA REGIONAL OFFICE, RISK MANAGEMENT AGENCY, U.S. DEPARTMENT OF AGRICULTURE

Ms. DAVIS. Thank you. Mr. Chairman and members of the committee, thank you for this opportunity to discuss how the programs of the Risk Management Agency are working to help producers survive this drought.

I am Rebecca Davis, the director of the Topeka Regional Office for the Risk Management Agency. I grew up on a farm in Franklin County, Kansas, where my family still farms. My family has also carried multiple-peril crop insurance for nearly 20 years. Believe me, when issues arise, I hear about them.

The Ag Risk Protection Act of 2000, a sweeping bipartisan law that this committee worked on for nearly 2 years, significantly increased the ability of producers to manage their agricultural risk through crop insurance and other risk-reducing strategies and programs. The act also established a new alliance consisting of RMA, reinsured companies, and the Farm Service Agency to help ensure program integrity and compliance.

For the balance of my testimony, I would like to touch upon how some of these changes have benefited Nebraska farmers.

In 2001, RMA provided Nebraska's farmers over $2.3 billion in protection through more than 101,000 policies covering 13 million acres of crops. In 2001, at least $69 million in losses were paid to hard-hit family farmers.

Based on 2001 NASS planted acres, multiple-peril crop insurance is protecting approximately 81 percent of the corn acres, 85 percent of the soybean acres, 84 percent of the wheat acres. All of these are above the national average for all three crops. For example, the

U.S. average for corn is 80.3 percent, soybeans is 76 percent, and wheat is 77 percent.

Insurable crops in Nebraska are barley, corn, dry beans, grain sorghum, hybrid corn seed, millet, oats, popcorn, potatoes, rye, soybeans, sugar beets, sunflowers, wheat, and nursery. In addition, we extended coverage through written agreements for forage seeding and forage production.

Although 2002 data is still being processed by crop insurance companies, participation levels will be similar to those in 2001. However, over $12.8 million in indemnities has already been paid. Since 52 percent of these payments are for wheat and drought conditions are continuing, we expect losses to grow significantly for spring planted crops.

In 1998, due to the way premium subsidies were structured, the coverage level that offered the most coverage for the lowest price was at 65 percent of the producer's historical yield. As a result, the majority of the growers purchased this level of protection. Because ARPA made higher levels of protection more affordable by increasing subsidies at higher coverage levels, this number began to shift dramatically with the enactment of ARPA.

Prior to 2001, the premium subsidy at the 70 percent coverage level was 32 percent. The ARPA increased the subsidy rate to 59 percent, and Nebraska producers have responded. For example, in 1998, only one in ten of the wheat producers had coverage at or above the 70 percent coverage level. By comparison, in 2002, 12 out of 20 producers are insured at the 70 percent coverage level or higher.

Corn, soybean, and grain sorghum producers have responded in a similar manner. Corn moved from 6 percent to over 69 percent of producers having a 70 percent or higher coverage level; soybeans changed from 10.5 percent to over 74 percent; and grain sorghum rose from less than 5 percent to over 61 percent.

This movement to higher levels of coverage means that RMA and reinsured companies will automatically provide more assistance to Nebraska farmers when they need it the most.

There have been a few 2002 program adjustments. In order to process claims quickly and speed assistance to producers, crop insurance companies have implemented appraisal modification procedures under RMA guidelines. Current appraisal modifications are permitted in Nebraska, if conditions warrant, for corn, popcorn, hybrid seed corn, and grain sorghum.

Further, RMA and reinsured companies have quickly implemented a provision of the Farm Security and Rural Investment Act that will give producers more flexibility in determining quality losses. Prior to implementation, evidence of quality losses could only be determined by samples analyzed by a grain grader licensed under the authority of the United States Grain Standards Act or the United States Warehouse Act. Now evidence of quality loss may be determined by graders licensed under State law.

In conclusion, the use of crop insurance is a widely accepted practice in Nebraska. Because producers are now participating at higher levels of coverage, USDA can automatically provide the assistance they need when they need it the most.

Thank you for the opportunity to comment.

[The prepared statement of Ms. Davis can be found in the appendix on page 74.]

Senator NELSON. Thank you.

My first question would be to Merlyn Carlson. In your estimation, how long has southwest Nebraska, just as one part of our State, been rainfall deficient?

Mr. CARLSON. It appears 3 years, Senator. It has failed to have spring for 3 years. It is in tough shape.

Senator NELSON. Of course, the winters have not been productive in terms of snowmelt for the snow contribution.

Mr. CARLSON. Ms. France would say the water allocation has been jeopardized over that period as well.

Senator NELSON. Steve Chick, as you mentioned, we yesterday toured in the field some acres that have been enrolled in the EQIP program and have been very satisfactorily repaired to the point where now that it is a positive situation for soil that is not very permeable.

How many acres of Nebraska cropland and pasture land are currently enrolled in the EQIP Program, approximately?

Mr. CHICK. That is a good question, Senator. Approximately, we have about 2,000 contracts right now in the EQIP program that have been in place over the last 4 years. Acreage-wise, it is probably somewhere in the range of a half million acres. We had a request of $200 million this year for EQIP contracts, and currently our allocation is $11 million. The demand is still far greater than what we can meet.

Senator NELSON. That is at this time. Do you have any thought about how much that is likely to expand in the new Farm bill?

Mr. CHICK. Well, this fiscal year was the first piece of the new Farm bill. That increased interest went from 3 times as many applications to 20 times as many applications money available, and I would expect to see that probably increase even more in the next couple of years.

Senator NELSON. It is oversubscribed at the moment. At least there is an abundant amount of interest. Taking anything from that for any other purpose would begin to impact the availability of those dollars for people who are standing in line ready, willing, and able to participate. Is that accurate?

Mr. CHICK. As I said in my testimony, the EQIP program is the only real long-term Federal program we have for addressing saltwater conservation to protect it for long-term drought prevention. As I said, the demand is 20 times what we have available now. Even with the tough economy, farmers and ranchers are wanting to do more conservation.

Senator NELSON. Thank you.

Brian, what are the dollar limitations on FSA emergency loans at the present time?

Mr. WOLFORD. The dollar limitations in regard to emergency loans—we do not have a specific dollar limitation. We can take the applications, and as we need money and build those applications and those dollars, we can request additional money. Presently, we have just a few applications. Keep in mind, our emergency loan program—you have to go through your production—your harvest and prove your production loss before you can apply.

Senator NELSON. With whatever money might be available, do you think that will be adequate for what you would anticipate would be the applications coming in after harvest?

Mr. WOLFORD. We are very concerned about a large number of applications coming in for this program. What we are doing is we are working with our lenders trying to promote the Guarantee Loan Program as well, and just try and encourage producers and lenders alike to start this process very early so we can be prepared and capture or request that money before other States do.

Senator NELSON. Even though we are pleased that the loan program is available, isn't it accurate to say that most farmers who have experienced drought for several years have already had adverse economic conditions hit them? Maybe the last thing they need is another loan.

Mr. WOLFORD. Being a former lender, I have heard that said before, and that is true in some cases. There are some people that that is what they need.

Senator NELSON. One need not disparage the loan program to recognize that in some cases it simply is not the answer.

Mr. WOLFORD. For some people, it is not.

Senator NELSON. One of the questions that I would like to ask is—and it may have been answered in part by what Merlyn said.

No matter how many pieces of relief we have been able to put out there—and, once again, no disparaging comments about these efforts would be appropriate. No matter how many we put out there, we are just not getting to where we need to be for many of our producers, both in the livestock and on the commodity side. Is that a fair statement? I am not trying to trap you, Merlyn. That is what I heard you say.

Mr. CARLSON. Well, that is exactly right. We need two things: one is money and the other is rain.

[Laughter.]

Senator NELSON. Well, in Washington today sometimes there is more rain than there is money, but at least there is a lot of fog.

In any event, clearly putting together something, as you said, now is what is critical so that we don't delay and allow the aid to come when it is clearly too late.

Mr. CARLSON. Well, that is exactly right. You know, the attitude in the drought-stricken area is just extremely serious, and it is worsening as we talk, worsening each day. Aid and help are very much needed as we go into the fall and into preparing for winter feed, as well as worrying about next spring.

Senator NELSON. Well, I thank you all for your very enlightened information and your statements, and for your being here today, and there will be more opportunity for us to discuss how this is moving forward.

One final question of our friends who are administering some of the Federal programs. Are you going to be up against some administrative challenges in terms of having enough budget support for some of the programs that you might need to put in place or that you are currently administering?

Mr. CHICK. Well——

Senator NELSON. It is a softball, but I wanted to throw it your way.

Mr. CHICK. That is certainly always a challenge, meeting the demand when you have increasing programs. We are appreciative that reimbursables come with those programs for us. We will do the very best job we can to try to meet the demands of the increasing programs.

Senator NELSON. Brian, is that——

Mr. WOLFORD. I would agree. We have a great staff that works very hard for our producers. They are implementing a new farm bill. If additional programs come their way, they will be glad to do that as well, but it will be increased workload for them.

Ms. DAVIS. My comments would echo the other two USDA representatives. In this day and age, we got used to doing more with less, and we have been working well with the crop insurance companies to get a program out there that is hopefully meeting the needs of the family farmers.

Senator NELSON. Well, again, thank you very much. I appreciate it.

Senator NELSON. Well, on our second panel, as you can see from the names, we have representatives of some of the associations who are most directly affected because of the agricultural nature of their association.

I start first with Don Batie from Farm Bureau. Don, would you, please, provide us with your thoughts.

STATEMENT OF DON BATIE, FARMER, DAWSON COUNTY, NEBRASKA; ON BEHALF OF THE NEBRASKA FARM BUREAU

Mr. BATIE. Thank you, Senator. Good afternoon, Senator Nelson and members of the committee. I am Don Batie, and I farm in rural Dawson County. I serve on the Nebraska Farm Bureau Board of Directors representing southwest Nebraska. I am here today representing Nebraska Farm Bureau, the largest general farm organization in the State, and wish to extend our appreciation to the Senate Ag Committee for holding the field hearing here in Nebraska concerning the drought.

The drought we are continuing to experience this year in Nebraska is approaching historic proportions. My father, who is 81, has told me this is much worse than the 1950's drought and is rapidly approaching the 1930's Dust Bowl conditions. Only our modern farming techniques have allowed us to raise at least a partial crop.

The portion of agriculture that is currently being hit the hardest is the livestock sector, principally the ranchers that have cow/calf operations. The recently passed Farm bill and the crop insurance reforms made a few years ago have provided grain farmers risk management tools and will provide them with some safety net. Livestock operators, on the other hand, have little or no risk management tools available to them and have no Federal safety net. Growers of non-insurable crops, such as millet and other alternative crops, primarily grown in the western part of Nebraska, are also facing financial difficulty and great uncertainty at this time.

Pasture conditions have been dismal all year with many grasses never breaking dormancy this spring. Our neighbors that have cows have been making some very tough decisions lately. Many ranchers have been forced to sell part or all of their herds. One young rancher in my neighborhood is selling half his cow herd just

to pay for the feed for the remaining cows until October, when he can move them onto cornstalks after harvest. Unfortunately, with all the cows going to market right now, prices are very low.

A very real concern most ranchers have is whether the grass will come back next year. While most of the native grasses will return when the weather improves, it will take a couple years to get back to normal. Hence, they will have increased costs and lowered stocking rates for the next several years.

For these reasons, we think Congress should make the Livestock Assistance Program a priority in any drought assistance package under consideration. The LAP program is about the only form of assistance available to livestock producers having no opportunities for insurance or other risk management tools. As each day passes with no clear signal from Congress and the administration about the availability of the LAP, more and more cattle producers will be making lifelong decisions about the future of their operations, most of which have taken many generations and much hard work to establish.

From a producer's standpoint, it seems we are caught in the middle of a political battle regarding how Congress should fund disaster legislation. We certainly understand the fiscal need for Congress to find budget offsets, and we do believe Congress could easily find budget savings from the lower anticipated costs anticipated this fall and next year in farm program spending. Regardless of if or how Congress deals with the budget offset issue, however, the bottom line for producers is we need disaster assistance enacted immediately and a clear signal from Congress that the LAP program will be funded even sooner.

Compounding the drought is the grasshopper infestation. Many ranchers in central Nebraska have been forced to spray for grasshoppers. We could not wait for the Federal Government to act since the grasshoppers were spreading fast. All of us had to pay the entire costs ourselves.

The drought is also causing major concern among the State irrigators, as you heard Sue France tell earlier. Part of the reason there is any crop at all in Nebraska this year has been due to the ground and surface water irrigation developed over the years. There is much concern that if the drought extends next year there will be little or no storage water available as the reservoirs in the whole system are at or near historic lows.

From an organizational standpoint, Nebraska Farm Bureau has tried to keep a handle on the severity of the drought by initiating a Drought Scout Program. We identified 80 Farm Bureau members scattered across the State, who all summer have been making weekly reports on rainfall and crop conditions in their area to the State office. This information, in turn, has been shared with State and Federal officials to help develop drought response actions. Our most recent Drought Scout report has been attached to the written testimony.

This drought will have long-term impacts on farmers and ranchers, and it may take years to get back to normal, from both a water supply and the forage capacity standpoint. The most helpful action Congress can do now is to fund the LAP as soon as possible. Crop

assistance to grain farmers should be legislatively developed this fall after their needs can be greater assessed.

In addition, Congress could consider other long-term assistance actions: extending the 2-year capital gain deferral for the forced liquidation of cow herds; increasing advance direct payments to crop producers; enhancing the non-insured crop assistance programs. We encourage more cooperation between Federal, State, and local agencies dealing with the shortages of water in irrigation reserves; increasing funding or fully utilizing any emergency funds to provide APHIS additional resources to help with the grasshopper control.

Thank you for the opportunity to present testimony today. We look forward to working with members of the Senate Ag Committee to help develop a drought assistance package.

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

Senator NELSON. Thank you, Don.

Now John Hansen from Farmers Union.

STATEMENT OF JOHN K. HANSEN, PRESIDENT, NEBRASKA FARMERS UNION, LINCOLN, NEBRASKA

Mr. HANSEN. Senator Nelson, on behalf of the over 4,300 farmer and ranch families in the Nebraska Farmers Union, we thank you for sponsoring this critical hearing today. We also thank you for your cosponsorship of S. 2800, which, in our opinion and the opinion of 20 national organizations who signed on a "dear colleague" letter circulated by the National Farmers Union, is the most appropriate national emergency disaster relief proposal. I am attaching a copy of the July 30, 2002, sign-on letter along with my testimony.

In the limited amount of time available for testimony today, I want to focus less on the extent of the economic damage, which is massive, and more on what my organization believes is an appropriate national response to this natural disaster that is impacting nearly 50 percent of our Nation. How our government chooses to respond to this national emergency will decide whether or not thousands of our independent family farmers and ranchers will be in business next year or not.

Our Nation is the largest food-producing nation in the world. It stands to reason that our Nation should have a national policy for dealing with the economic hardships caused by natural disasters that adversely impact our Nation's food and fiber producers. We had the opportunity to do just that during the development of the 2002 Farm bill. To the credit of the Senate, the Senate did include in their version of the Farm bill a permanent provision to deal with national natural disasters. That was the right approach.

Unfortunately, because of the opposition of the House of Representatives leadership and the Bush administration, the Senate emergency disaster provision was stripped out of the conference committee during deliberations. Tragically, that leaves our Nation's family farmers and ranchers without an appropriate income safety net in times of weather-related natural disaster.

It was particularly critical for the 2002 Farm bill to include that emergency disaster authority because of the counter-cyclical nature of the Farm bill income supports, which includes loan deficiency

payments and deficiency payments. An obvious income safety net problem for crop producers exists when weather-related shortfalls in production cause commodity prices to go up, and commodity producers are left without crops to sell, LDPs to collect, or deficiency payments. The Senate version of the Farm bill did appropriately include permanent emergency disaster provisions.

The issue of emergency disaster assistance could be quickly resolved if the House of Representatives leadership and the Bush administration would simply step forward and support ad hoc emergency disaster assistance paid for out of general funds. After all, that is how our Nation has been paying for emergency disaster assistance situations out of general funds and without offsets since 1989. In fact, when former President George Bush Senior and former President Bill Clinton both yielded to pressure from the rural community and threw their support behind the emergency disaster assistance authorization, Congress did, in fact, respond quickly and positively. I believe that our organization continues to support a national domestic food security principle, which includes the protection of food and fiber producers. We believe it would be a terrible mistake for our Nation to abandon our long-standing commitment to standing behind our Nation's food producers in times of weather-related natural disasters.

S. 2800 is modeled after the year 2000 emergency disaster program, which is appropriate. We support S. 2800 because it includes emergency disaster assistance for both 2001 and 2002 for both grain and livestock losses. That is critical. That is the kind of comprehensive approach that is needed to keep our farmers and ranchers in business, which should be the goal of emergency disaster assistance. To do anything less means that thousands of family farmers and ranchers will be forced out of business.

We strongly oppose funding emergency disaster provisions by offsetting them out of the Farm bill, the budget of which is designed to mitigate the impacts of low commodity prices over the life of the Farm bill. It is not fair for one segment of agriculture that is facing economic disaster to help finance another sector of agriculture also facing economic disaster. It makes no sense to rob farm program dollars in a low-spending year knowing full well those dollars will be needed to pay for low commodity prices when more normal crop production returns.

The rest of my remarks are included in my written testimony, and I will be glad to answer any questions. Again, thank you, Senator Nelson for coming here today and also, again, for your cosponsorship of S. 2800.

[The prepared statement of Mr. Hansen can be found in the appendix on page 88.]

Senator NELSON. Thank you very much, John.

[Applause.]

Senator NELSON. It looks to me like your popularity and maybe your membership just rose.

David Bruntz from the Nebraska Cattlemen. David.

STATEMENT OF DAVID BRUNTZ, PAST PRESIDENT, NEBRASKA CATTLEMEN, INC.

Mr. BRUNTZ. Senator Nelson, and members of the Senate Ag, Nutrition and Forestry Committee, my name is Dave Bruntz. I am a farmer and cattle feeder from Friend in East Central Nebraska. I am testifying today on behalf of the Nebraska Cattlemen, an organization where I served as president in 1997.

Unfortunately, today's hearing conflicts with the Nebraska Cattlemen Board of Directors meeting in Alliance, which had been scheduled several months ago. The association's leadership felt it best to not reschedule this meeting at such a busy time of year, and they send their regards to you and your colleagues present at today's hearing.

On behalf of the Nebraska Cattlemen, please include my full written statement in the record for today's hearing.

My family operates a typical diversified family farm in eastern Nebraska. Our operation includes irrigated corn and dryland corn, irrigated soybeans and dryland beans, forages such as alfalfa hay and wild hay, dryland pasture, and cattle feeding and cow/calf operation.

The drought of 2002 has had a tremendous impact on our operation. Hay yields have been cut in half and by more, and our dryland corn crop was harvested as poor-quality silage. Pastures and livestock watering ponds are being depleted before cows can be moved to cornstalks or other alternative forage sources. Our cows and calves are already in dry lot and being fed until cornfields are available after harvest.

According to the August 12, 2002, Nebraska Weather and Crop Report, issued by Nebraska Ag Statistics Service, the drought has had the following impacts in Nebraska:

Nebraska pasture and range conditions rated 64 percent very poor, 27 percent poor, 9 percent fair. These figures are well below the average, causing producers to continue to provide supplemental feed or dry-lot cattle, and/or cull deeper into their herds.

Nebraska alfalfa conditions rated 40 percent very poor, 31 percent poor, 18 percent fair, and 11 percent good. All well below the average.

Nebraska corn conditions overall rated 34 percent good and excellent. On irrigated corn being rated 56 percent good and excellent, below the 5-year average of 76 percent. Dryland corn rated 4 percent good and excellent, far below the average of 47 percent. The U.S. corn crop is rated at 39 percent good or excellent with the 5-year average being 62 percent.

The Nebraska soybean conditions are rated at 28 percent very poor, 27 percent poor, 30 percent fair, 15 percent good, and 1 percent excellent. Well below last year's averages. The U.S. bean crop is 42 percent good to excellent, with a 5-year average being 58 percent.

You can see how the cost of feed for these cattle herds will increase with a drought of this magnitude. Please find several charts also developed by Nebraska Ag Statistics Service attached to my statement. These charts provide numerous pieces of critical information.

Graph 1 is hay prices, both alfalfa and grass. They have skyrocketed in the past 60 days. The June to July 2002 increase for all hay prices was $15 per ton, the largest month-over-month increase since this data series was begun in 1949 and 44 percent higher than July of 2000.

Graph 2 shows that while December 2001 and May 2002 hay stocks are consistent with previous years, the tremendous decline in production is anticipated to have significant impact on December 2002 and future hay stocks.

Graph 3, forecasted hay production for 2002 plus May 2002 stocks are projected to be the lowest in the past 14 years.

Graph 4 is a demonstration of drought conditions in Nebraska with pasture and rangeland conditions in 91 of Nebraska's 93 counties labeled at poor to very poor.

As you know, the sand hills of Nebraska are noted for having excellent grazing and producing some of the best cattle in the United States. This reputation for cattle of this quality has been accomplished by years of genetic improvement by these ranchers. The cattle industry cannot afford to see these herds liquidated due to lack of assistance because it will take years to rebuild this genetic pool of quality cattle.

Undeniably, Nebraska and several other Western States are experiencing a drought of historical proportions. This type of natural disaster too often creates scenarios where elected officials and Government agencies are forced to pick sides based on geographical boundaries or the type of commodity produced.

Unfortunately, this drought will be no different. This time it is livestock producers who need your assistance. Under existing programs found in the 2002 Farm bill, crop producers will gain some relief through direct payments and federally subsidized crop insurance benefits.

In fact, during this year's rewrite of Federal farm policy, many mainstream grain groups asked that emergency provisions of current law be scrapped in favor of counter-cyclical measures to protect farm income.

This time around Congress listened, and these wishes were granted. More money has been funneled into the Federal crop insurance program to increase producer participation rates and to offset natural disasters such as drought facing Nebraska grain producers.

Additionally, producers will continue to receive Market Transition payments in 2002.

The rest of my testimony is in written testimony. I would like to thank you for allowing the Cattlemen to present at this hearing. Any questions, we will try to answer them.

[The prepared statement of Mr. Bruntz can be found in the appendix on page 90.]

Senator NELSON. Thank you, Dave. I appreciate your being here, and the rest of your testimony will be included in the record.

We now have Joy Philippi from the Pork Producers. Good to have you here, Joy.

STATEMENT OF JOY M. PHILIPPI, BOARD MEMBER, NATIONAL PORK PRODUCERS COUNCIL

Ms. PHILIPPI. Mr. Chairman, thank you for holding this hearing on the drought today.

My name is Joy Philippi. I am a farmer and swine producer from Bruning, Nebraska. On behalf of the swine industry, I would like to thank you, Senator Nelson, for including our producers in today's proceedings.

I am speaking to you today as a producer of corn, soybeans, and swine who has not had any rain since the 29th of May.

Now, the day I wrote this, that was how it was. It did rain Saturday night. We do have a little bit of moisture now.

Senator NELSON. Maybe I should have had this hearing earlier.

Ms. PHILIPPI. Well, we had 0.08, so that was double what we had between the 29th of May and that day. We were pretty pleased.

Currently, I am a member of the Board of Directors of the National Pork Producers Council, and I have been involved in leadership with the Nebraska Pork Producers over the past several years. I have consulted with our leaders in order to write the testimony for today.

Swine producers recognize the partnership between all producers in production agriculture. We appreciate the assistance that is being offered to our friends in the cattle industry, and we definitely recognize tremendous production losses in the grain industry.

However, we ask that you recognize the challenges the drought of 2002 presents for the swine industry.

Many times it is presumed that drought problems only affect crop production. Animal agriculture is the No. 1 consumer of grain products produced here in Nebraska and across the Nation. As the drought continues, we see our crops weaken and we continue to have increased worries as pork producers as to what effect that will have on our operations in the long term.

In my written testimony today, I outline the crop drought conditions that were reviewed earlier by Mr. Chick and by several other members of the panel. As this year progresses, and on into 2003, all producer support will be affected to some degree by the emergency conditions created by this drought.

For the diversified producers who are the masters of value-added agriculture, these concerns are very great. As feed stock supply goes down, our cost of production goes up. We are caught in a catch–22.

When grain price goes up, we get the assistance that we have from the Federal farm program from crop insurance and higher prices, but every time the price goes up for grain, the cost of production goes up for hogs. Here in Nebraska, 85 percent of our producers operate diversified operations. That produces 65 to 70 percent of the swine marketed out of our State.

Recently, Dr. Mike Brumm, Extension Swine specialist for the University of Nebraska, estimated that for every 10-cent increase in the price of grain, our cost of production per hundredweight goes up 50 cents.

Over the past 14 trading days, our cost of production has increased a $1.50 to $2 a hundred. Today's market was $31. When

you get to figuring that out, it is going to be hard to remain financially sound throughout the next year.

These increasing costs, as well as the other production concerns, including poor rate of gain, some livestock losses, and some impaired salary breeding, stress our industry even further. In fact, I know of two producers who have made the decision recently to liquidate 500-, 600-head herds because they are living in dryland areas. There will be no crop available off of their farms, and they felt it was financially in their best interest to leave production.

We do echo the sentiments of our friends in the beef industry and Farm Bureau and others that believe that the Livestock Assistance Program could be reworked and that we could look at some type of additions to that program that would include feed grain stocks.

We believe that the program has some merit. It is a good shell right now. There are provisions there already for qualification. We would like to see those provisions adjusted. Right now, they are on your gross income, and that is not really the way to look at income in the livestock industry. It is better to look at, like, an adjusted gross income and look at those things to find profits.

We believe this is one way that we can benefit all of animal agriculture through that program, and we would encourage you to look into that further.

The one thing I will ask, though, is that as we look at the Livestock Assistance Program—that if it is appropriated, that those funds do not come from offset farm bill funding.

Our producers tirelessly addressed the conservation title in the Farm bill. We felt that the EQIP funding was one way to benefit our industry and all of animal agriculture. It provides some risk management tools. It also allows us the opportunity to upgrade our facilities, according to the new rules in the EPA, and that we would be able to produce very safe product that the consumers want.

I have to emphasize that. We believe that offsets are just like a self-funded emergency package. There is not many disasters where producers or the people that are affected have to put a down payment down in order to get their disaster relief. We would encourage you to work with your colleagues and stay away from the Farm bill funding for that program.

I have outlined in my printed testimony the major points that we wanted to stress today, and being those I have mentioned, we also believe that we need to look at the capital gains tax. We believe that changes in that will be beneficial to our industry as well as to the cattlemen and others in livestock as they have to liquidate.

We would also encourage you to address all of our needs in a bipartisan fashion. Right now, this drought is not discriminatory, and it is affecting all of us in different ways. We believe that, as we look at assistance packages, that is the same way that we would like to have that accomplished.

With that, we would encourage you to speak with the Secretary of Agriculture. We believe that it would be tremendously important to our industry if she would consider using all the resources and her powers to aggressively move more pork and beef. We have a bulk product out there, and if she would help move some of that

even farther into some of the Government food services, it would be good for our industry.

With that, I thank you, Mr. Chairman. If there are any questions I can answer, I would be glad to do so.

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

Senator NELSON. Well, thank you, Joy.

My first question goes to Don Batie. I thought you had an excellent set of recommendations. I agree that those are things that we ought to consider as well, though I am trying to understand whether the Nebraska Farm Bureau is moving away from the American Farm Bureau's support of Senate bill 2800.

I understand—and both you and Dave pointed out the problem with politics wrapping this issue around the axle in Washington, but you also said the disaster assistance needs to be enacted immediately, as does Dave. Your national organizations have endorsed the emergency legislation without pursuing and being required to pursue offsets.

Are the local organizations of the same opinion that the national organizations are of, or on those opinions have you departed? I am just trying to understand.

Mr. BATIE. As far as Nebraska Farm Bureau, we have not disagreed with this policy of American Farm Bureau. However, you do have to realize that some political expediency—I am quite sure that the American Farm Bureau was supporting that bill before you went into your August recess, and the whole issue was let's get something passed soon. That is of the utmost importance, the sooner the better.

The reason I was testifying about the offsets is the political realities. The President has said he will veto any bill that does not include offsets. I don't want to see a prolonged battle between Congress and the President. Therefore, the sooner the better. In my opinion, we might need to look at offsets.

I agree with you in your opening statement. I do not want to jeopardize future payments or EQIP funding or another area. That is moneys that are not going to be spent anyhow. That is the money we are looking at offsetting.

Senator NELSON. Well, I hope there is some of that.

David.

Mr. BRUNTZ. I believe some of these offsets will occur naturally due to the rise in grain prices. We will not have the LDP payments, which amount to a large part of the budget of agriculture, and I believe that will occur naturally.

I do not believe we can come up with enough offsets to fund what is needed on the short term, and time is of the essence in the livestock industry.

Senator NELSON. Well, one of the concerns is that it has been suggested that you can take—because of the expected lower payments that will be required because of, perhaps, some good fortune along the way, that there could be some savings. The problem is the CBO has not been directed to score that savings to where you can use that going into this program.

Now, I am not going to try to justify Enron's accounting any more than anyone else would, nor do I want to support the CBO's decision on this, but that is the hangup that we have.

If it was possible to do what you are talking about, and if that money then would not otherwise fall back into the farm program for the future, I could certainly look at that. So far, no one has been able to point out how we can do that.

I want us to always think about what is possible. We do not want this wrapped around the axle in Washington, but the President has some power about whether is gets wrapped around the axle. The other party has some power whether it gets wrapped around the axle, and so do we.

This is a bipartisan bill, by the way. Senator Helms and Senator Conrad Burns have signed on to it, and that was just before the break. There may be others who are looking to sign on to it as well. I appreciate your candor and your support.

Joy, one of the questions that I might ask you is, from your knowledge, whether the U.S. livestock sector has ever sought a standing Federal disaster program other than the Livestock Assistance (LAP) program, and if not, whether you think that something like that might be good for the future, given the fact that we are ad hoc trying to play sandlot baseball right now rather than having something organized?

Ms. PHILIPPI. The reason we thought the Livestock Assistance Program is because of the qualification parameters being there already.

On our board, we have not had official discussion with some of the members. We have discussed possibilities of expanding the insurance program—that Sapida project right now—bringing that into Nebraska and other Midwestern States as well. We think that would be a good risk management tool.

The other thing is then when we look for disaster assistance, it would truly be disaster assistance, but we would also have that same assurance that the crop producers have.

That is where our thinking has been going at this point. We have not expanded on that because, for us, right now is when we are really looking into what our losses could be from the drought.

Senator NELSON. All right. It is hard to look forward when you are wrapped up in where you presently are, but I hope that at some point we begin to think about what other risk management tools we could put into place in the future so that, should we encounter something that is unparallel since the 1930's, that we at least have some tools already in place, and that we are just simply supplementing rather than building something basically from scratch, even though the Livestock Assistance Program is there. It will not be enough. It is not going to get us where we need to be.

Well, I appreciate very much, your being here. I may have another question. Just a second.

Oh, I am supposed to remind everybody, we are going to have a 5-minute break after your panel here and before the third panel. I misspoke. There are four panels today. The third one is broken into two groups. There will be four panels.

I thank you very much. I appreciate it and look forward to working with you to sort this out and smooth out the rough edges that we are facing. Thank you.

[Recess.]

Senator NELSON. We will come back to order. There should be enough time at the end of the panels to get some questions and/or comments from the audience, which we hope to be able to do.

All right. The first panelist, James Vorderstrasse. Did I get it right?

Mr. VORDERSTRASSE. That is right.

Senator NELSON. Pretty close enough? OK. Vice President for Legislation, the National Grain Sorghum Producers, please share your views with us.

STATEMENT OF JAMES VORDERSTRASSE, VICE PRESIDENT FOR LEGISLATION, NATIONAL GRAIN SORGHUM PRODUCERS

Mr. VORDERSTRASSE. Thank you. Senator Nelson, fellow members of the Committee, I thank you for convening this urgent and important hearing today.

My name is James Vorderstrasse. I farm 4 miles north of Chester in southern Nebraska. I am a dryland farmer, and raise grain sorghum, wheat, soybeans, corn, hay, and manage a cow/calf herd on rangeland.

I serve the National Grain Sorghum Producers as Vice President for Legislation, and also serve on the Nebraska Grain Sorghum Producers Board of Directors.

The fact that I am here to discuss the grain sorghum situation should speak volumes about the severity of the drought in Nebraska and throughout most of the U.S. Great Plains. This is because grain sorghum is an extremely drought-tolerant, resilient crop that is known for its ability to survive without water for long periods of time and bounce back when water again becomes available. Senator Nelson, this year there won't be much grain sorghum bouncing back for the Great Plains or Nebraska.

Even grain sorghum is being victimized by the disaster facing U.S. farmers this year. The U.S. is predicted to harvest the smallest sorghum crop since 1956, in large part due to the magnitude of the drought.

Early USDA estimates predicts that Nebraska sorghum production will plummet almost 60 percent from last year, and sorghum yields will range 25 to 70 percent of normal, with similar sorghum yields forecast nationwide. Meanwhile, on my operation, my soybeans will yield 40 percent of normal to zero, while expectations are for most of the corn crop to be cut for silage.

As a result of the grain shortages, prices of grain are predicted to increase, but dryland farmers with little or nothing to harvest will not be able to take advantage of the higher commodity prices. Additionally, while we appreciate your work to craft and pass a much needed farm bill this year, higher commodity prices will likely mean no counter-cyclical payments.

Grain sorghum farmers were pleased to see more improved treatment of grain sorghum in loan rates in the new Farm bill, but sorghum farmers with no crop to harvest will not receive any benefit from this either.

Further, throughout much of the U.S Sorghum Belt, multiple-year droughts on the Plains which have led to disaster assistance have destroyed guaranteed yields for crop insurance purposes, unfortunately making the program largely ineffective as a solution to this year's widespread disaster.

Senator Nelson, we implore you and your colleagues to persevere in your work to address the situation, and we appreciate the early efforts that have been made so far, but some form of disaster legislation will be needed if farm families, as well as their rural communities and schools, are to remain viable in the face of the devastating conditions.

Recently, the National Grain Sorghum Producers Board of Directors passed a resolution urging Congress to pass disaster legislation that would get much needed funds into the hands of affected farm families as soon as possible.

Further, NGSP recommends that this disaster package be similar to past efforts and at similar levels as in the past.

Senator Nelson, thank you again for convening this important meeting today. Please let us know if we can provide additional input regarding this dismal situation.

[The prepared statement of Mr. Vorderstrasse can be found in the appendix on page 104.]

Senator NELSON. Thank you, Jim.

We now have Mark Schweers, President of Nebraska Corn Growers Association. Mark.

STATEMENT OF MARK SCHWEERS, PRESIDENT OF NEBRASKA CORN GROWERS ASSOCIATION

Mr. SCHWEERS. My name is Mark Schweers, and I am president of the Nebraska Corn Growers Association. I raise irrigated and dryland corn and soybeans near Wisner. I am here today representing dryland crop producers from across the State.

First, I would like to thank Senator Nelson for his time and effort in addressing this serious challenge facing farmers, ranchers, and our country. I am sure by now you are well aware of the magnitude of this drought and its effects. As with any major disaster, there is no quick, concise answer, no silver bullet to fix all the problems, but, rather, a series of steps to begin the rebuilding process.

I would like to offer some broad ideas on that disaster package, and then focus on specific areas of crop insurance and the effects of the drought on the livestock industry.

There are several proposals that the Senate and House have under consideration. Each has strong points and weaknesses. Perhaps the toughest question is how to pay for a disaster package. I believe that this type of natural disaster, which has a broad effect on our whole economy, should have the same consideration as other catastrophes that affect our country. Therefore, emergency spending should be adequate to repair the economies of these drought areas.

We have all worked long and hard to develop the 2002 Farm bill. The concern with offsetting funds from the budget before we have begun to implement the program raises questions for which I am having a difficult time finding answers. It is assumed at this time

that counter-cyclical payments and LDPs will not be needed this marketing year.

Some of the suggested programs have looked at the use of these savings to fund a disaster package. The Congressional Budget Office will need to conduct a thorough review of the status of these payments in regard to their scoring against the budget. Areas that should not be considered in any potential offset are those that affect the future budget of these safety net programs and the new loan rates.

I would also like to address specific areas that should be considered in any disaster package, the first being crop insurance. I have a few points that I believe we need to keep in mind as we look at disaster aid and the interest in maintaining a viable crop insurance program.

We need to be sure that producers who have utilized risk management be rewarded for their decisions more than those who choose not to use crop insurance. The protocol that some are considering would result in a noninsured acre receiving 95 percent of the potential disaster payment compared to the insured receiving 100 percent. This is an unjust spread that rewards those who do not utilize crop insurance and penalizes the producers who use risk management programs. I would like to offer the idea of a difference of 30 percent between the payments to insure the incentive necessary to maintain participation in the crop insurance program.

Many of the proposals being considered require producers who do not have crop insurance and receive disaster payments to purchase insurance in future years. I support this concept. I would also encourage you to look at increased participation and at levels of these requirements so they fit the goal of maintaining a viable crop insurance program and not result in minimum token policies. Those determined levels should be high enough to differentiate between producers who are willing to manage risk with crop insurance and those who choose to forgo disaster payments and remain self-insured.

Another concern is that, under a scenario that may unfold this year, many producers who carried the high levels of insurance may reach a cap and will have to forgo payments. We should not penalize these people, but make some type of an adjustment so using insurance does not create a disservice. A possibility may be to raise the cap or to refund premiums.

The other area I would like to focus on is support of the livestock community, which I believe has been hard hit by this drought. They are not only corn and soybean producers' largest customers, but also our neighbors in our communities. Their future is directly correlated to our future.

Several efforts are under way in Washington to provide resources and support to producers, and I applaud this work. I would urge you to move as quickly as possible to address the needs of the livestock industry.

One specific area that I would like to touch on is the consideration of extending the tax deferral time from 2 to 4 years to livestock producers that have been forced to liquidate part of their herds. In many cases, herds have been reduced by over 40 percent,

and some entirely. This loss, along with the tax burden, may be insurmountable for many operations to survive.

There are many more ideas that are under consideration. I encourage you to explore each on its own merits and long-term consequence. I hope that over the upcoming months we can work together in these many areas that will help agriculture, our economy, and our country work through these challenging times.

Thank you.

[The prepared statement of Mr. Schweers can be found in the appendix on page 107.]

Senator NELSON. Thank you, Mark.

Now, Keith Dittrich from the American Corn Growers Association. Good to have you here, Keith.

STATEMENT OF KEITH J. DITTRICH, PRESIDENT, AMERICAN CORN GROWERS ASSOCIATION

Mr. DITTRICH. Thank you, Mr. Chairman, and members of the committee. On behalf of the members of the American Corn Growers Association, I would like to thank you for the opportunity to provide our viewpoint of this organization to this esteemed committee concerning the impacts of these natural disasters on American's farm and ranch families.

I am Keith Dittrich. I am president of the American Corn Growers Association and a Nebraska corn producer.

In a normal year, about 12 percent of the U.S. experiences a drought of some type. This year, however, according to the U.S. Weather Service, about 52 percent of the country is facing drought. This is no small pocket of minor discomfort. This is an extremely serious and widespread disaster.

Recently, I had the opportunity to travel from Omaha to southwest Oregon through Denver. From the air—I was lucky to have clear skies—I saw only brown the entire route except for irrigated fields, and when I got to the end of my travels, I was met with a forest fire of historic proportions in Oregon in the southwest part of the State covering 450,000 acres due to drought. I just wanted to mention that.

You have heard many times today that Nebraska is facing a very devastating drought. I would agree. Right now Nebraska is projected to produce nearly 20 percent less corn, but, as we may find, as we did in 1995, by the end of the crop year, the final statistics showed that national average corn yield was another 12 bushels lower than the August 12th crop report. We do not know what will happen, but we fear that could happen again.

Under the new Farm bill, current crop prices, though improved, will result in very little gain per bushel over income received in 2001 from all sources. Therefore, the projected production losses will translate almost directly into an equivalent gross income loss. Many of these losses will not be recovered from Federal crop insurance because of the deductible. A decrease in gross farm income of this magnitude is devastating to a producer, especially since in May, before any crop losses, USDA forecast that income from farming to farm operator households would be negative in 2002. That is USDA's statistics.

The old-timers say that the 1930's, which has been touched on today as reflecting to the drought—would not have been so bad if it would not have been for the 1920's. The 1920's were a time of very difficult economic times in farm country, and looking at today, we can say that that could be the case here. We spent the last decade and a half in an economic turmoil in the country relating to agriculture, and farmers just do not have the means necessary to supply this drought without income assistance.

Congress has provided disaster legislation, and the President has enacted disaster laws covering every crop year since 1988, with the exception of two, and three if we count 2001. Today, we seek assistance for the 2000 crop as well as the 2002 crop—I said 2001 as well as the 2002.

Nebraska had many losses in 2001, prior to the devastation of this year. For example, just 50 miles south of my farm, the Fullerton area has had severe drought and produced virtually no dryland crop in 2001.

Therefore, many farm and ranch families need assistance due to disasters that occurred in 2001. Many more need assistance for 2002, and there are those who have been hardest hit by this disaster in both years.

As you move forward with this legislation for both years, please make sure that if a producer qualifies for assistance in both years, that they are eligible for benefits for both years. It would be extremely unfortunate to discriminate against those who have suffered two consecutive years of drought.

We also need assistance for livestock producers. We are leaning too much on CRP haying and grazing as the program of choice for emergency livestock assistance. We also must insure that those few standing programs remaining for disaster are properly funded, such as the Emergency Conservation Program and the American Livestock Feed Assistance Program.

Finally, funding. Funding of a 2002 disaster program should be adequate to avoid any proration of payments in the event the need exceeds the initial estimates. This not only provides the essential level of program benefits, but it expedites the distribution of those payments.

We also are vehement in our opinion that funding for a 2001/2002 disaster program should not come from cuts or offsets from a recently passed farm bill. This is a disaster, and funding should not be at the expense of other essential programs. Even though there is $200 billion of agricultural activity in the country, only about 25 percent of that is covered under the Farm bill. We cannot ask that the rest of the 75 percent be pulled out of that farm bill. That just does not seem fair to us.

Finally, we find that—we are to understand that those wishing to find offsets in programs for disaster assistance would take all of the offsets out of one-fourth of the production agriculture economy to redistribute to the other three-fourths.

In future years—and I will close—we propose an examination of a standing disaster assistance program and a reestablishment of a farmer-owned grain reserve to protect our livestock and ethanol industry, which we fear could be devastated if we end up with severe shortcomings in crop production.

I thank this committee. I will offer my expanded remarks for written testimony, and I appreciate the time here today.

[The prepared statement of Mr. Dittrich can be found in the appendix on page 109.]

Senator NELSON. Thank you, Keith.

Now, we have Ron Stoddard, who is the Executive Director of the Nebraska Wheat Board. Ron, good to have you here.

STATEMENT OF RON STODDARD, EXECUTIVE DIRECTOR, NEBRASKA WHEAT BOARD

Mr. STODDARD. Senator Nelson, my name is Ron Stoddard, Executive Director of the Nebraska Wheat Board. I want to thank the Senate Ag Committee for holding this committee hearing in Grand Island today in order for agricultural producers, agricultural suppliers, financial lenders, rural retailers, and others to have an opportunity to express their concern about the severity of the drought conditions present across Nebraska, in particular, and the Central Plains area, in general.

Nebraska, like our neighboring States, is an agricultural State deriving a majority of its gross national product directly from the production of agricultural crops and livestock. I have personally been involved in production agriculture in Nebraska for the past 40 years, and I have never seen a year as severe as 2002 is proving to be.

It is spooky to drive across the country and see one field after another severely damaged, if not nearly dead, from lack of moisture. Most of the irrigated crops are also suffering severely because it has been impossible to provide these crops with adequate water due to no rainfall and abnormally high sustained temperatures.

The few crops that have somehow withstood the drought conditions are the feasting grounds for a huge influx of grasshoppers. When we look at the rangeland, one would think it was mid January if it were not for the 100-plus-degree temperatures.

Grass has been nonexistent in the major cow/calf region all year. Due to the inadequate levels of soil moisture, the grass never attempted to green up this spring and is still as dormant today as it was last March. Several ranchers have been forced to either sell part, if not all, of their herds or haul them to expensive grass several hundred miles away.

Let us talk about wheat issues in specific. Nebraska had mixed results in wheat production this year. Much of the wheat produced east of Grand Island had yields as good, if not better, than in recent years. There were several reports of dryland yields of 60 to 70 bushels per acre. However, the fallacy is that only 11.2 percent of Nebraska's wheat is raised east of Grand Island.

The area from Grand Island west got progressively drier the farther west one goes. The common harvest yields this year in that area, west of Grand Island, would be in the 10-to 25-bushel-per-acre range.

This year's Nebraska wheat harvest of 46,400,000 bushels is 22 percent smaller than last year's crop, and the smallest since 1944. This compares with the past 5-year average of 70,660,000 bushels.

The June 2nd crop report released by Ag Statistics reported that, at that date, the top soil and subsoil moisture levels across the

State of Nebraska were rated mostly short to very short in the major wheat-growing areas, and the crop conditions were rated at 62 percent poor statewide.

Moisture conditions continued to decline during the following month leading up to wheat harvest. The August 12th crop report from Ag Statistics showed subsoil moisture levels at 93 percent short and very short, which is the lowest level since 1974, and the report that I read this morning shows that the percentage is now 97 percent.

The financial status of Nebraska's wheat producers was extremely fragile prior to this year's drought. It is encouraging to see wheat prices increase to levels around $3.80 per bushel, almost $1 per bushel higher than 1 year ago. However, price is a nonissue if you do not have any production to sell.

This year's production was 12,800,000 bushels less than the 2001 crop year, which was not a banner crop year either. With wheat prices at $3.80 per bushel, the loss to Nebraska's wheat producers is $48,640,000. A dollar generated at the producer level will turn 7 times through the economy reflecting a loss of $3,404,800,000 to Nebraska's economy.

The Nebraska Legislature just completed a second special session in order to balance the budget for this fiscal year. Over $100 million was cut out of very worthy programs and projects. The legislature may well need to hold other special sessions in order to keep the State's budget in check if this drought continues.

Nebraska wheat farmers, as well as all agricultural producers, desperately need Federal assistance in order to withstand this economic devastation. The designation of Nebraska as a statewide disaster area is of great importance because it facilitates the opportunity for producers to apply for low-interest loans.

In addition to low-interest loans, our farmers will need a strong Federal crop insurance program and assistance with obtaining crop input for next year's crops.

I thank the Committee for this opportunity to make these brief comments of behalf of Nebraska's wheat producers. I believe that together we can survive, and Nebraska will continue as a strong wheat-producing State.

[The prepared statement of Mr. Stoddard can be found in the appendix on page 117.]

Senator NELSON. Thank you, Ron.

Next, we have former Senator Lee Klein, who is the immediate past president of the National Corn Growers Association. We appreciate having you here, Lee.

STATEMENT OF LEE KLEIN, IMMEDIATE PAST PRESIDENT, NATIONAL CORN GROWERS ASSOCIATION

Mr. KLEIN. Thank you, Senator Nelson, and thank you for being here today.

As you said, my name is Lee Klein. I am a farmer from Battle Creek where I grow—when there is rain—corn and soybeans and hay. I am the chairman of the board of directors and the past president of the National Corn Growers Association, the Nation's largest corn grower organization.

Senator, it is dry. You know that, and a lot of farmers in Nebraska and other parts of the Corn Belt are hurting. After the low prices of recent years, this disaster hits us hard.

The previous panelists have pointed out the severity of the problem. The question is how to mitigate it.

Yesterday, I stopped at a neighbor's place where trucks were unloading 300-plus cows that they were bringing home early from pasture. Ten days ago they brought home the calves from those cows. His cost per pen in the pasture was less than 90 cents a day. It was very close to that. Today, his cost, without labor, to provide feed for them is $2.10.

Also, I remind you that the retired Knox County rancher, where they pulled these cattle from, got three-fifths of his rent for the year. There are going to be a lot of culled cows, and it takes 7 years to repopulate a cow herd.

I am in the business of selling corn without cows to eat it, without hogs to eat it, without the poultry to eat it. We are in trouble. I mean, PETA would be happy with what is going on.

Finally, the NCGA strongly recommended the immediate establishment of the task force to conduct comprehensive evaluation of the losses caused by drought conditions over the last 2 years. We believe it is important for the Department to receive input from affected producers as to the extent of the drought, its effects, and practical actions for the mitigation. Such an entity would be worth value to both producers and the USDA. We hope to hear from the Secretary soon. Sadly, the USDA has inherited a lot of work regarding the Home Security Act.

Assistant Secretary Moseley told me in his office a while back that he and his staff are spending over 80 percent of their time working on this issue. Secretary Hawks, who works on the regulatory issue, said that his office is spending a lot of time with that.

I believe this has caused the droughts to be, literally, put on the back burner, if you do not mind the pun. The reason we have not seen some of the administration jumping in line on this is the fact that their people that would have been out looking at this have been tied up on other issues.

The National Corn Growers Association has established its own disaster task force comprised of producers from areas suffering from drought and from the areas blessed with rain. Our decision to appoint a task force was a result of collaborative efforts between NCGA and grower leaders from State corn grower and checkoff organizations.

The mission of this task force is to make sure that clear, timely, and accurate information on the impact of the disaster situation gets to policymakers and program implementors. The other thing is to share information between growers in States on assistance programs and options to assist crop and livestock producers in responding to the disaster, and to set a course of further action for national corn growers with respect to disaster response. Our task force will meet by phone again tomorrow to discuss and take action on this issue.

Senator you have supported the recently enacted farm bill. We applaud your support. You share with us the concern that any dis-

aster assistance might come from farm program funds. We strongly oppose funding disaster relief from current USDA programs.

Recent Federal assistance to victims of hurricanes in Florida did not come from Florida's share of Federal transportation funds—I robbed that from you—nor did payments made to Western States suffering from wild fires come from Federal funds otherwise budgeted to them.

Again, we do not believe that disaster aid should come from so-called savings from reduced payments due to higher commodity prices or any other change in the Farm bill. Once that happens, I believe the final things that can happen might be funding the World Trade Center out of reduced expenses. We are not interested in that at all.

We are also concerned that this disaster might be used as an argument against the renewable fuel standard you worked so hard to get adopted in the Senate energy bill.

True, we are talking about a major drought having serious impacts on farmers and ranchers in many States. However, I want to point out that we will have a corn crop exceeding 8.7 billion bushels. There is and will be plenty of corn to produce ethanol.

This disaster has a human face for many in agriculture, but the strength of our American agriculture ensures our ability to meet the challenge of being part of the solution for our Nation's energy problems.

The solution for assisting those suffering from this drought will not come easily. The producer members of the National Corn Growers Association pledge to you, Senator, and to our friends in Congress and the administration our commitment to working toward an equitable policy that assists those who need help, and preserve the programs so important to farmers and ranchers in our rural communities.

Finally, as you pointed out, Senator, loans are not always the answer. Let me tell you, this disaster will be the proverbial straw that broke the camel's back. We will be losing more producers, and some of them will not even realize the long tail that exiting production in agriculture will have.

We allow a no-tax liability on $500,000 worth of selling a home to a couple that have owned it for 5 years and lived in it for 2, but not to the individual who quits farming. After the banker extracts his share, come March the IRS will be waiting with open arms.

I ask you to please grant an exemption to those people so they can get on with their lives. If we can give a $500,000 exemption in income to a homeowner, why can't we do $250,000 exemption for people forced out of agriculture?

Thank you, Senator.

Senator NELSON. Thank you. I thank the panel for the very appropriate presentations from your organizations.

As I think about the question about getting something accomplished in a timely fashion, and with an emergency so that we can do it immediately, is there anyone who feels that we ought to wait to see if you can get some offsets, even if they were outside the Farm bill?

Lee, you have spent enough time in Washington. You visit our office on many occasions when you are back there in your role as

the president of the National Corn Growers Association. Do you have any thoughts about what the effort to get offsets might involve, in terms of timeframe?

Mr. KLEIN. Well, I don't think there is time, especially for the cow/calf producer. Like I said, it takes 7 years to rebuild a herd.

I honestly, Senator, do not think that there needs to be an offset on an emergency funding basis. It was pointed out by one of the panelists earlier. John Hansen said that the Senate version had an emergency assistance package in it. It got buried in the conference committee. If we are going to that, it needs to be budgeted for ahead of time. I do not want to see that farm bill opened up.

Senator NELSON. Any other thoughts from the rest of the panelists?

Mr. DITTRICH. Well, Senator, I am very concerned about offsets also, and we strongly oppose any offsets. We do not think that is necessary. I am concerned that it is possible that there is an attempt to really undermine the integrity of the Farm bill by using offsets to cut loan rates, for example.

The question is: Where are you going to take them? Are you going to take them out of the counter-cyclical payment? Is that not going to be needed this year?

We do not know yet. We do not know where market prices are going to go. We hope they go hope. They should go up. The past 2 days corn has been down 10 cents the last time I saw it, about noon today. We just do not know. We are very concerned about attempting to use any of those offsets.

As you mentioned, CBO will have to score some—if you are going to take money out of the farm program, they are going to have to score it by taking away funds and taking away from program benefits. That is how they will do it. It really will work.

Senator NELSON. Any other thoughts from the panelists?

Mr. SCHWEERS. Well, I guess I just echo much of Lee's comments. Once you open up that farm bill for offsets, we do not know what else is coming down the line. It is just going to open it up for other people to raid into the Farm bill. We also do not know what is going to happen in the future. That is our safety net, and we want to leave that intact.

Senator NELSON. Jim.

Mr. VORDERSTRASSE. As far as counter-cyclical payment, the CBO—when they score it—they figure money saved in 1 year will possibly be used in the next year, if there is more money needed. If we start taking it out of this year when we do not need it, down the road we are going to run short and be left standing with nothing.

Senator NELSON. Well, Ron, I will not leave you out in case you had some thoughts you would like to give.

Mr. STODDARD. Well, Wheat certainly agrees with the panel here that the farm program should not be opened up again and that offsets should not be used as way of funding disaster.

Disaster is needed immediately and, as mentioned before, the cow/calf guy is probably hurting more than the wheat producer is, although most wheat producers are a cow/calf producers as well.

Senator NELSON. For many of those producers, when we say now, in their mind it is already yesterday.

Mr. STODDARD. Yes.

Senator NELSON. Immediate, right away, emergency—all those words mean—even though we are trying to do it as quickly as we can, it is still a delay for many of the producers. No matter when we get it done, it is not soon enough in many cases.

Well, I thank you very much. I appreciate it. Very enlightening.

One of the things I wanted to do here is—I neglected to introduce the folks who are up here supporting me.

First of all, most of you probably already know Dale Williamson, who is the head of the Natural Resources Commission and Office under six Governors, including myself. I have always teased Dale about his age. As a retired general, he has been around just a little while. Just the other day he was telling me about how bad the 1920's and the 1930's were.

[Laughter.]

Mr. WILLIAMSON. I have a tractor for sale, too.

Senator NELSON. Oh, and he has a John Deere tractor for sale. It runs good, but it is missing the steering wheel and seat. It is ideal for the person who has lost his backside and does not know which way to turn.

[Laughter.]

Senator NELSON. He thought he was going to get me on that.

Then we have Betsy Garbucz who is working with us. Ben Hanson, who is are legislative assistant, who has recently joined us from Superior. He has some family here. We are very happy to have him. Then Stephanie Mercier, who is from Senator Harkin's staff, through whose courtesy and support we are able to have this committee hearing here. We appreciate very much her invaluable assistance to us along the way.

Now, having said all that——

Mr. WILLIAMSON. Senator, we also have Mary Crawford with Senator Hagel's staff. You couldn't see out there. Mary, are you out there?

Senator NELSON. Here we are. OK. Thanks, Mary. We appreciate your being here.

I have some items I would like to introduce in the record. I would like to submit the letter from Pam Potthoff of Women Involved in Farm Economics—WIFE—as they support S. 2800, no offsets, as well as a collection of letters written by members of the United States Custom Harvesters, which we will make all a part of the record for this hearing.

[The letters of Ms. Potthoff and members of the U.S. Custom Harvesters can be found in the appendix on page 121.]

Senator NELSON. Now, we are having a potpourri group of panelists for the fourth and final panel today. As they are preparing to get situated—they are going to be batting cleanup. If it has not been said, they are probably going to say it, but if it has been said, they are probably going to say it again. We appreciate you very much for being here today.

First, Dale Dueland from McCook, whom I have known from the time that he was crawling on the floor of his parents' home many, many years ago. He says that he is a dryland farmer from McCook. It almost seems like an oxymoron to say you can be a dryland farmer today under these conditions.

Dale, we appreciate your being here. Please give us your thoughts.

STATEMENT OF DALE DUELAND, FARMER, McCOOK, NEBRASKA

Mr. DUELAND. Thank you.

As the Senator said, my name is Dale Dueland, and I live in McCook, Nebraska. I manage and operate a diversified family farm in nearby Frontier County, which includes land that my great-grandfather homesteaded in 1890. I have operated this farm since graduating from the University of Nebraska in 1976, and also have had several years of part-time work experience in ag finance and farm and ranch real estate sales. I currently serve as director and officer of our local farm cooperative and have for the past 10 years.

According to the McCook Daily Gazette, last Friday was the 35th day this summer of a daily high temperature of 100 degrees or more. This is, unfortunately, very close to the record of 37 days back in 1936.

I might add, this morning they were forecasting 100-degree temperatures for the next 2 days as well. That record is within the target, and we could be over that by the end of the week.

As of Friday, McCook had recorded 8 inches of rainfall for the year. That is one-half the normal, with most of the shortfall occurring in the last couple of months. Our farm has received just one-half inch of rain since late June.

The extreme heat, coupled with lack of rainfall, has devastated the dryland crop production in our area. Just last Friday, our crop insurance adjuster appraised our nearly 900 acres of dryland corn at a zero yield, something a few weeks ago we would never have thought possible due to drought.

Our normal annual rainfall usually does not provide excessive moisture. In 1981, we adopted conservation farming practices to conserve every drop of rainfall we receive. It has served us very well over the years, as I do not recall ever in my farming career having a crop insurance loss claim due solely to drought. We have had a claim occasionally due to hail, but not drought. We thought we had a fairly bulletproof plan to produce crops up until now.

Our long-term dryland corn yield averages are 80 to 90 bushel per acre, generating normally about $200 gross revenue per acre from grain sales. Multiperil crop insurance coverage, which we have purchased as long as I can remember, will produce a little over $100 per acre, leaving us about $100 an acre short. Now, this totals close to $90,000 of uninsured lost income from our dryland corn crop alone.

It does not end there. When you add losses from our cattle operation due to lighter calf selling weights and higher feed costs, and add losses from the irrigated farmland due to reduced production from heat stress and higher pumping costs, our total uninsured farm losses for our operation should easily enter the neighborhood of $200,000.

Multiply this times the number of full- and part-time family farmers in our area, and you realize that this has enormous consequences, not only for the farmers, but also for rural communities that supply farmers with goods and services.

I have many friends in McCook that are small business owners, and I depend on them to keep my farm running.

As you can see, losses of this magnitude test the financial strength, management abilities, and emotional fortitude of the families who operate the farms. The combination of low crop prices the last few years and an accumulating effect of drier weather patterns in our area are pushing many farm operations to the brink.

In spite of larger price support payments the last few years, many operations have operated at breakeven, at best, and will have a very difficult time producing profits to overcome these shortfalls. With losses accumulating as quickly as I mentioned above, even farm operations that were strong financially can have their equity positions quickly diluted.

This drought is a disaster. It is as severe and as much of a disaster as any flood, tornado, hurricane, or earthquake that you could imagine. It has been sinister. It has tempted and teased us for 2 years with moderate dry spells, and this year unleashed an unbelievable 90 days of extreme heat and dry to scorch the earth.

Multiperil crop insurance has been a great help to our operation. We have purchased CRC coverage at the basic levels and are comfortable with the risk that we have assumed. It is good coverage at a reasonable cost.

Our area is about one-half rangeland, and cattle are a large part of our farm and ranch incomes. The Livestock Assistance Programs are needed and should be closely examined to assure that they provide appropriate assistance in a fair and responsible manner.

Regarding the EQIP program, I would suggest that additional or reallocated funding for EQIP in the drought area be considered. This program has been short-funded the past few years, and there has been a backlog of projects to be completed. These projects stop soil erosion, aid rainfall conservation, promote efficient livestock grazing, and promote irrigation efficiency conserving the high plains aquifer. They are private/public partnership projects that will help the farmers battle the effects of the drought.

Our farm is in the Middle Republican Natural Resources District. At their monthly meeting last week, the McCook newspaper reported there were 192 applications requesting $3 million in cost share funding for EQIP projects districtwide. These are projects that the district conservationist has reviewed and deemed worthy of funding consideration. The current allocation of funding for those projects is $496,000. At this rate, it would take 6 years to work through the list, not counting any new applications.

Another thing to consider here is most these projects require contractors and other supply items from local communities. This would be a way to boost these businesses and rural development as well. I submit these projects will most likely not be done without EQIP cost share, as financial pressures from the drought will prevent farmers from spending money, which brings me to the last area I want to touch on, the money issue.

When my banker and farmer friends heard I had been invited to come here today, they commonly offered one request, half serious and half tongue in cheek. The request was: Just tell them to send money. Don't we wish it were all that simple.

Even with the insurance proceeds and direct Government assistance, it will be a long time before farmers and ranchers recover financially from this drought. I do not think any farmers or ranchers I know expect to be made financially whole from the Government assistance. They expect risk in agriculture and take steps to reduce their exposure to it. Not to recognize that risk can be financial suicide.

One thing we generally do not need today in agriculture is more loans, especially Government or private loans that are made irresponsibly. I would not encourage a large Government direct loan program to counter the effects of the drought. I feel we must offer as much direct disaster aid to producers that we can practically afford and rely on the banking and credit system we have in place to manage the rest of this problem.

Generally the system is very good with adequate capital and personnel to service agriculture. Ag bankers know their customers and their credit capacity pretty well and would be the best judge to administer any financial restructuring that may be needed.

For the most part, this has been a hot, frustrating summer for producers. In a normal year, we would be enjoying a late summer break, appreciating the growth and progress of the summer crops, and looking forward to a fall harvest that would have rewarded us for a spring and summer of hard work.

Normally, in the fall, including some harvesting we do for neighbors, we would run our combine over about 2,000 acres of crops. It looks like this year we will harvest about 350 acres of irrigated crops that will produce maybe a half to two-thirds the normal yield. The other roughly 1,700 are at zero yield. At first glance, it does not look like there will be much to do.

For me, though, it feels like the work is just beginning. We will have to break out of our routine and make a number of different decisions which have important consequences for our future.

We may be witnessing just the first chapter of this drought, and I hope and pray that we are not. At the moment, there is no indication that there is a big rain coming, but if it did, we would still not see much effect until the growing season of 2003.

Immediate rains would get the wheat crop off to a good start and would charge soil moisture reserves for a corn crop next summer, but there would not be much help for feeding the cattle herd. In fact, a cold, snowy winter would actually cause more expense in feeding and caring for the herd.

A continuation of the drought will certainly drive production losses and producer despair deeper. Today, looking into the future, it appears we will lose complete grain and pasture crops until this drought breaks.

This outlook does not encourage those businesses in our rural communities either. Please understand and do not forget that they are very dependent on dollars flowing through the agriculture economy. Their financial future is directly tied to the outcomes of the drought and governmental assistance. It is important to remember that not only our farms' but also our rural communities' welfare is at stake here.

Thank you for the opportunity to share my views.

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

Senator NELSON. Thank you very much, Dale.

Jeremie Kerkman, from the Central Nebraska Public Power and Irrigation District. Jeremie.

STATEMENT OF JEREMIE KERKMAN, ON BEHALF OF THE CENTRAL NEBRASKA PUBLIC POWER AND IRRIGATION DISTRICT

Mr. KERKMAN. Thank you, Mr. Chairman.

My name is Jeremie Kerkman, representing the Central Public Power and Irrigation District, and I will discuss the conditions in the Platte River Valley.

The North Platte River, the Platte River, and associated reservoirs supply irrigation water to approximately 608,000 acres in Nebraska. Surface water irrigators in Nebraska's Platte River Valley from the Wyoming border to Kearney rely on a combination of precipitation, naturally occurring flows in the river, and water stored in Wyoming reservoirs and Lake McConaughy to meet the demands of their crops. The lack of rain and low river flows have placed unsustainable demands on storage supplies in Lake McConaughy.

Flows in the Platte River have been low since June of 2000, and record-low flows began to occur in mid-April of 2002. Cumulative inflows to Central's system of canals and reservoirs since January 2002 have been less than half the normal inflows. To illustrate the severity of the situation, the difference between inflows this year and in a normal year would be enough water to irrigate 150,000 acres.

Irrigators on Central's system will receive the full amount of water contracted to them in 2002. However, because of the lack of precipitation, in many instances the amount of water provided by their contracts and delivery systems will not be adequate to meet the full demands of the crop.

Precipitation is needed to provide adequate moisture for grain fill. Corn grown in Central Nebraska requires 24 to 27 inches of water to meet the regional evapotranspiration demand. That water requirement is normally met by a combination of moisture stored in the soil, precipitation, and irrigation. On average, South Central Nebraska receives 11.75 inches of rain during the growing season. This year, rainfall has totaled only 4.6 inches.

The effects of this drought on Lake McConaughy have been mounting for 3 years, but have now reached a critical juncture. Lake McConaughy currently contains one-third of its capacity, and Bureau of Reclamation reservoirs in Wyoming, which are filled primarily with snowmelt runoff from the Rocky Mountains, are extremely low.

Lake McConaughy depends primarily on return flows from upstream irrigation projects in eastern Wyoming and western Nebraska. The amount of water available to the Bureau of Reclamation irrigation projects ultimately affects the amount of water that finds its way back to the North Platte River and into McConaughy. With Wyoming's North Platte reservoirs storing less than 30 per-

cent of their capacity, the possibility of McConaughy filling in the next couple of years is remote.

Central has estimated Lake McConaughy's ability to withstand continued drought conditions. At this time, we believe it is very likely that McConaughy will contain sufficient water to irrigate the 110,000 acres under contract with the Central District in 2003.

However, should drought conditions persist through next summer, the lake could fall to as little as 15 percent of capacity, which would make it extremely difficult for the lake to recover sufficiently to meet irrigation demands during the 2004 season.

Central and the producers to whom we provide irrigation water are making every effort to conserve water resources. Since the drought of the early 1990's, numerous improvements have been made to our delivery system and customers' on-farm systems at a cost of more than $25 million to ensure that Central's portion of the Platte Basin's water supply would be sufficient to meet irrigation needs.

We have informed our irrigation customers of the current circumstances at Lake McConaughy to encourage conservation and have reduced releases for hydroelectric power generation. The conservation and education efforts implemented to date have been effective, resulting in a reduced demand for water from Lake McConaughy. However, the total financial impact of the drought on producers will not be known until after harvest. It is likely that the reduction yields and revenues will be significant.

Without a timely end to the current drought conditions and above-normal snow pack in the Rocky Mountains of Wyoming, the situation could become worse. Continued drought may very well interfere with Central's ability to deliver a normal supply of irrigation water in 2004.

Thank you for this opportunity to provide you testimony.

[The prepared statement of Mr. Kerkman can be found in the appendix on page 136.]

Senator NELSON. Thank you, Jeremie.

Now, Ron Cacek from the North Platte Natural Resources District from Scottsbluff.

STATEMENT OF RON CACEK, MANAGER, NORTH PLATTE NATURAL RESOURCES DISTRICT, AND CHAIRMAN, NATURAL RESOURCES DISTRICT MANAGERS COMMITTEE

Mr. CACEK. Thank you, Senator Nelson, for this opportunity to testify today on the effects of the drought in Nebraska. My name is Ron Cacek. I am testifying today as manager of the North Platte Natural Resources District, and also as chairman of the NRD managers committee, made up of the managers of Nebraska's 23 natural resources districts.

Senator Nelson is familiar with Nebraska's system of natural resources districts, but for the benefit of the others, let me explain that the State is divided into 23 natural resource districts known as NRDs. NRDs are local units of government, each with an elected board of directors. State law gives NRDs a charge to conserve, protect, develop, and manage the natural resources of this State and assigns them a broad range of responsibilities and authorities to carry out this mission.

Protecting and conserving groundwater is one of the NRD's key responsibilities. Many NRDs can tell you that the current drought has put severe stress on groundwater across much of Nebraska.

Virtually, all of Nebraska has felt the effects of the drought, but it has been most severe in the Panhandle. Scottsbluff receives an average of 14 inches of precipitation yearly. A typical year for us would be considered a drought in many areas. The year 2002, by any standards, has been especially dry. Since January 1st, Scottsbluff has received 3.87 inches of precipitation, according to the National Weather Service, about one-third of normal amount.

Along with the drought has come extreme heat. June's average temperature was 6 degrees warmer than normal, and July's average mean temperature was 4.5 degrees warmer.

The drought has put extreme stress on the entire system of surface water and groundwater in the North Platte Valley. Several large reclamation projects on the North Platte River provide water to irrigate more than 300,000 acres of crops in the Panhandle. These projects rely upon winter snowpack in the mountains of Colorado and Wyoming, but this last winter there was not very much snow. The snow that did fall mostly soaked into the soil, and not much ran off into the streams and reservoirs. This left the North Platte Project with scarcely more than a third of a full water supply this spring. For irrigators, this has translated into enough water to last an average of 65 days, when the normal irrigation time is 122 days.

The North Platte River provides water to protect for appropriators with a priority date of 1884. The last time that administration on the river occurred, back to this date, was about 1954. The North Platte River is not much more than a trickle.

On June 24th, the Department of Natural Resources measured a flow of 17 cubic feet per second at the gauge at Lewellen, at the upper end of Lake McConaughy. This is the lowest flow on record at this location. The previous low was 44 cubic feet per second, measured in 1954.

The effects that I have listed so far are visible for anyone to see the dry river bed, stunted and wilted crops, and scorched grazing land, but this drought is having other effects that cannot be seen. It has severely stressed groundwater in the North Platte Valley. There are several reasons for this.

First, surface water irrigators whose canals dry up will turn to groundwater to get them through the summer, if they also have a well. This will obviously result in the pumping of much more groundwater than a typical year.

A second reason is that most of the groundwater recharge comes from the irrigation canals. When they dry up earlier than usual, that means less groundwater available to pump. In other words, most of our groundwater is recharged from the surface water irrigation projects.

The combination of less groundwater and more pumping has already led to problems for groundwater users. Some counties have received approval for emergency assistance through USDA to drill new livestock wells. This assistance has been helpful, but should have been made available sooner.

There have also been reports of cities in Nebraska restricting the use of water by residents. Since early summer, the NRD has received numerous reports of significant problems with domestic and livestock wells, and even irrigation wells.

In some cases, the wells that provide water for farm homes and livestock operations have dried up. The NRD measures water levels weekly in a number of wells, and we have charted declines in water levels as a result.

One result of the groundwater problem has been an even higher demand to drill new wells. So far in 2002, the North Platte NRD has issued 112 well permits. This is more than the NRD has issued before in an entire calendar year, and about double the number of permits issued in most years.

In conclusion, it is becoming clear to us that the drought of 2002 is unprecedented. Longtime residents who can remember the 1930's cannot remember it being this dry before. The effects have been severe, and indications are that they will get worse.

Even when this drought has passed, it is likely to take a long time for surface water and groundwater resources to recover. Steps need to be taken now to lessen the long-term impacts of this drought.

Thank you.

[The prepared statement of Mr. Cacek can be found in the appendix on page 143.]

Senator NELSON. Thank you, Ron.

Now we have Al Davis, a rancher from Hyannis. Good to have you here.

STATEMENT OF AL DAVIS, RANCHER, HYANNIS, NEBRASKA

Mr. DAVIS. Thank you, Senator Nelson. I would like to thank you for giving me the opportunity to testify this afternoon before the Senate Ag Committee about Nebraska's widespread drought and its economic implications. My name is Al Davis. I am a rancher from Hyannis, Nebraska, which is small community 60 miles east of Alliance.

This is not the first year of the drought, but 2002 has expanded the area of dryness, and many believe that Nebraska's rangelands are in worse shape today than they were in the Dust Bowl days of the 1930's.

A drought is a natural disaster. It is no different than a hurricane, a flood, or an earthquake. In those instances, aid arrives immediately because the damage is visible, sudden, and shocking, and it draws the attention of the media. A drought is silent and often ignored, but just as deadly.

In the extremely dry portions of Nebraska, the rancher is out of options. He needs assistance immediately or he needs to liquidate. Most ranchers cannot even wait for their traditional bred cow sale in October to liquidate their herd.

It is my hope that the House, Senate, and executive branches will move beyond partisan politics to find a quick solution for our problems. Otherwise, it will be too late for most of us.

The cattle rancher is essentially a farmer, a grass farmer, and the cow is the vehicle that converts the grass into cash. It is the cow that pays the bills on a ranch. She makes the land payments,

pays the utility bills, buys tractors and pickups, and pays for the repairs. The cow pays her own bills as well. She pays the feed store and the vet. She pays wages, housing, and benefits for the workers who take care of her. If that is not asking enough of the cow, she must also fund the local government entities through property taxes. She enables the ranchers to buy goods and services that garner State and local sales taxes.

In fact, the cow is the foundation of the economy in a huge portion of Nebraska, and anything which reduces her ability to prosper has a grave impact, not just on the rancher, but on all Nebraska's economic entities from State government to rural villages.

If you have been outstate in Nebraska, you have seen the visible result of the drought. Pasture and forage production is running at 25 to 50 percent of normal. The drought's old friend, the grasshopper, has exploded in numbers. Reports from Custer County indicate levels in excess of 1 million grasshoppers per acre on some pastures. That is approximately 23 grasshoppers per square foot.

Most ranchers turn cattle into their summer pastures in May, knowing that they were short of forage, but hoping for moderate weather. The weather flipped 180 degrees in June. Hot winds were common much of the month, and little moisture fell to bring on the warm season grasses.

July brought unrelenting heat with many communities breaking records every day. At our ranch, we had our last measurable precipitation on July 6th, when we had 1.5 inches, bringing the total for the year to 7 inches.

Ranchers follow the seasons in making management decisions. They move to summer pasture when the grass is growing, move to winter pasture at the conclusion of the growing season, and begin supplementing cattle with hay in January or February as their cows prepare to calve.

Most summer pastures played out in Nebraska in late July. Ranchers in our area are now grazing their winter pastures, which normally take place around November 1st. Winter pastures will be gone in a month, and most of us will be out of options by October 1st, with no grazing available to carry us through to traditional hay feeding season in February.

While the Hyannis area has received about half the normal amount of precipitation, the Scottsbluff area is much worse off with only 25 percent of normal rainfall. Scottsbluff County has never seen such meager amounts of rain, even during the Dirty Thirties.

Ranchers in the McCook area were weaning calves in June, months ahead of the usual weaning season in October.

The effects of the moisture deficit will be long-lasting because it will take an exceptionally wet winter to bring grasses on next spring.

It is important to view all this with consideration of the fact that the cattle market has been severely depressed for some time. Bred heifers sold for $850 to $1,000 last February. Today, this same heifer, with calf by her side, might bring $650 in a livestock auction barn.

If Nebraska's ranchers are forced to liquidate herds under these depressed prices, it is unlikely that many will be able to fully rebuild. Many ranchers have already thrown in the towel and are liq-

uidating portions of their herd. Deep culling will eliminate all animals over 6 years old at one neighbor's ranch. At Angora, several ranchers are liquidating their entire herds.

Rural communities that are heavily dependent on the ranch economy will suffer, too. Loans that were fully collateralized last year may be called this year as the price of cattle declines in response to the drought.

Implement dealers, feed dealers, veterinary supply houses, and vets will all be directly affected by the drought. Fewer cattle on the ranch means less money spent for these items.

Ranchers I spoke with offered several suggestions. They include: One, all ranchers would like to see a revision of IRS rules on restocking after a drought. Current law provides that the operator must restock within 2 years or pay capital gains taxes on the deferred income. Ranchers would like to see an additional 2 years added to IRS regulations. Pastures may not fully recover in 2 years or the drought might continue for an additional period.

As individuals rush to restock, an artificial bubble may develop in the price of bred cows. Ranchers who pile on debt to repurchase these cows in an attempt to avoid further capital gains taxes may be forced to borrow more money than they can adequately service. Extending the buyback period to 4 years would help keep debt levels low and manageable and would allow for slow and safe restocking, which makes sense from an ecological standpoint.

Aid could come in several forms. During the drought of 1989, many ranchers were dismayed when hay doubled in price shortly after USDA announced that it would pay half the cost of purchasing additional feedstuffs. The beneficiaries of Government assistance that year were the producers of hay and roughage, who saw the price of their commodity double overnight.

Producers I spoke with offered the following suggestions:

Consult with NRCS to determine the carrying capacity of a particular ranch. Consult the rancher's inventory records to determine how many head of cattle he is running on that particular ranch, and then pay the rancher a lump sum amount which is related to the number of cattle on the ranch, but no greater than the carrying capacity of that particular ranch. The objective here is to assist all ranchers, but to avoid reinforcing behavior which is not conducive to overstocking their pastures.

B, assist the rancher through Federal rebates to local taxing entities who would then lower property taxes for the affected ranchers. This would require the coordination of various levels of government, but would free up money for the rancher to use for feed purchases. In Nebraska, property taxes are often the second largest expense for the rancher, and they are due and payable on the land even if no cow can survive on it.

C, all ranchers would like to have flexibility to purchase feeds that most suit their operation. It may be more cost-effective to move the cows to a feedlot for a few months rather than to bring high-priced feed into the ranch. This option needs to be available to the rancher.

An extremely flexible program is needed to meet a variety of circumstances. Ranchers would appreciate your help in emphasizing

to urban Senators that the rancher does not receive subsidy for his normal activities from the Farm bill.

While we would prefer to use money allocated in the 2002 Farm bill, we all feel that time is running out for the industry in our area, and extensive wrangling in the Senate and House over where the money is to come from will be detrimental to the region. Therefore, we would support additional funding above and beyond the Farm bill, if it is required, and can be delivered in a timely manner.

Finally, Secretary Veneman recently announced a $150 million assistance program for our area. Surprisingly, local FSA offices have no information available about this assistance program, although this information appears to be available to the large feed corporations.

Press releases by the Department of Ag, which are prepared and distributed before guidelines are compiled, are not helpful, and I would urge you to consult USDA and request that they immediately develop guidelines for this program.

I appreciate your efforts on behalf of Nebraska's ranchers, and thank you for the opportunity to come here today.

[The prepared statement of Mr. Davis can be found in the appendix on page 150.]

Senator NELSON. Thank you, Al.

Now we are pleased to have Vern Steinman, who is the Orphan Grain Train Volunteer Manager of Operation Hay and Grain Lift, and he is from Norfolk. Maybe, Vern, you could tell us a little about that operation.

STATEMENT OF VERN STEINMAN, OGT VOLUNTEER MANAGER, OPERATION HAY AND GRAIN LIFT, NORFOLK, NEBRASKA

Mr. STEINMAN. Thank you, Senator Nelson, and thank you for taking your coat off and making me feel right at home.

Senator NELSON. Yes, exactly.

Mr. STEINMAN. I am the only one that did not wear a coat. It was awful cold in here earlier, and now it is warming up after I am beginning to speak.

I would like to introduce two gentlemen, first of all, who started Orphan Grain Train. Pastor Ray Wilke and Clayton Andrews started Orphan Grain Train 10 years ago, and it has been providing relief in all kinds of disasters ever since.

I am going to paraphrase my remarks here and just hit the high spots. I know what Al is going through. We have received over 200 calls for hay. My remarks are going to be made to you to help us release some more hays that we can get to these folks.

You and I both know that a cow herd survives on hay, but there are some things we can do and that we have helped do to survive some ranchers. My remarks are going to be survival remarks.

I harken back to the days of Winston Churchill, when Winston Churchill said—the town was falling. They were being bombed every night and everything else, and he said never, never, never give up.

Our whole issue here with Orphan Grain Train and Hay Lift is we are not going to give up. We are going to help—we are going

to go to the last cow to try to help these folks out with some hay and grain.

We have an 800 number established to call for hay and to donate hay. Amazingly, the Maker up above does wonderful things because daily now I am getting calls donating hay.

Senator NELSON. Before you go further, would somebody here like that 800 number? I know you could gather some hands.

Mr. STEINMAN. We are using a donated cell phone—Orphan Grain Train works on almost all donations—402–640–5528 is our Hay Lift number.

Senator NELSON. Now, try that a little bit slower.

Mr. STEINMAN. Oh. I am sorry. I am a Dutchman. I talk fast. I will slow up.

Senator NELSON. Let us get that number.

Mr. STEINMAN. 402–640–5528.

Senator NELSON. All right. Thanks. I did not mean to interrupt you, but I thought——

Mr. STEINMAN. That is fine. I like a participatory challenge anyway.

Senator NELSON. All right. Sounds fair.

Mr. STEINMAN. As of this morning, we had 190 people request, and that is different than you have in your notes because it goes up hourly. We needed 4,010 ton. We have filled 67 of those requests as of this morning, and we have filled 1,304.4 ton, which is a fantastic job. Farmers love to help farmers, and they will come forward, if asked.

We have 24 donors right now that have contributed 1,453 tons. We are needing a lot more hay to fill the requests that we have.

We appreciate the deadline increase on the CRP. That was to the end of the month, but that has been moved up until the end. After out-of-state donations, we have had some calls. We have shipped some out-of-state hay.

We feel the secret to saving the cow herd, and everything that you have heard here today, is we have to get them hay. That is all there is to it. We have to find some way to get hay to these folks. We can move cows. We have done a lot of that already fellows that brought cows to eastern Nebraska.

It is amazing your map and my map, down here with the pins in it—where the donors are, and where the hay is going is exactly the drought map there. We are so fortunate in northeast Nebraska that we have been able to catch some timely rains and get some hay. That has helped us.

I put in there a donator sheet. We verify everybody that calls us. We call either the Extension Service or the Farm Service Agency and verify the person says who he is and so we can guarantee the donor of the hay will be going to a recipient that is in need of hay.

Last week, on August 12th—or 2 weeks now. Time is going pretty fast for an old volunteer like me. I am full-time service now, it seems like, but still volunteering. We had a meeting last week. One of the worst things in a disaster like this is the emotional toll on families. If you could sit on the telephone, as I have done the last few weeks, and listen—and you know who calls in for hay? That is the wives. The wives call in and it is an emotional time for these

folks. I mean, it is the biggest tragedy that I have been involved in.

We, as a organized group of churches, went together, and we are lined up with Nebraska Community Action Organization. We are lined up with the Inter Ministries. We are providing services for those in stress that need counseling, and counseling is a big part of this.

OK. What do we need? We would like to see you look into maybe harvesting more of the CRP acres. We harvested 50 percent. We could harvest another 25 percent of those and have very low impact on the wildlife, we feel, because where we harvest it already, the regrowth of that harvested acre has been tremendous when we have some rains.

If you could help us there with getting some more of that CRP—and my understanding was that the Conservation Reserve Program in the first place was installed for emergencies like this where we need roughage. We need roughage.

OK. We instituted a grain program where we know that we take CRP hay it cannot be fed alone. It has to be fed with some energy source and a protein and mineral source. We have instituted a program where we are asking people to donate grain so we can start to supply the same producers with grain to supplement the CRP hay.

We have an excellent organization. I have worked with what I refer to the old USDA. They have been most supportive. Brian has really taken a hold on that. The Extension Service has an excellent point for helping these farmers—how to feed CRP hay, how to feed cornstalks. We are now initiating a cornstalk program where we are going to harvest cornstalks and try to get those shipped. Still, that is where we are coming from.

I will entertain any questions you might have later. Thank you.

[The prepared statement of Mr. Steinman can be found in the appendix on page 159.]

Senator NELSON. All right. I thank you.

Art Duvall, who is a soybean grower, representing the Nebraska Soybean Association, from Ord. Art, we are glad to have you here.

STATEMENT OF ARTHUR DUVALL, SOYBEAN GROWER, ON BEHALF OF NEBRASKA SOYBEAN ASSOCIATION, ORD, NEBRASKA

Mr. DUVALL. OK. Thank you very much, Senator.

My wife Tanya and I have a soybean and corn farm near Ord, and that is located 65 miles north of Grand Island. I have been a member of the Nebraska Soybean Association, the Nebraska Corn Growers, and Nebraska Farm Bureau for many years. I am currently serving as chairman of the Nebraska Soybean Association. I am also an independent crop insurance adjuster, working with both hail and multiperil claims.

I am here representing the Nebraska Soybean Association, but the drought has affected all areas of crop and livestock operations. I will not limit my comments to just soybeans, since our farm, like many others in Nebraska, is a diversified operation.

I would like to thank you, Senator Nelson, and your staff for conducting this meeting and for allowing me to have the opportunity

to relate to you the drought conditions that we are facing in Nebraska.

I would like to convey to you the drought conditions on my farm, the drought conditions that I have seen as I travel across this State and visit with other farmers as a crop insurance adjuster, and the effect the drought has had, and could have, on my community.

Our farming operation consists of around 500 acres, of which 45 percent is non-irrigated. Since June 7th, for 60 days, we did not receive any measurable amount of rainfall. The temperature was in the upper 90's to 100 degrees. We also had many days of high winds.

I watched as my dryland corn and soybeans withered and then died. I will not harvest any grain from these fields. Because of the drought conditions, the nitrate levels in the damaged corn is so high that it is not safe to graze or hay. My dryland soybeans are from 6 to 8 inches tall, and I may be able to get some hay off of these. If you are interested, I have some pictures of my dryland crops that I would share with you after my comments are over.

Even the irrigated soybeans are much shorter than normal. They are setting pods, and beans are starting to form. Our average yield on irrigated soybeans is 50 bushel per acres. I feel that this year we will be 15 to 20 percent lower due to the extreme heat and winds.

Our irrigation system, although running full time, could not keep up with the crop water demands. Most irrigation systems are designed to supplement the normal rainfall and could not apply enough water fast enough this year.

Also, we normally start watering soybeans when they begin to set pods, usually around late July. This year we were forced to start watering over 30 days earlier, which will add a considerable amount to our production costs.

The irrigated corn is in much the same condition. Extreme heat during the pollination period has caused a reduced yield. We have also had a plague of grasshoppers this year. Grasshopper control has been expensive and, in most cases, ineffective.

The irrigation costs are much higher than in normal years. My average corn yield is 150 bushels per acre, and similar to the soybeans, I expect to see 15 to 20 percent lower yields this year. This is on the irrigated ground. I would like to reiterate, on the irrigated corn and soybeans, our yields will be lower, and our production costs will be much higher.

I, like most farmers, carry multiperil crop insurance, but crop insurance alone will not be enough. We are in the third year of a drought. It is more widespread this year and receiving more attention.

In the year 2000, we produced no dryland crops. In 2001, we had about one half of a crop. This year we will again raise no dryland crops. We need a drought assistance program to keep our operation viable.

As a crop insurance adjuster, I have traveled over a large part of central and western Nebraska. The crop conditions that I see on my farm are being replayed on farm after farm that I visit. I have been in hundreds of corn and soybean fields that have absolutely

no potential. Some irrigation districts have shut off water because the lakes and canals are so low.

This is a critical time in grain production, with kernel development in corn and pod fill in soybeans. Having their irrigation water shut off now will drastically reduce their yields. Farmers have expressed to me that their irrigation costs have been extremely high, and grasshopper control costs range from $8.50 to $11 per acre. Most operators have sprayed the borders of their fields several times, and I have talked to some farmers who have sprayed entire fields up to three times. I have had several producers tell me that, without some financial assistance, they may not be farming next year.

The alfalfa crop was also very short. Most producers harvested a fair first cutting, but between the drought and the grasshoppers, second and third cuttings were greatly reduced or not at all. Ranchers are also facing a very serious situation. Pastures are completely gone. They have been forced to wean calves early, and reduce their cow herds dramatically. The normal 5-month grazing season has been reduced to 2 or 3 months, and if they can find hay to buy, it is very expensive.

As I visit with area agricultural businesses, they are concerned that the full effects of the drought on their business have not been felt yet. When fall arrives, and harvest is complete, farmers' cash income may not allow for any nonessential purchases.

Area bankers have expressed concern that when loan renewal time comes, generally mid-winter, the farmer may not have enough funds to pay these loans off.

I hope I have relayed to you the conditions here in Nebraska. I know that I have painted a bleak picture, but the situation is bleak. This drought is a natural disaster, just like a hurricane, flood, tornado, or forest fire.

The victims are the hard-working farmers and ranchers, the agricultural businesses, and the communities, and eventually everyone in this State.

As I visit with the older generation of Nebraskans, they tell me that this year is drier than the 1930's. If it were not for irrigation, we would be living in a desert.

As you contemplate your decisions, remember that a healthy agriculture economy is essential to a healthy economy, not only in Nebraska, but also across this entire country.

My farm, the area farmers that I work with, and our rural communities need a drought assistance program. I invite you to come with me to area businesses and see the look of concern on their faces as they talk about the impact this drought will have on them and their communities. I invite you to come to my farm and walk through my corn and soybean fields. I welcome you to ride along with me for a day as I work with farmers across this State who are watching their fields and very possibly their livelihood and way of life dry up and blow away.

Thank you.

[The prepared statement of Mr. Duvall can be found in the appendix on page 168.]

Senator NELSON. Thank you, Art.

This is a question to Art. Because of your experience with the crop insurance program, do you think that participation in crop insurance should be a prerequisite for receiving disaster assistance, as some have suggested?

I have heard other suggestions as well. Someone said perhaps it ought to be part of the requirement for disaster assistance.

Mr. DUVALL. Yes, it probably should be a prerequisite. I also do not think we should punish the people who do have insurance by paying the ones that do not have insurance the same amount. I mean, farmers should take advantage of all the risk management tools available, just not be rewarded if they do not take advantage of those.

Senator NELSON. Now, I know that cow/calf operators may not be paying as close attention to the insurance side of it, but, Dale, what are your thoughts?

Mr. DUELAND. On the same question?

Senator NELSON. On the same question, yes.

Mr. DUELAND. We went through this a couple years ago with catastrophic policies and requirement for eligibility for farm payments, and I understand as a producer of the risks in farming, and I agree that if producers are not willing to take advantage of some of these risk management techniques, that they should not benefit from a payment that——

Senator NELSON. It might be a disproportion, at least, to recognize that you are trying to reward those who take advantage of the risk management——

Mr. DUELAND. I visited with a farmer the other day, an elderly gentlemen, and there are not many farmers today that do not purchase crop insurance, but he was one. He is financially well-to-do, and even his position—he is nearing retirement age. He made the comment that maybe I should start buying crop insurance after what he saw this year. Of course, in his lifetime he has never—his farming career probably spans 50 years or so. He has not seen this——

Senator NELSON. You were probably suggesting life insurance, too?

Well, Vern, if we were able to get some transportation dollars to you, would that help you get the donated hay to the cow/calf operators that are looking for it?

Mr. STEINMAN. To get transportation dollars——

Senator NELSON. Yes. If there was a way to get some transportation——

Mr. STEINMAN. Definitely would help because it is a huge, huge problem to transport hay.

We get about 30 of these big large bales on a 45-foot trailer. That is about 1,300 pounds per bale. To keep some of these cow herds going, it is going to take a yeoman's effort. The other problem we have is—and now alluded to it bringing those cows to eastern Nebraska, that is going to be a transportation thing also.

You are going to need transportation help there to get those cows moved back to eastern Nebraska or Iowa or—so definitely, Senator, if you could help us with some transportation dollars—we even thought about using the National Guard to transport hay for us,

if that would be possible. Anything that you can help in transportation would be much appreciated.

Senator NELSON. Well, I appreciate the effort that you are making, and if there is a way that we can find to assist you, I can assure you, we are going to look for it and do it.

Well, I want to thank all of you for your participation here today, and the information is valuable. It will help us make the case in Washington. I certainly appreciate your commitment, and we wish you the best of luck and good fortune in the days ahead. I thank you very much.

We have time for a couple of questions or comments from the audience. If there is somebody that would like to go to the microphone. I know that we have one gentleman who wants to, if you would, and if a couple of others would, that would work as well.

If you could put your name and the question on a card, it is going to be helpful to the court reporter to be able to have that as part of the record. Then begin, if you would then, by identifying yourself and then give us the question.

I am not going to offer to answer all the questions that are asked, but I will volunteer the panelists who remain.

Yes, sir?

Mr. MACINTOSH. OK. My name is Bert Macintosh, and I am one of the victims of this circumstances. I will try to keep it level here.

I had to liquidate my cows. Everything I worked for for 25 years is gone. We had quite an extensive panel here that addressed multiple facets of this situation. I do not know if the situation is equal to or worse than the 1930's. Obviously, I have not been around that long. I will tell you, with the circumstances we have in this country, with this drought, with the infestations of the grasshoppers, with the corporate greed that is ravaging our economy, we have a major national problem.

Now, we repeatedly elected you as Governor of this State, and then we sent you to Washington to represent us there. Now, we pray for you guys, and we pray for guidance for you guys, and I pray that you guys get together and start looking at this as a real serious problem, because if we cannot stop the squabbling and the party bickering and the stalling and all the things that go on in Washington, which is part of the things that go on there—and I am sorry that it goes on. If both parties cannot get beyond this childish behavior and get serious about addressing the problems that this country has facing us, we are going to be looking at things like Egypt had when Joseph was there.

Senator NELSON. If you could help me. What things are you referring to as childish? It might be helpful to me.

Mr. MACINTOSH. Excuse me?

Senator NELSON. Well, when you say if you cannot get together and stop the childish ways, I hope that I am not behaving in a childish manner by being here and by listening to what you have to say, and saying I support Senate bill 2800. I am not sure I know what you mean about the childish ways.

Mr. MACINTOSH. OK. Maybe that was a poor choice of words.

Senator NELSON. Well, no. No. That is all right. There are childish things that happen. I do not——

Mr. MACINTOSH. I see the Republican Party balking at things that the Democratic Party is trying to do.

Senator NELSON. Well, this is a bipartisan bill at this point in time.

Mr. MACINTOSH. I agree. There is the corporate situation with the greed and the mismanagement of the corporations, which millions of people in America have had their life savings go down the drain and my stock portfolio has been devastated, also.

Personally, out of the depth of my heart, these guys need to go to jail.

Senator NELSON. Well, I agree with you that that is them that need to go, and I hope they do, and I hope that the prosecution is carried forth in those cases where they have violated the law.

Mr. MACINTOSH. Anyway, that is what I was referring to, the constant backing, going back and forth instead of working together in cooperation. Just like the S. 2800, they mentioned several times about the provisions, as you had put in there, and then they all got kicked out in committee because it was a guaranteed veto.

You know that kind of behavior is not looking out for the well-being of this country or the people that have invested their life in raising this country up.

Senator NELSON. I ought to bring those people who kicked it out up here for you to give them fits.

Mr. MACINTOSH. I would.

Senator NELSON. All right. I believe you would, and you would be right to do that. Thank you very much, Bert.

We may have—excuse me. Over here.

Ms. DUBAS. Senator Nelson, thank you for this opportunity. My name is Annette Dubas, and I farm and ranch with my husband and son in western Nance County, about 35 miles northeast of here. This is the third year of drought for our region and for our area around. As we speak, my husband and son are home disking under our 800 acres of dryland crop because it is not even suitable for feed. To say that economic conditions are devastating in our region is probably definitely an understatement.

The other day President Bush stated that he is determined to fund the great priorities of our Nation and our government, and he says that he will veto any optional spending.

My question is: What is more important to our Government and to our national security then providing food and fiber for our citizens? Should this be considered optional spending?

This country is blessed with an abundant and safe and inexpensive food supply, and we have this because of the many farmers and ranchers who work endless hours to feed our country as well as many other countries around the world.

This severe drought will not only have an adverse effect on our current food supply, but it will affect future food production also, because if we do not get financial help to keep family farmers and ranchers on the land, we are going to lose these people. When we lose them, they will not be back. With every farmer that we lose, we are one step closer to becoming a nation dependent on others to feed us.

This problem does not stop at the farm gates. We will see the compounding effect on rural businesses in communities. Banks, im-

plement dealers, elevators, feed stores, farm supply, and hardware stores, just to name a few, will suffer. Rural America needs family farmers and ranchers to drive their economy.

How much is a safe secure food system worth to this country?

Our President as well as many other across this country, think that the new Farm bill was the mother lode for agriculture, and I disagree. He believes that there are ample resources available through the new farm program to fund this disaster, and I disagree with that also.

This drought is causing an economic emergency in our country. We are quick to send assistance when other disasters strike, and this should be no different.

We are asking you—and I know you have supported us, and I really appreciate that, but we are asking you to make family farmers and the services that they provide to this country a priority in this economy. This should be considered an investment in our future food supply, not a handout.

We have provided sustenance for this country for several hundred years. If we want this to continue, we need your help. I know you are there for us, and we appreciate it. We really need Senate bill 2800 or something very similar to that to ensure our future.

Thank you for the work that you have done for the family farmer.

Senator NELSON. Well, thank you very much. You hit a very important point, and this is what is option spending. I do not think we have an option here. It is a question of how it is addressed, but there is no question in my mind it must be addressed.

This is not optional. Occasionally, there is an optional spending measure that is brought before us that is a good idea that would help somebody, but it is not the same thing as an emergency. It is not the same thing as compensating and trying to build for the future out of a disaster situation. Not saving an industry, such as agriculture—we have no option. I agree with you.

I hope that that is the message we can take back to Washington to our colleagues, and also it is a message that can be brought to the President. Yes?

Mr. NELSON. Yes. My name is Augi Nelson, and I am from Minden, Nebraska.

Senator NELSON. You need to point out right away that you are not related.

Mr. NELSON. I am not related.

First of all, I am here representing my customers. I have a small insurance agency in Minden, Nebraska. Ninety percent of my business is crop insurance, and 85 percent of that business is multiperil crop insurance. We have a lot of center pivots in our area, and there is a concern with my customers in regards to the center pivot issue and dryland corners.

We have a drought in our area, as everybody does. I totaled up the acres in my agency, which is a small agency. It is about 2,777 acres, and there is $528,000 with $2.32 corn that would be lost with dryland acres.

The RMA has a rule in the MPCI policy that if you do not plant the rows in a different direction, you cannot be insured as dryland

acres. Therefore, these acres this year will not be payable because they are planted in those same row directions.

The farmers today have the technology to be able to plant and change the plant population in those dryland corners without changing the row direction. Many times in the past in the last 15, 20 years they have left those laid directions. They have ran off water from the irrigation with decreases of chance of a loss of nonirrigated acres, but this year that is not going to happen.

We have appraised probably 1,000 acres in the last 2 or 3 weeks at zero bushels on these corners. Many of them are chopping them for silage for cattle and so forth.

My concern—and I am representing my customers—is that if we have a disaster assistance program, and we bail these people out that do not buy crop insurance—and these guys have been paying premiums for 10 or 15 years on these dryland corners. They are not going to get paid out of them because the irrigated acres are going to offset those nonirrigated acres. It is a big concern, and that is why I am here today.

Senator NELSON. Your point is well made. I hate to put Becky on the spot, but is there anything you might help enlighten us with on a couple of those points?

Ms. DAVIS. This is an issue that has been discussed for several years. You have probably already heard it as well.

You are right. The RMA policy does provide that if you have irrigated acres on a center-pivot system, if you continue that planting pattern on into your nonirrigated acres then it is covered, but it cannot qualify as a separate optional unit.

Now, to qualify for separate optional units for irrigated and nonirrigated acres, you have to maintain your records separately for your irrigated and nonirrigated. One problem that we are seeing with this, year in, year out, is in a year like this—you are right—acres are and production records are maintained separately, but on an ongoing, yearly, in a good year, if you are planted in rows that go straight through, you tend to harvest it straight through, and you do not maintain your records separately.

One thing that may help is—there is a policy revision. It should be published in the Federal Register, and it will be open to comment. It would be effective probably for the 2004 crop year at the earliest, depending on how quickly regulations can clear. It would allow—if you continue in that planting pattern—but if you can change your planting on the fly to a nonirrigated seeding rate—that that may qualify you as changing your planting pattern.

Hopefully, that helps address your concerns.

Senator NELSON. Well, if there is something that we can do to be helpful in that area, I certainly would volunteer to provide something. Does that begin to address part of what the——

Mr. NELSON. Well, I guess my question is: If we are going to have a disaster assistance, and we——

Senator NELSON. We want to make sure that we do not——

Mr. NELSON [continuing]. We bail out these people that have not had crop insurance——

Senator NELSON. I understand.

Mr. NELSON [continue]. We do not pay these guys that have insured every year, I do not think that is a very good idea, and those

people should be given some consideration with those nonirrigated acres rather than billing out to people that have elected not to insure, have signed a waiver at the FSA office in that case have elected to self-insure. Where these guys have taken the risk management and purchased crop insurance those people should get more consideration than——

Senator NELSON. It does raise questions of equity, and your point is well made, and that will have to be factored in ultimately in how this settles out.

I am told there is time for one more. Do we have two people who want to do it? Well, we are not going to shut you off if there are two of you. We will take both of you.

Yes?

Mr. KALIFF. Senator, I am Bill Kaliff from Grand Island. Senator, I have this question.

Senator NELSON. Yes.

Mr. KALIFF. Why are the resources of the Federal Emergency Management Administration not being cut loose to help this out?

Senator NELSON. It is a good question. I do not have a complete answer to that, and I am not going to try to put Stephanie on the spot to come up with an answer either. It is in the definition of emergency.

Mr. KALIFF. Well, I do, too.

Senator NELSON. I mean, in terms of a particular point in time, it is looked at as though it is a flood, it is a hurricane—it is this, it is that—as opposed to something that is over a longer period of time, but it is no less devastating. It happened over a longer period of time.

Mr. KALIFF. I would hope that their resources could be made available to this problem.

Senator NELSON. You raise a good point. We will look into that. Thank you.

Yes? If you could, for the record—and we have cards now—help me by stating your name.

Mr. RICHARDSON. Charles Richardson, Hastings, Nebraska.

Senator NELSON. Yes. Thank you.

Mr. RICHARDSON. There is really a fearsome reality here that has simply not been mentioned, and it astonishes me. It has been known for at least 15 years that if we continue to pump carbon dioxide into the atmosphere, we would have worse droughts, big floods, hot summers, mild winters, bigger winds. This has been clearly known.

Our governments have been totally negligent on this throughout—over the course of this 15 years, and certainly over the last years. Our current President has made a firm commitment to do absolutely nothing.

Our carbon dioxide greenhouses continue to increase the consequences that we are now seeing were fully predicted. Farmers deserve all possible help. They have been betrayed by the governments.

Senator NELSON. Well, thank you very much. I suspect that that might be somewhat controversial, as you understand, but I appreciate the fact that you have stated it for the record. I appreciate that. Thank you.

Mr. RICHARDSON. The President's administration has acknowledged it.

Senator NELSON. Thank you.

Well, I want to thank everybody for your participation here today, those who were on the various panels, as well as those who have participated by serving in the audience. To also suggest to you that I hope that we can take what we have been able to put together here at this hearing back to Washington to develop a consensus among our colleagues and a coalition and move forward on getting the quickest possible resolution of this issue, which means to get drought disaster aid relief back to the States that require it as quickly as we can possibly do it.

It is clear that there is a strong concern about anything that would delay the process, and it is also clear that we do not have an option here. This is not about optional spending. We need to move as quickly as we would if we had a flood or a hurricane or some other kind of natural disaster.

I hope that we are able to build that case, convince our colleagues, and move forward on this, and to partner with the White House to be able to help agriculture respond to the challenges of the day, but also to preserve agriculture for the future.

Otherwise, we recognize the dire consequences to communities and to our State. If we lose agriculture, this will not be Nebraska anymore.

I hope that that is where we are heading, and we are going—I know that is where we are heading, and I hope that we are going to be successful in doing that.

I thank you. Again, I thank Stephanie and Senator Harkin, who would have enjoyed being here were it not for his requirements in his State, and many of my colleagues sent their best regards and have shown a great deal of interest in this as well.

Thank you. The hearing is adjourned.

[Whereupon, the committee was adjourned.]

APPENDIX

JULY 20, 2002

http://harkin.senate.gov (202) 224-3254

Statement of Chairman Tom Harkin
for Grand Island, Nebraska Hearing on Disaster Assistance
Senate Committee on Agriculture, Nutrition, and Forestry
August 20, 2002

I want to thank and commend Senator Nelson for his diligence in holding this hearing of the Committee on Agriculture, Nutrition and Forestry in Grand Island, where one can unfortunately witness the devastation of drought first-hand. The record of this field hearing will help us make the case to our colleagues in Washington that disaster assistance is critically needed.

Already, this has been a devastating crop year for producers across the country. In the most recent assessment issued by the National Weather Service, nearly every state west of the Missouri River faces significant crop losses as a result of severe to exceptional drought conditions, including the state of Nebraska. A second region of the Southeastern United States and middle Atlantic, which encompasses a stretch from Georgia to Delaware is facing a similar situation. For many states, particularly in the West, this is only the latest in a series of droughts.

We have only begun to assess the magnitude of this year's disaster for agricultural producers. From late July, press reports cite losses in the Plains states of $822 million in South Dakota, $687 million here in Nebraska, and $267 million in Minnesota from both drought and flooding. With little appreciable rain in the last few weeks in most drought-stricken regions, it is likely that losses have increased since those estimates were made.

Other regions have also been hit. In Michigan, harsh spring weather caused USDA to declare 50 counties agricultural disaster areas, particularly affecting the cherry and grape crops. Hordes of grasshoppers are eating their way through farms in the Rocky Mountain West, including Colorado and Idaho. Rampant disease threatens Georgia and North Carolina crops. Just last week, Maryland's governor sought a disaster designation for all but two counties in his state.

As a result of field surveys in late July, USDA is now predicting the smallest U.S. corn crop since 1995, at less than 9 billion bushels, and the smallest wheat crop since 1972, driven both by poor yields and reduced acreage. Although some farmers will benefit from the increased prices, those farmers with little or no crops to harvest will not. Western cattle producers, who have seen their pastures burn up in the unrelenting heat, face a choice of either buying hay on the market or selling their animals into a depressed market.

In the course of this hearing, I expect that the witnesses called by Senator Nelson will speak about the dire impact of these harsh weather conditions. I look forward to their testimony, and when the Senate reconvenes in September, passing disaster legislation in the Committee and move it forward for enactment.

TESTIMONY OF STEPHEN K. CHICK
STATE CONSERVATIONIST
USDA - NATURAL RESOURCES CONSERVATION SERVICE
UNITED STATES SENATE AGRICULTURE, NUTRITION AND FORESTRY COMMITTEE
COLLEGE PARK HORNADY MARSHALL AUDITORIUM
GRAND ISLAND, NEBRASKA
AUGUST 20, 2002

It is a privilege for me to be requested to provide testimony to this Committee regarding actions taken by the Natural Resources Conservation Service to deal with the drought in Nebraska. My testimony will provide information about three main issues regarding the drought.

1. **Magnitude and Severity of The Drought Problem in Nebraska -** Nebraska farmers and ranchers are facing a very serious drought this year.

   In early July, I traveled to North Central Nebraska near Ord and toured some farming operations. In one case, I saw a dormant pasture, which had just completed a full year of rotational grazing and was about to be returned to usage. One farmer commented, "The cattle will probably beat me back to the gate when I turn them loose in here." I saw a quarter section of irrigated alfalfa, which was supposed to be a cash crop this year, but instead will be used on the farm for winter feed. Farmers in this area of Nebraska have sprayed for grasshoppers three times, but the grasshoppers keep coming in waves wreaking further damage on the already stunted dryland corn crop.

   Last week I traveled to Perkins, Chase, Dundy and Hitchcock Counties in Southwestern Nebraska. The trip underscored for me, the difficult conditions in the area. In one instance, an entire 300 acres of dryland corn had wilted to the ground. We were only able to find one six-inch nub of an ear of corn. As we drove south of Stratton we saw field after field experiencing similar troubles.

2. **The Importance of the Environmental Quality Incentives Program -** Time and time again farmers and ranchers have expressed to me that

they are so much better off than some of their neighbors because of the conservation practices applied through the Environmental Quality Incentives Program and its predecessor, the Great Plains Conservation Program. The Environmental Quality Incentives Program is the key long-term Federal cost-share program available to farmers and ranchers to help them prepare for and withstand drought conditions. On our state's 26 million acres of grasslands we are using Environmental Quality Incentives Program funds to install cross fencing, water developments and rotational grazing systems. On our 8 million acres of irrigated lands we are utilizing Environmental Quality Incentives Program to install more efficient water conservation practices such as center pivots, subsurface drip irrigation and surge systems. On our 10 million acres of dryland cropland we are using Environmental Quality Incentives Program to install terraces and grassed waterways and to expand our acreage of conservation tillage to conserve valuable soil moisture.

The Environmental Quality Incentives Program is our most valuable conservation cost-share tool for helping our state's farmers and ranchers prepare for drought on working lands. In addition, conservation planning, through ongoing conservation technical assistance has made farming operations more resistant to drought, through sound management planning.

3. **What Has NRCS in Nebraska Done To Help with the Current Drought? -**

Environmental Quality Incentives Program Deferred Grazing - We are extremely concerned about the potential long-term impacts to our state's grazing lands in our most drought plagued counties. Thanks to the outstanding input of our State Technical Committee Advisory Committee we have made available $2 million of our FY02 General EQIP funds for an incentive payment for prescribed grazing. This opportunity is being offered in the 16 counties that first received national drought declaration. Landowners in these counties may receive up to $2 per acre for prescribed grazing for the rest of this grazing season and from May 15 to July 15, 2003. This will hopefully allow these stressed grasslands an opportunity to recover assuming we receive adequate moisture this fall and winter.

Variance to Allow Grazing/Harvesting of Crop Stubble - Landowners who participate in farm programs must meet highly erodible land requirements. Most highly erodible plans rely on crop residues left on the soil surface. Winter feed will be very short this winter, so landowners will need to bale and glean stalks to get by. We have provided guidance to our field offices that they may temporarily issue a variance allowing the use of crop residues on highly erodible lands for this purpose.

Summary: The drought situation in Nebraska is very serious. The Environmental Quality Incentives Program and our Conservation Technical Assistance are very valuable programs that landowners are utilizing to prepare for and withstand droughts. We are using some of our general Environmental Quality Incentives Program to help alleviate what could be long term negative impacts to our state's grazing lands and continuing to provide sound conservation planning. We are also offering a variance that will allow for emergency use of crop residues for feed.

Thank you for the opportunity to appear here today and to comment on the drought situation in Nebraska. I am available to respond to any questions that you might have.

TESTIMONY OF
BRIAN WOLFORD
NEBRASKA STATE EXECUTIVE DIRECTOR
FARM SERVICE AGENCY
U.S. DEPARTMENT OF AGRICULTURE

Before The
U.S. Senate Agriculture, Nutrition and Forestry Committee
August 20, 2002

Good afternoon Mr. Chairman and Members of the committee. Thank you for the opportunity to appear before you to discuss the current drought situation and actions being taken by the Nebraska Farm Service Agency (FSA) to assist producers in our State.

As you are aware, a large portion of the United States is suffering from moderate to extreme drought. In Nebraska, this drought has adversely impacted crop production and pasture grazing across the entire State, beginning in our western counties this spring and moving eastward throughout the growing season.

Going into this production year, the majority of Nebraska lacked adequate soil moisture with crop and pasture production largely dependent on receiving timely precipitation throughout the year. Water capacity in reservoirs and stream flows were also inadequate for irrigation needs in many areas.

County FSA offices, along with personnel from other USDA agencies which comprise USDA County Emergency Boards, have monitored and reported crop and pasture production losses throughout the year. These reports described the disaster conditions and provided estimates of crop and pasture losses in their counties.

Upon receipt of these reports at the State level, the Nebraska Agricultural Statistics Service computed loss calculations which compared the disaster year yield estimates of the crops and pasture growing in the county with the previous five-year average. Those counties which had at least one crop or pasture enterprise with a 30 percent or greater estimated loss were then recommended by the USDA State Emergency Board to the Governor for consideration of a Secretarial Natural Disaster Designation request.

At the present time, Secretarial Natural Disaster Designations have been received for 37 Nebraska Counties. Nebraska Governor Mike Johanns has also requested Secretarial Natural Disaster Designations for the remaining 56 Nebraska Counties and these designation requests are pending. A map is attached identifying the 37 counties with designations approved and those which are pending.

Once the disaster designations are approved, the designations make available: (1) a low interest FSA Emergency Loan Program to assist producers in the primary designated county and the contiguous counties; (2) allow eligible FSA direct loan borrowers in the primary or

contiguous counties to be considered for a Disaster Set-Aside Program; (3) allow the Small Business Administration to utilize a disaster loan program to assist businesses impacted from the disaster; (4) serve as documentation for the Internal Revenue Service allowing producers to defer income from certain livestock sales; and (5) may serve as part of the county eligibility requirements for other FSA disaster assistance.

Briefly, the available FSA disaster assistance programs include:

Conservation Reserve Program (CRP) Haying/Grazing Release –By mid-July all counties in the State had been released for emergency haying and grazing. Over 1 million are basically eligible providing much needed relief while protecting CRP's environmental gains.

Emergency Conservation Program (ECP) Drought Assistance – ECP drought assistance provides a water supply to livestock when they must be moved to another pasture due to the grass being depleted and there is no water source in the pasture. The cost-share assistance can be for permanently installed measures at a 50 percent cost-share, or temporary measures at a 64 percent cost-share. As of 8-16-2002 in Nebraska, 12 counties have been approved for ECP drought assistance, and three additional counties are pending. Over $300,000 has been provided for ECP drought assistance.

Non-Insured Assistance Program (NAP) - In Nebraska, 2,215 applications were received statewide for the 2002 NAP program by the April 18, 2002 sign-up deadline. Producers who signed up for the 2002 NAP program, which provides crop loss protection for growers of crops (including pasture) when crop insurance is not available, are currently filing a Notice of Loss with our FSA County Offices. The filing of a Notice of Loss is the initial step to receive NAP benefit payments.

FSA Emergency Loan Program – The FSA low interest Emergency (EM) loan program is available to assist eligible farmers and ranchers recover from production and physical losses in counties declared as disaster areas by the Secretary of Agriculture. This program is also available to producers in counties that are contiguous to the declared counties. EM loan assistance is only available to family sized farmers and ranchers. Applicants must also provide evidence the loan being requested is not available from other sources, and must meet other program eligibility criteria. At the present time 37 primary and 14 contiguous counties have the EM loan program available to assist producers as a result of the drought.

Disaster Set-Aside Program - The Disaster Set-Aside Program is available to existing FSA Farm Loan Program borrowers in declared and contiguous counties who suffered losses as a result of a natural disaster. Eligible borrowers who are current or not more than one installment behind on any FSA FLP direct loan may be permitted to move the scheduled annual installment for their loan to the end of the loan term provided this will enable them to show repayment. The purpose of the program is to relieve some of the immediate financial stress caused by the disaster.

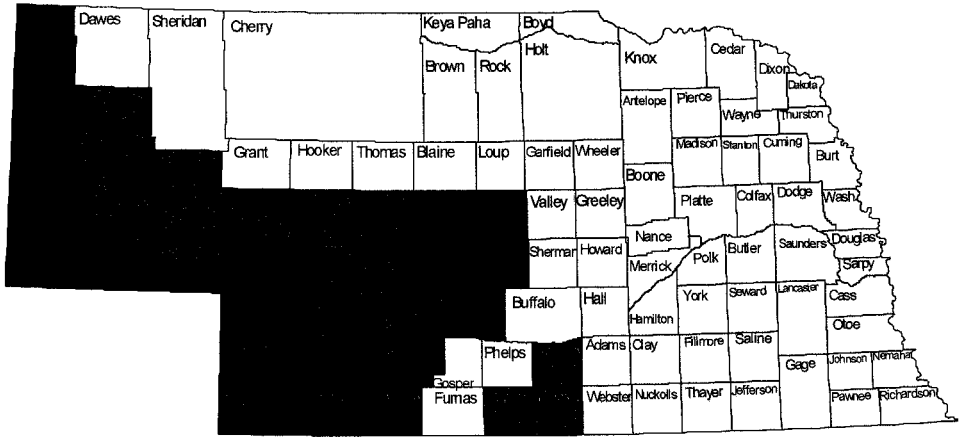
To further respond to the feed needs of Nebraska cow-calf operations drastically impacted by severe drought conditions, on Monday August 12, Secretary Veneman

announced a $150 million cattle feed program available to eligible beef cow owners in four States, including Nebraska. This innovative program is designed to provide feed assistance for beef cow-calf operations, utilizing existing authorities granted under the Commodity Credit Corporation Charter (CCC) Act and Section 32 authorities. This program is expected to be implemented in the very near future with feed assistance made available to beef cow owners by providing feed credit for future purchases of feed manufactured by processors who are cooperating with the CCC to utilize existing stocks of non-fat dry milk. This assistance will ease the shortage of feed, due to drought, for the owners of Nebraska's 1.9 million beef cows.

The Nebraska FSA employees are diligently working to implement these disaster assistance programs along with the provisions of the recently enacted Farm Security and Rural Investment Act of 2002.

On behalf of the Nebraska Farm Service Agency, thank you for the opportunity to address these issues before you today. I will be happy to respond to your questions.

2002 USDA Secretarial Natural Disaster Declarations



16 Counties Designated on 5/30/02 (Designation No. S1644)

10 Counties Designated on 6/20/02 (Designation No. S1650)

11 Counties Designated on 8/14/02 (Designation No. S1668)

56 Counties with Secretarial Natural Disaster Request Pending Approval

(As of 8/19/02)

CHUCK HAGEL
NEBRASKA

248 RUSSELL SENATE OFFICE BUILDING
(202) 224-4224
(202) 224-9083 TTY/TDD

United States Senate
WASHINGTON, DC 20510-2705

FOREIGN RELATIONS
BANKING, HOUSING, AND URBAN AFFAIRS
ENERGY AND NATURAL RESOURCES
BUDGET
SPECIAL COMMITTEE ON AGING

August 19, 2002

The Honorable Tom Harkin, Chairman
Senate Committee on Agriculture, Nutrition and Forestry
328A Russell Senate Office Building
Washington, DC 20510

Dear Mr. Chairman:

I thank the Senate Agriculture Committee for holding in Nebraska its August 20 field hearing on drought conditions and relief efforts. As you know, this is the worst national drought since the 1950s, and it is especially important for Members of the Agriculture Committee to hear directly from Nebraska agricultural producers, who are enduring some of the worst drought conditions in the country.

As you know, times are extremely challenging for all agricultural producers plagued by drought. As bleak as the outlook is for some crop producers, the situation is even more dire for drought-stricken livestock producers, whose pastures were scorched and barren before summer even began. To add to their problems, grasshoppers and other pests are ravaging pastures across the West and Great Plains.

Unlike crop producers, livestock producers are not eligible for federally-subsidized insurance, nor do they receive direct payments through the farm bill. Yet the livestock sector accounts for half of America's agriculture production, and it uses the majority of the feed grain produced by our farmers -- about 60 percent of all corn and sorghum, alone. If our livestock producers fail, there will be a devastating ripple effect on the rural economy.

We can go back and address the needs of crop producers after harvest, when we have complete data on their losses and crop insurance payments. But the losses of livestock producers can be determined today. Ranchers need our help the most at this point, and they need it immediately.

To provide some financial relief to those producers facing the most immediate needs, I introduced the "Emergency Livestock Assistance Act" (S. 2768) on July 22. Using offsets from the new $180 billion farm bill -- and its $73.5 billion in additional funding -- this legislation would send $620 million to the Livestock Assistance Program (LAP), to provide feed reimbursements to eligible livestock producers with losses caused by drought, insect infestation and other natural disasters. Another $14 million would be provided for grasshopper and cricket control. This is a straight-forward, fiscally-disciplined approach that works within the framework of the farm bill, and it is proof that Congress can help producers and still be accountable to the taxpayers.

I am disappointed that Congress failed to address assistance for livestock producers before adjourning for its August recess. That was a breakdown in leadership. The longer we delay, the more

4009 6TH AVENUE
SUITE 9
KEARNEY, NE 68845
(308) 236-7602

294 FEDERAL BUILDING
100 CENTENNIAL MALL NORTH
LINCOLN, NE 68508
(402) 476-1400

11301 DAVENPORT STREET
SUITE 2
OMAHA, NE 68154
(402) 758-8961

115 RAILWAY STREET
SUITE C102
SCOTTSBLUFF, NE 69361
(308) 632-6032

chuck_hagel@hagel.senate.gov

The Honorable Tom Harkin
August 19, 2002

financial losses will mount for these producers by way of herd liquidations, feed purchases, loans and other expenses. Congress must make livestock assistance a priority upon its return to Washington after Labor Day.

Furthermore, I agree with the President that any disaster package for agriculture must be funded by real offsets taken from the farm bill. That is the responsible thing to do. The extra $73.5 billion approved last year was for all of agriculture – not just program crops. Also, unlike recent years, we no longer have a budget surplus – as the government is expected to run a deficit of $165 billion for Fiscal Year 2002 and $109 billion for Fiscal Year 2003. Congress must learn to prioritize. Besides being more responsible, a disaster aid bill with offsets stands a much better chance of passing the Congress than one which authorizes new spending.

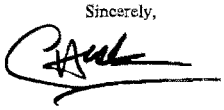
I regret having to ask my colleagues to support yet another ad-hoc disaster assistance bill for agriculture, especially in a year in which Congress has just debated our nation's farm policy. Supporters of the new farm bill said the emergency payments of recent years would come to an end with passage of the new farm policy. We had an opportunity to include built-in disaster payments. But because we did not take the time to do things right or try a new approach, we must play with the cards we have dealt ourselves and not hold drought-plagued producers hostage to short-sighted agricultural policy.

Of course, we are not only limited to an agricultural disaster package. There are other ways in which Washington can help agricultural producers this year. I recently joined Senators Thomas and Enzi in introducing legislation (S. 2762) to expand capital gains tax relief for ranchers and farmers forced to sell livestock due to the severe drought. I have also written Secretary Veneman, requesting that the USDA make additional beef and pork purchases for federal food and nutrition programs, and waive the 25 percent penalty on producers who use conservation acres to feed their herds. I urge my colleagues to support these proposals.

In conclusion, I believe that whatever assistance Congress ultimately provides, it must not undermine the risk management tools already available to crop producers. Senator Roberts' bill – which would provide disaster aid to non-insured crop producers only if those producers agree to a three-year contract for federal crop insurance – is an approach in the right direction.

Again, I appreciate your attention to this crisis and respectfully request that this letter be submitted for the record of this field hearing. Thank you.

Sincerely,



Cc: The Honorable Richard G. Lugar
The Honorable E. Benjamin Nelson

Hearing on Drought
Senate Agriculture, Nutrition and Forestry Committee

Testimony of Merlyn Carlson, Director
Nebraska Department of Agriculture

Tuesday, Aug. 20, 2002
College Park Hornady Marshall Auditorium, Grand Island, Nebraska

Thank you. I appreciate being given the opportunity to address this committee, and express the drought-related concerns and issues of the Governor, myself, and Nebraska's agriculture industry. I am hopeful that the testimony you hear today will provide you the insight and platform from which to build a federal drought assistance package.

My assignment today is to provide you with an overview of the drought situation in Nebraska and review actions taken to date. Given the brief time I have to speak, I'll try not to duplicate the message of my fellow panelists.

Needless to say, it has been a long summer for all of us involved in agriculture. The set-up for the parched pastures, dry streambeds, grasshopper-shredded fields, and shriveled crops you see as you drive across the state began last fall, and even further back for southwest Nebraska. The state Climate Assessment Response Committee began sounding the warning bell months before spring planting and worked through its membership to get the word out to producers to be prepared.

Obviously, since that time, drought-related activities have continued to grow. Allow me to briefly recount our activities, keeping in mind these address mostly my biased agriculture bent.

- The Governor has contacted USDA Secretary Ann Veneman on numerous occasions, both in writing and personally. In partnering with her office, and the state Farm Service Agency in particular, the Governor has worked to get Conservation Reserve Program acres released for emergency haying and grazing. The entire state was released in early July.

- He has requested, and will hopefully receive, designation of each of Nebraska's 93 counties as drought disasters, opening up the opportunity for producers to access low-interest loans and other potential assistance programs.
- The Governor, in cooperation with several of his state agencies, opened up Nebraska's roadsides for haying. To date, producers have received 1,274 permits to hay roughly 6,860 miles of roadside right-of-way (one side).
- The Governor has lobbied for, and received, federal grasshopper eradication dollars, and designated matching state funds for the program.
- Both the Governor and I have been in contact with our Congressional leadership, in writing and in person, to discuss the need for federal assistance programs such as the Livestock Assistance Program and the Crop Disaster Program, and other possible programs and assistance tools. I also had the opportunity in July to discuss these needs with White House official Chuck Conner who, as you know, is the President's assistant on agricultural issues.
- We asked the Risk Management Agency to encourage insurance companies to make crop damage adjustments in a timely fashion, so that the remainder of the crop could be used for livestock forage.
- And the Governor and I each have contacted our counterparts in other drought-ravaged states to build cooperation, communication, and collaboration on drought needs. Several agricultural leaders have written me back, noting they too are contacting their Congressional representatives to raise awareness of the need for assistance.
- Finally, Nebraska's governmental leaders have been meeting, and will continue to meet, on a regular basis to assess the drought situation and make decisions on relevant actions. This includes topics such as pre-positioning of fire fighting equipment, community water system checks, and irrigation and streamflow issues. In fact, a regular meeting of this group is taking place today in Lincoln.

I want to pause here and acknowledge the positive response we have received during our visits at the federal level. USDA, in particular, has been open to listening, and responding to, our requests and suggestions. Just last week, Secretary Veneman announced the release of $150 million in emergency livestock feed assistance to qualifying cow/calf producers. Nebraska was included in the four-state program, and we appreciate that. We hope to have details on how the program will operate soon. Also, on Friday, Secretary Veneman announced the extension of CRP haying and grazing through November 30. The Governor had made that request, based on feedback from producers. We are grateful for the approval.

All these activities haven't been enough to stop Mother Nature from robbing our state of its number one economic driver. Figures compiled by University of Nebraska Agriculture Economist Roy Frederick in mid-July place the drought's impact on agriculture in Nebraska at roughly $686 million. This figure includes estimated yield losses on corn, sorghum, soybeans, wheat, hay, pasture and range. Dr. Frederick acknowledges the report is missing some significant factors. It leaves out losses for other, non-primary, but important, Nebraska crops. It doesn't include the increase in irrigation costs, as producers pump around the clock to keep up with the dryness and heat, and consideration for cattle producers, who have had to cull herds in a market of poor prices.

My point is that the $686 million in estimated agriculture losses, and resulting statewide economic impact of $1.4 billion, is probably substantially higher. Is that a bleak projection? Yes. Is it over-inflated? No. The fact is, our state, already struggling through tough economic times, has been dealt a serious blow. And we cannot handle this burden alone.

We need a federal drought assistance package, and we need it now. A package that can help our ranchers and farmers stay on their feet, and have a resulting, positive impact on main streets across the state. While the panelists to follow will be able to provide you with first-person testimonials about what they need, I want to offer a few thoughts of my own.

Based on experience with the drought of 2000, and many, many contacts with producers, we consider the Livestock Assistance Program and Crop Disaster Program both to be needed here in Nebraska.

Other tools that may be useful include:

- Changes to tax law governing capital gains on livestock sales during a drought disaster;
- More funding for grasshopper eradication, with state match requirements eased;
- The release of surplus Commodity Credit Corporation grain for use in a livestock feeding program;
- Raising the amount of coverage provided under the Noninsured Crop Disaster Assistance Program;
- Release of funds to help supplement the cost of hauling forage supplies to needy producers.

I realize the picture I have laid out for you today is not pretty. But it is factual, and reinforced by low streamflow and reservoir levels, and a forecast that's not very promising. I hope that the information you receive from panelists today will be useful in your deliberations. Thank you for allowing me to testify. I'd be happy to answer any questions.

U.S. SENATE AGRICULTURE, NUTRITION AND FORESTRY COMMITTEE
HEARING ON DROUGHT
GRAND ISLAND, NEBRASKA
AUGUST 20, 2002

TESTIMONY OF SUSAN FRANCE, DIVISION MANAGER OF WATER ADMINISTRATION, STATE DEPARTMENT OF NATURAL RESOURCES

Nebraska surface water laws are based on "first in time is first in right." The Department of Natural Resources administers surface water such that during times of shortage, newer water rights are closed so that older water rights can use their appropriation. My testimony will indicate the severity of this years drought on surface water users.

This year, water administration started two to three months earlier than normal in the Platte River basin, our most heavily regulated basin. In mid April, 54 water appropriations were closed because a 1993 instream flow appropriation was not being met. Instream Flow requirements throughout the Platte Basin have not been met for most of the summer on the lower end which causes all of the Platte, Loup, Elkhorn and Salt Basins to be administered for the 1993 date. Previously such administration did not occur until late July.

Also in late July we will normally regulate for some 1930s permits on the Platte. This year, as of June 24, we had closed 106 appropriations for priorities in the 1890s. In late July we had as many as 220 appropriations closed, some of which dated back to 1884.

Most of the larger irrigation districts located in the Platte River basin and the Republican River basin early in the year knew that they were not going to be able to deliver a normal supply because of lack of storage water in reservoirs. Farmers were notified that they could expect to receive reduced amounts of water during the season. Several irrigation districts stopped delivering water by late July where normally they operate through September 1. One irrigation district for the first time chose not to deliver any water because of inadequate water supply.

Several irrigation districts in the Panhandle borrowed storage water from a U.S. Bureau project located in Wyoming. However there is a repayment of such water that may cause problems in future years. Our largest reservoir in the State is being drawn down to its lowest level since its construction in the 1930s to meet irrigation and power demands. Inflows to this reservoir so far this year have been the lowest of record since the reservoir was built.

In the Big Blue River Basin we closed appropriations junior to November 1, 1968, because state line flows required under a compact with Kansas were not met for the first time since the compact was enacted in 1971. This action included approximately 1,500 appropriators. Mostly irrigators and storage owners. On the Little Blue River, users junior to November 1, 1968, were also closed because of the required compact flows not being met.

In the Hat Creek Basin, the Department closed 55 appropriations in an effort to satisfy a riparian right for cattle watering. This is the first time that such a closing has been required in the summer months. Usually this occurs in the winter.

Statement of Rebecca Davis,
Director of the Topeka Regional Office,
Risk Management Agency,
United States Department of Agriculture
Before the United States Senate Agricultural Nutrition and Forestry Committee
August 20, 2002

Mr. Chairman and Members of the committee, thank you for this opportunity discuss how the programs of the Risk Management Agency (RMA) are working to help producers survive this drought.

I am Rebecca Davis, the Director of the Topeka Regional Service Office for the Risk Management Agency. I grew up on a family farm in Franklin County, Kansas where my family still farms. My family has also purchased multiple-peril crop insurance for nearly 20 years. So, believe me, when issues arise, I hear about it.

The Agriculture Risk Protection Act of 2000 (ARPA), a sweeping bi-partisan law that this Committee worked on for nearly two years, significantly increased the ability of producers to manage their agricultural risk through crop insurance and other risk reducing strategies and programs. The Act also established a new alliance consisting of RMA, reinsured companies, and the Farm Service Agency (FSA) to help ensure program integrity and compliance. For the balance of my testimony, I would like to touch upon how these changes have benefited Nebraska's farmers.

OVERVIEW

In 2001, RMA provided Nebraska's farmers over $2.3 billion in protection through more than 101,000 policies covering 13.0 million acres of crops. In 2001, over $75 million in losses were paid to hard-hit family farmers.

Based on 2001 National Agricultural Statistics Service (NASS) planted acres, multiple-peril crop insurance is protecting approximately 81 percent of the corn acres, 85 percent of soybean acres and 84 percent of wheat acres, which is above the national average for all three crops (U. S. average for corn is 80.3 percent, soybeans 76 percent and wheat 77 percent).

Insurable crops in Nebraska are:

Barley, corn, dry beans, grain sorghum, hybrid corn seed, millet, oats, popcorn, potatoes, rye, soybeans, sugar beets, sunflowers, wheat, and nursery. In addition, we extended coverage through written agreements for forage seeding, and forage production.

Although 2002 data is still being processed by crop insurance companies, participation levels will be similar to those in 2001. However, over $12.8 million in indemnities has already been paid. Since 52 percent of these payments are for wheat, and drought conditions continue, we expect losses to grow significantly for spring planted crops.

MORE COVERAGE MEANS MORE POTENTIAL ASSISTANCE

In 1998, due to the way premium subsidies were structured, the coverage level that offered the most coverage for the lowest price was at 65 percent of the historical yield. As a result, the majority of growers chose that level of protection. Because ARPA made higher levels of protection more affordable by increasing subsidies at higher coverage levels, the number began to shift dramatically after the enactment of ARPA.

Prior to 2001, the premium subsidy at the 70 percent coverage level was 32 percent. The ARPA increased the subsidy rate to 59 percent and producers have responded in a big way. For example, in 1998, less than 5 percent of wheat producers had coverage at or above the 70 percent coverage level. In 2002, over 60 percent are insured at the 70 percent coverage level or higher.

Corn, soybean and grain sorghum producers have responded in a similar manner. Corn moved from 6 percent to over 69 percent; soybeans changed from 10.5 percent to over 74 percent, and; grain sorghum rose from less than 5 percent to over 61 percent.

This movement to higher levels of coverage means that RMA and reinsured crop insurance companies will automatically provide much more assistance to Nebraska's farmers when they need it the most.

2002 PROGRAM ADJUSTMENTS

In order to process claims quickly and speed assistance to producers, crop insurance companies have implemented appraisal modification procedures under RMA guidelines. Currently, appraisal modifications are permitted, if the conditions warrant, for corn, popcorn, hybrid seed corn and grain sorghum.

Further, RMA and reinsured companies have quickly implemented a provision of the Farm Security and Rural Investment Act of 2002 (2002 Farm Act) that will give producers more flexibility in determining quality losses. Prior to implementation, evidence of the quality losses could only be determined by samples analyzed by a grain grader licensed under the authority of the United States Grain Standards Act or the United States Warehouse Act. Now, evidence of quality loss may be determined by graders licensed under State law. Essentially, warehouses licensed under various State laws are now treated the same as those licensed under the auspices of the United States Warehouse Act.

CONCLUSION

The use of crop insurance is a widely accepted business practice in Nebraska. Producers, agents, and their lenders have become sophisticated users of the ever-growing range of products. This growth is in part due to extensive efforts by RMA, Extension Service, crop insurance companies and farm organizations to make producers aware of the wide range of tools and practices that are available to help them manage their agricultural risks. Because producers are now participating at higher levels of coverage, USDA can automatically provide the assistance they need when they need it the most.

STATEMENT OF THE NEBRASK FARM BUREAU FEDERATION
to the
SENATE AGRICULTURE, NUTRITION AND FORESTRY COMMITTEE

REGARDING DROUGHT CONDITIONS IN NEBRASKA

PRESENTED BY DON BATIE
MEMBER OF THE NFBF BOARD OF DIRECTORS

AUGUST 20, 2002

Good afternoon Senator Nelson and Members of the Committee,

I am Don Batie, a farmer from rural Dawson County. I serve on the Nebraska Farm Bureau Board of Directors representing southwest Nebraska. I am here today representing Nebraska Farm Bureau, the largest general farm organization in the state and we want to extend our appreciation to the Senate Agriculture Committee for holding a field hearing in Nebraska concerning the impact of the drought.

The drought we are experiencing this year in Nebraska is approaching historic proportions. My father, who is 81, has told me this is worse than the 50's drought and is approaching the 30's dust bowl conditions. Only our modern farming techniques have allowed us to still raise at least a partial crop.

The portion of agriculture that is currently being hit the hardest is the livestock sector, principally the ranchers that have cow-calf operations. The recently passed farm bill and the crop insurance reforms made a few years ago have provided grain farmers risk management tools and will provide them with some safety net. Livestock operators, on the other hand, have little or no risk management tools available to them and have no federal safety net. Growers of non-insurable crops, such as millet and other alternative crops primarily grown in the western part of Nebraska, are also facing financial difficulty and great uncertainty at this time.

Pasture conditions have been dismal all year with many grasses never breaking dormancy this spring. In our operation we normally run stocker cattle on pasture from mid-April to mid-August before putting them into a feedlot. This year we only grazed the steers from mid-May to mid-June. They were on grass for 30 days and only gained 30 pounds - only a pound a day average daily gain. Normally cattle can put on two pounds or more a day when grass is good. We were among the fortunate ones since we had feed at home and we were able to place them in a feedlot early.

Our neighbors that have cows have been making some very tough decisions lately. Many ranchers have been forced to sell part or all of their herds. One young rancher in our

neighborhood is selling half his cow herd just to pay for feed for the remaining cows until October, when he can move them onto cornstalks after harvest.

Another neighbor threw in the towel and dispersed everything. He just could not make it pencil out to keep the cows for another year. Unfortunately with all the cows going to market right now, the prices have been very low. Cow-calf pairs that sold for $1,100 in April are now bringing about $600 today, and they have to pay for the pasture rent as well.

A very real concern most ranchers have is whether the grass will come back next year. While most of the native grasses that are in dormancy will return when the weather improves, it will take a couple of years to get back to normal. Hence they will have increased costs and lowered stocking rates for the next several years.

For these reasons, we think Congress should make the Livestock Assistance Program (LAP) a priority in any drought assistance package under consideration. The LAP program is about the only form of valuable assistance available to livestock producers having no opportunities for insurance or other risk management tools. As each day passes with no clear signal from Congress and the Administration about the availability of the LAP, more and more cattle producers will be making lifelong decisions about the future of their operations – most of which have taken many generations and much hard work to establish.

From a producer's standpoint, it seems that we are caught in the middle of a political battle regarding how Congress should fund disaster legislation. We certainly understand the fiscal need for Congress to find budget offsets and we believe that Congress could easily find budget savings from the lower costs anticipated this fall and next year in farm program spending. Regardless of if or how Congress deals with the budget offset issue, the bottom line for producers is that we need disaster assistance enacted immediately and a clear signal from Congress that the LAP program will be funded even sooner.

Compounding the drought is the grasshopper infestation. Many ranchers in central Nebraska have been forced to spray for grasshoppers. Some pastures had counts as high as 100 grasshoppers per square yard. Several pastures in northern Dawson County never were grazed as the grasshoppers ate everything. We couldn't wait for the federal government to act since the grasshoppers were spreading fast. All of us had to pay the entire cost ourselves. Our costs were about $6.12 per acre to spray half the acreage in strips.

The drought is also causing major concern among the state's irrigators. Part of the reason there is any crop at all in Nebraska this year has been due to the ground and surface water irrigation developed over the years. But as storage reservoirs reach all-time lows and ground water recharge suffers from the low water returns, irrigators are finding they may not be able to rely on storage water to get them through another year.

We irrigate from the Dawson County Canal, which has a water right dating to 1890, one of the older rights in the state. This canal is now part of the Nebraska Public Power District system and our storage water comes from Lake McConaughy.

In most years we rely on a combination of natural flows in the Platte River and some storage water releases from McConaughy to supply the water needed to supplement crops in the canal coverage area.

This year natural flows have been almost non-existent and we had to rely totally on the 125,000 acre feet of storage water allotted to us. Unfortunately in these extreme conditions that supply was exhausted on Aug. 2. We were forced to make a difficult and expensive decision to purchase 50,000 acre feet of additional storage water from Central Nebraska Public Power and Irrigation District (Central) for $10 an acre foot. That water only lasted us 10 days.

Farmers across the county on other irrigation canals were impacted in a similar manner and have scrambled to put as much ground under alternate irrigation sources as possible or be faced with the difficulty, as we are on 450 acres, of watching a crop almost make it to maturity only to lose yield daily for lack of adequate moisture.

There is mounting concern that if the drought extends into next year there will be little or no storage water available as reservoirs all through the Platte River system are at or near historic lows and when no water is released upstream, downstream users suffer from lack of returns.
In addition, Central has reserved the right to call the 50,000 acre feet a loan with repayment in any of the next five years and that would come right off the top of our storage water allotment.

From an organizational standpoint, Nebraska Farm Bureau has tried to keep a handle on the severity of the drought by initiating a Drought Scout program. We identified 80 Farm Bureau members scattered across the state, who all summer have been making weekly reports on rainfall and crop conditions in their area to the state office. This information in turn has been shares with the Nebraska's Climate Assessment and Response Committee and other state and federal officials to help develop drought response actions. Our most recent drought scout report is attached to this testimony for your review.

As our members drought reports have come in throughout the summer, they continue to indicate that Nebraska agriculture is on the verge of being in a crisis because of the drought. This drought will have long term impacts on farmers and ranchers and it may take years to get back to normal – from both a water supply and forage capacity standpoint. The most helpful action Congress could do now is to fund the LAP as soon as possible. Crop assistance to grain farmers should be legislatively developed this fall after their needs can be greater assessed.

In addition to the immediate step in funding the LAP and developing crop disaster assistance this fall, Congress should consider other long-term assistance actions listed below:

- Extending the two-year capital gain deferral for forced liquidation of cow herds to five years to give producers more flexibility under the tax code to replace their herds.

- Increasing the advance direct payments crop producers will receive this December or next January from the scheduled 50 percent level to the 100 percent level available for producers under the previous farm bill.

- Enhancing the non-insured crop assistance programs to provide assistance to producers unable to get crop insurance for certain crops.

- Urging the Risk Management Agency to implement more flexibility and common sense on rules that govern crop insurance programs as it works with private insurers and producers in assessing losses and adjusting claims, such as examination of requirements for preventative planting and payment compensation based on water availability for irrigated crops.

- Encouraging more cooperation between federal, state and local agencies dealing with the shortages of water in irrigation reservoirs and asking for more flexibility from federal agencies, such as the Fish and Wildlife Service, charged with implementing policies that affect water usage and flows.

- Increasing funding or fully utilizing any emergency funds to provide APHIS additional resources to help Nebraska producers control grasshoppers – particularly those control measures that will help avoid severe problems next year.

Once again, Nebraska Farm Bureau would like to thank you for giving us an opportunity to present testimony today. We look forward to working with members of the Senate Agriculture Committee and others to help develop a drought assistance package. I would be happy to respond to any questions you may have at this time.

nebraska farm bureau federation
5225 S. 16th St., P.O. Box 80299, Lincoln, NE 68501 Phone: (402) 421-4400, FAX# (402) 421-4432

STATEMENT OF THE NEBRASK FARM BUREAU FEDERATION
to the
SENATE AGRICULTURE, NUTRITION AND FORESTRY COMMITTEE

REGARDING DROUGHT CONDITIONS IN NEBRASKA

PRESENTED BY DON BATIE
MEMBER OF THE NFBF BOARD OF DIRECTORS

AUGUST 20, 2002

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The drought we are experiencing this year in Nebraska is approaching historic proportions. My father, who is 81, has told me this is worse than the '50s drought and is approaching the '30s Dust Bowl conditions. Only our modern farming techniques have allowed us to still raise at least a partial crop.

The portion of agriculture that is currently being hit the hardest is the livestock sector, principally ranchers who have cow-calf operations. The recently passed farm bill and the crop insurance reforms made a few years ago have provided grain farmers risk management tools and will provide them with some safety net. Livestock operators, on the other hand, have few or no risk management tools available to them and have no federal safety net. Growers of non-insurable crops, such as millet and other alternative crops primarily grown in the western part of Nebraska, are also facing financial difficulty and great uncertainty at this time.

Pasture conditions have been dismal all year with many grasses never breaking dormancy this spring. In our operation we normally run stocker cattle on pasture from mid-April to mid-August before putting them into a feedlot. This year we only grazed the steers from mid-May to mid-June. They were on grass for 30 days and only gained 30 pounds - only a pound a day average daily gain. Normally cattle can put on two pounds or more a day when grass is good. We were among the fortunate ones since we had feed at home and we were able to place them in a feedlot early.

Our neighbors who have cows have been making some very tough decisions lately. Many ranchers have been forced to sell part or all of their herds. One young rancher in our

neighborhood is selling half his cow herd just to pay for feed for the remaining cows until October, when he can move them onto cornstalks after harvest.

Another neighbor threw in the towel and dispersed everything. He just could not make it pencil out to keep the cows for another year. Unfortunately with all the cows going to market right now, the prices have been very low. Cow-calf pairs that sold for $1,100 in April are now bringing about $600 today, and they have to pay for the pasture rent as well.

A very real concern most ranchers have is whether the grass will come back next year. While most of the native grasses that are in dormancy will return when the weather improves, it will take a couple of years to get back to normal. Hence they will have increased costs and lowered stocking rates for the next several years.

For these reasons, we think Congress should make the Livestock Assistance Program (LAP) a priority in any drought assistance package under consideration. The LAP program is about the only form of valuable assistance available to livestock producers having no opportunities for insurance or other risk management tools. As each day passes with no clear signal from Congress and the Administration about the availability of the LAP, more and more cattle producers will be making lifelong decisions about the future of their operations – most of which have taken many generations and much hard work to establish.

From a producer's standpoint, it seems that we are caught in the middle of a political battle regarding how Congress should fund disaster legislation. We certainly understand the fiscal need for Congress to find budget offsets and we believe that Congress could easily find budget savings from the lower costs anticipated this fall and next year in farm program spending. Regardless of if or how Congress deals with the budget offset issue, the bottom line for producers is that we need disaster assistance enacted immediately and, even sooner, a clear signal from Congress that the LAP program will be funded.

Compounding the drought is the grasshopper infestation. Many ranchers in central Nebraska have been forced to spray for grasshoppers. Some pastures had counts as high as 100 grasshoppers per square yard. Several pastures in northern Dawson County never were grazed because the grasshoppers ate everything. We couldn't wait for the federal government to act since the grasshoppers were spreading fast. All of us had to pay the entire cost ourselves. Our costs were about $6.12 per acre to spray half the acreage in strips.

The drought is also causing major concern among the state's irrigators. Part of the reason there is any crop at all in Nebraska this year has been due to the ground and surface water irrigation developed over the years. But as storage reservoirs reach all-time lows and ground water recharge suffers from the low water returns, irrigators are finding they may not be able to rely on storage water to get them through another year.

We irrigate from the Dawson County Canal, which has a water right dating to 1890, one of the older rights in the state. This canal is now part of the Nebraska Public Power District (NPPD) system and our storage water comes from Lake McConaughy.

In most years we rely on a combination of natural flows in the Platte River and some storage water releases from McConaughy to supply the water needed to supplement crops in the canal coverage area.

This year natural flows have been almost non-existent and we had to rely totally on the 125,000 acre feet of storage water allotted to us. Unfortunately in these extreme conditions that supply was exhausted on Aug. 2. As a group of irrigators, we were forced to make a difficult and expensive decision to purchase 50,000 acre feet of additional storage water from Central Nebraska Public Power and Irrigation District (Central) for $10 an acre foot. That water only lasted us 10 days.

Farmers across the county on other irrigation canals were impacted in a similar manner and have scrambled to put as much ground under alternate irrigation sources as possible or be faced with the difficulty, as we are on 450 acres, of watching a crop almost make it to maturity only to lose yield daily for lack of adequate moisture.

There is mounting concern that if the drought extends into next year there will be little or no storage water available as reservoirs all through the Platte River system are at or near historic lows and when no water is released upstream, downstream users suffer from lack of returns.
In addition, Central has reserved the right to call the 50,000 acre feet a loan with repayment in any of the next five years and that would come right off the top of our storage water allotment.

From an organizational standpoint, Nebraska Farm Bureau has tried to keep a handle on the severity of the drought by initiating a Drought Scout program. We identified 80 Farm Bureau members scattered across the state, who all summer have been making weekly reports on rainfall and crop conditions in their area to the state office. This information in turn has been shared with Nebraska's Climate Assessment and Response Committee and other state and federal officials to help develop drought response actions. Our most recent Drought Scout report is attached to this testimony for your review.

As our member's drought reports have come in throughout the summer, they continue to indicate that Nebraska agriculture is on the verge of being in a crisis because of the drought. This drought will have long-term impacts on farmers and ranchers and it may take years to get back to normal – from both a water supply and forage capacity standpoint. The most helpful action Congress could take now is to fund the LAP as soon as possible. Crop assistance to grain farmers should be legislatively developed this fall after their needs can be greater assessed.

In addition to the immediate step in funding the LAP and developing crop disaster assistance this fall, Congress should consider these other long-term assistance actions:

- Extending the two-year capital gain deferral for forced liquidation of cow herds to five years to give producers more flexibility under the tax code to replace their herds.

- Increasing the advance direct payments crop producers will receive this December or next January from the scheduled 50 percent level to the 100-percent level available for producers under the previous farm bill.

- Enhancing the non-insured crop assistance programs to provide assistance to producers unable to get crop insurance for certain crops.

- Urging the Risk Management Agency to implement more flexibility and common sense on rules that govern crop insurance programs as it works with private insurers and producers in assessing losses and adjusting claims, such as examination of requirements for prevented planting and payment compensation based on water availability for irrigated crops.

- Encouraging more cooperation among federal, state and local agencies dealing with the shortages of water in irrigation reservoirs and asking for more flexibility from federal agencies, such as the Fish and Wildlife Service, charged with implementing policies that affect water usage and flows.

- Increasing funding or fully utilizing any emergency funds to provide APHIS additional resources to help Nebraska producers control grasshoppers – particularly those control measures that will help avoid severe problems next year.

Once again, Nebraska Farm Bureau thanks you for giving us an opportunity to present testimony today. We look forward to working with members of the Senate Agriculture Committee and others to help develop a drought assistance package. I would be happy to respond to any questions you may have at this time.

NFBF Crop and Weather Scout Report – August 7

Northwest District

Cheyenne County - July 29
Scouts reported no rains this past week in the county, with continued reports of poor pasture conditions. Scouts noted that many livestock producers are currently dry lot feeding their livestock, but even the pulling of livestock from range ground has not helped the pastures grow back. Scouts noted that more and more producers are also having to haul water to livestock. Hay conditions are also reported to be deteriorating with one report of an alfalfa field going dormant, preventing the producer from getting a second cutting. Reports indicated that crops are also suffering from the dry conditions, noting that most dryland spring crops are a lost cause and that very few irrigated cornfields look good. Grasshoppers remain a big problem. The water table is also becoming an issue in the county as it was reported to have dropped a foot since mid July, making a total of three feet since last Sept. One scout noted that five of his neighbors have been forced to drill new house wells.

Scottsbluff County – Aug. 5
Scouts indicated good rains in the county with one scout noting he received 1.75 inches over most of his ranch. The showers did have a cooling effect but probably weren't enough to have a significant impact on deteriorated pasture conditions. Hay supplies are a major concern with reports that most producers don't have enough hay for livestock and there's none available for sale, however hay cuttings were reported at about 75 percent of normal, which is much better than some other areas of the state. Crops continue to be significantly impacted by the dry conditions with irrigation continuing at above normal levels.

Logan County - July 29
Scouts noted some scattered and spotty showers in the county this week, however, the rainfalls haven't been enough to prevent scouts from downgrading pasture conditions from being "below average" to "in bad condition". Hay cuttings in the county have dropped off considerably. Just two weeks ago scouts noted that hay cuttings were running about 75 percent of normal, but this week reported that recent hay cuttings are now running at less than 50 percent of average for this time of year. Crops in the county aren't fairing much better according to reports. One scout noted that local extension and NRD staff were trying to take soil moisture samples at field cultivator depth, but were unable to get the probe into the ground.

Southwest District

Red Willow County – Aug. 5
Scouts Monday reported little to no precipitation in the county for the third straight week. According to reports the weather has still been extremely hot and dry, all of the non-irrigated crops are hurt badly. Many are reported to be beyond the point that rain will help. Some dryland corn is being swathed and baled for cow feed. Several irrigation canals have been shut down due to lack of water in lakes. One scout noted that only one canal in area is still operating. Scouts also reported for the first time this week that most livestock producers won't have enough hay on hand to take care of livestock needs.

Perkins County – July 29
According to scouts, Perkins County is still extremely dry, having received no rain in over three weeks with temps in the 100's. Reports indicate that most ranchers have moved cattle off of pasture ground and are using their allotted CRP grasses for pasture or at least hay. According to one scout, it isn't looking like there will be much of a corn harvest for at least the dryland corn, and the irrigated is even starting to suffer because irrigation systems cannot keep up with the crops demand.

Kearney/Franklin Counties – July 29
With few if any rain showers in the counties, scouts reported that the corn crop is being severely stressed, showing signs of curling and burning. One scout indicated that none of the rains they've received in the past month have even been enough to help settle the dust, much less address the needs of the dryland corn crop. With pasture lands also deteriorating and hay cuttings being short, scouts noted that hay prices have jumped in the area of about $100/ton. Scouts indicated that a wave of cooler temps would certainly help the situation, but without rain the dryland crops won't be able to hold on much longer. One scout reported that it's the driest in the county that they can recall in memory.

Central District

Colfax County – Aug. 5
Scouts reported decent rains over this past weekend with reports ranging from 2 to 3 inches in some areas of the county. The rainfall is expected to provide some significant relief for the soybean crop and hay fields. Despite the rains, scouts noted that it is too late for some of the early corn crop with reports that many producers have already started chopping some of the early corn that has dried up. Scouts did sound optimistic that if they get some additional rains it could still benefit some of the later planted corn that hasen't started drying up to this point. Pasture conditions in the county continue to be reported as "below average" forcing producers to look for alternative feed stuffs for livestock.

Butler County – July 29
Scouts noted some scattered rains in the county with some areas receiving .30 inches while others received up to an inch and a quarter. The rains haven't been enough to alleviate poor pasture conditions that were rated as "bad". Hay conditions were reported to be in that same category as scouts reported that most producers are unable to take a third hay cutting because of the lack of moisture. The extreme dryness has led to weed problems in most crop fields, with one scout noting that they have been forced to spray the same crops for the third time this season.

Loup County – July 29
Scouts reported some scattered showers in the county this week but none of the rainfall events were large enough to bring any significant relief to crops and pastures suffering from high temperatures and dry conditions. Scouts reported pastures to be in "bad" condition this week, with concern expressed about grasshopper populations. One scout noted specifically that dealing with the grasshopper infestation seems to be a "losing battle". Hay cuttings continue to be reported at about 50 percent of average for this time of year and crops in the county were reported as being significantly impacted by the dry conditions, specifically the dryland crops.

Northeast District

Dixon County – July 29
Scouts reported spotty rains for the county with rainfall events ranging from .25 to 2 inches depending on the area. A major storm that moved through the county brought heavy winds causing damage to some corn fields and bringing hail on others. Scouts also indicated that despite good rains in some areas, the recent heat evaporated much of what rain they did receive. A third cutting of alfalfa has started in the county but early indications are that the yields will be well below normal at about 75 percent of average. The declines in the hay crop is a continuing trend as earlier in the month scouts had reported hay cuttings as "average". Scouts also noted that some producers are spraying for grasshoppers on end rows and field boundaries. Soybeans were reported as "short" for this time of year, with scouts also noting drier and drier pasture conditions.

Pierce County – Aug. 5
Scouts reported .7 – 1.4 inches of rain across the county last week, but according to reports, it's unlikely that will be enough to help yields on corn. Scouts did indicate the rains could give a boost to the soybean crop, which was reported as "marginal" in terms of yield loss from the dry conditions to this point. Pastures were reported as continuing to deteriorate, with new concerns being expressed about forage for fall grazing if more rainfall isn't received. Hay cuttings were rated at less than 50 percent of average, with reports that there will be no third cutting on dryland fields. Irrigated hay fields were also reported as experiencing a yield decline. Scouts noted cuttings on irrigated ground at 30-50 percent below last year. Surface waters in the county were reported as "significantly below normal levels" for this time of year with indications that most livestock producers are having to provide alternative water sources for livestock.

Thurston County – Aug. 5
Scouts reported good rains across the county Monday, with roughly 2 inches falling Saturday night and Sunday. The rains were reported as slow, in that most of the moisture made it into the soil profile with little run-off. Cow calf operators in the county are beginning to have concerns about pasture conditions as they reported for the first time that they will be supplementing feed stuffs for livestock. Hay cuttings continue to be reported at about 50% of average for this time of year. One scout noted that they normally sell excess hay from their fields but don't anticipate having any extra this year with most of it going to their own cow-calf herd. In terms of the crop outlook, scouts indicated that almost all crops are being significantly affected by the dry conditions. Scouts specifically, noted damage to the corn crop reporting that most corn ears are likely to have some kernels missing which would point to a less than average yield.

Burt County – Aug. 5
The rains that fell across the NE part of the state this past weekend, left about 2 inches in Burt County according to scouts. The rains were significant enough for most producers to shut down irrigation wells for the time being. According to reports, the soybean crop is the biggest beneficiary of the rainfall, with the scouts being optimistic that it might also be of help to a weathered corn crop. Scouts also indicated that the rains could be enough to help get another cutting of alfalfa out dryland fields, which to this point have been running about 50 percent of average. With pasture ground continuing to be rated as "below average", scouts noted significant acres of CRP being cut for haying purposes.

Southeastern District

Cass County – July 29
Scouts reported scattered rains in the county this week with some areas receiving .80 of an inch. The rains were accompanied by heavy winds, that reportedly blew out powerlines in some areas. Pasture ground in the county was reported as "below average" for the third week in a row after reporting "average" conditions at the beginning of July. While pastures continue to be short, scouts also noted a tough looking alfalfa crop with crops standing at about 7-8 inches tall, at best, in most areas. Recent cuttings of hay in the county are running at about 50 percent of normal. Another concern reported by scouts is the growing population of grasshoppers in the area..

Seward County – July 29
Scouts noted spotty precipitation in the county this week with some areas receiving .40 of an inch. Pasture conditions are really shortening up as scouts rated them in "bad condition", with reports that some cattle growers are considering moving cattle out of the state to greener pastures in Missouri. The short pasture conditions were also followed by reports of shortened hay cuttings. Scouts, who had reported a 50 percent decline in the second cutting of hay, indicated this week that its unlikely that a third cutting will be taken. Crops in the county are reported as being significantly affected by the ongoing dry conditions with some reports that even center pivot irrigated fields are beginning to show signs of drought stress.

Pawnee County – Aug. 5
The scattered rains that fell through parts of Southeast Nebraska didn't get to the Kansas border, according to scouts in Pawnee county, as they reported little to no precipitation this past week. Scouts continued to rate pature in "bad" condition with reports that most cattle producers have been forced to liquidate cattle or move them to other areas for water needs. Scouts expressed a lot of concern that for all intents and purposes the corn crop could be gone. One scout estimated 15 bushels per acre yield in some fields. Scouts also indicated that the soybean crop is also struggling, noting that most soybeans aren't even a foot tall. Weed infestation because of the dry conditions was also reported as a problem for the soybean crop.

August 20, 2002
Testimony from:
John K. Hansen, President Nebraska Farmers Union
P.O. Box 22667 Lincoln, NE 68542

U.S. Senate Agriculture, Nutrition and Forestry Committee Hearing
College Park, Hornady Marshall Auditorium, Grand Island, Nebraska
Sen. Ben Nelson, Presiding Chairman

Sen. Nelson:

On behalf of the over 4,300 farm and ranch families in the Nebraska Farmers Union, we thank you for sponsoring this critical hearing today. We also thank you for your co-sponsorship of S. 2800, which is in our opinion, and the opinion of twenty national organizations who signed on a "dear colleague" letter circulated by National Farmers Union, is the most appropriate national emergency disaster relief proposal. I am attaching a copy of the July 30, 2002 sign on letter with my testimony.

In the limited amount of time available for testimony, I want to focus less on the extent of the economic damage, which is massive, and more on what my organization believes is an appropriate national response to the national, natural disaster that is impacting nearly 50 % of our nation. How our government chooses to respond to this national emergency will decide whether or not thousands of independent farmers and ranchers will be in business next year or not.

Our nation is the largest food-producing nation in the world. It stands to reason that our nation should have a national policy for dealing with the economic hardships caused by natural disasters that adversely impact our nation's food and fiber producers. We had the opportunity to do just that during the development of the 2002 Farm Bill. To their credit, the Senate version of the Farm Bill included a permanent provision to deal with national natural disasters. That was the right approach.

Unfortunately, because of opposition from the House of Representatives leadership and the Bush Administration, the Senate emergency disaster provision was stripped during the Conference Committee deliberations. Tragically, that leaves our nation's family farmers and ranchers without an appropriate income safety net in times of weather related natural disaster.

It was particularly critical for the 2002 Farm Bill to include emergency disaster authority because of the counter-cyclical nature of the Farm Bill income supports, which include Loan Deficiency Payments (LDPs) and deficiency payments. An obvious income safety net problem for crop producers exists when weather related shortfalls in production cause commodity prices to go up, and commodity producers are left without crops to sell, LDPs, or deficiency payments. The Senate version of the Farm Bill recognized that possible situation, and included permanent emergency disaster provisions to deal with it.

The issue of emergency disaster assistance could be quickly resolved if the House of Representatives Leadership and the Bush Administration would simply support *ad hoc* emergency disaster assistance paid for out of general funds. After all, our nation has been paying for emergency disaster assistance out of general funds without offsets since 1989. In fact, when former Presidents George Bush, Sr. and Bill Clinton threw their support behind emergency

disaster assistance authorization, Congress responded quickly and positively. My organization strongly believes that national domestic food security is a basic staple of national security. We believe it would be a terrible mistake for our nation to abandon our long-standing commitment to standing behind our nation's food producers in times of weather related natural disasters.

S.2800 is modeled after the year 2000 emergency disaster program, which is appropriate. We strongly support S.2800 because it includes emergency disaster assistance for both 2001 and 2002 grain and livestock losses. That is critical. That kind of comprehensive approach is what is needed to keep our farmers and ranchers in business, which should be the goal of emergency disaster assistance. To do anything less, means that thousands of family farmers and ranchers will be forced out of business.

We strongly oppose funding emergency disaster provisions by offsetting them out of the Farm Bill, the budget of which is designed to mitigate the impacts of low commodity prices over the life of the Farm Bill. It is not fair to ask one segment of agriculture that is facing economic disaster to help finance another sector of agriculture also facing economic disaster. It makes no sense to rob Farm Program dollars in a low spending year knowing full well those dollars will be needed to pay for low commodity prices when more normal crop production hopefully returns.

The chronic national farm crisis has not gone away, it has only gotten deeper and meaner as the result of the worst prolonged drought our nation has faced in decades. We need to remember that our ag producers have seen the prices and values of their crops collapse since 1996. In fact, most of the press seems oblivious to the fact that the total crop value of corn, soybeans, wheat, grain sorghum, cotton, and rice has declined from 1996 to 2001 by a total of $20.005 billion. The cumulative annual loss in total crop values for those six commodities for the crop years 1996 through 2001 amounts to $82.85 billion in lost farm income.

Thanks to the impact this drought is having on Nebraska farm and ranch families, the Nebraska Farm Crisis Hotline has received a record level of telephone calls for assistance during the first six months of 2002. The Hotline was established in 1984 by our organization, three other ag organizations, a handful of statewide church denominations, and Interchurch Ministries. It is the longest continuously serving Farm Crisis Hotline in the nation. The fact the Hotline is receiving a record number of calls tells us how bad the damage from this drought is.

Sen. Nelson, we again applaud you for your co-sponsorship of S. 2800. S. 2800 is the kind of appropriate national level response that is needed if our nation is going to effectively respond to the devastating economic impacts of prolonged drought on our nation's family farmers and ranchers. In addition to its other advantages, S. 2800 will get more money out to struggling farm and ranch families sooner. It is imperative that livestock producers get financial assistance as soon as possible so they are able to buy replacement feed and hay now so they can avoid liquidating their core breeding herds. It does little good to call the fire truck after the barn has burned down.

Thank you for this opportunity to appear before your Committee, and again thank you for bringing your Committee to Nebraska to hear first hand from our state's farmers and ranchers in this time of crisis. I will be glad to answer any questions you might have.

NEBRASKA CATTLEMEN

"Representing the state's largest ag industry"

Testimony

Regarding

Drought Conditions in Nebraska

Presented to

Senate Agriculture, Nutrition and Forestry Committee

Presented by

David Bruntz
Past President
Nebraska Cattlemen, Inc.

August 20, 2002

The Nebraska Cattlemen serves as the spokesman for the state's beef cattle industry and represents approximately 5,000 professional cattle breeders, ranchers and feeders, as well as 50 county and local cattlemen's associations. Its headquarters are in Lincoln and a second office in Alliance serves cattle producers in western Nebraska.

Historic Federal Trust Building • 134 South 13th Street, Suite 900 • Lincoln, NE 68508-1901
(402) 475-2333 • Fax (402) 475-0822 • nc@necattlemen.org • www.nebraskacattlemen.org

Senator Nelson and Members of the Senate Agriculture, Nutrition and Forestry Committee, my name is David Bruntz. I am a farmer and cattle feeder from Friend in east-central Nebraska. I am testifying today on behalf of the Nebraska Cattlemen, an organization where I served as President in 1997. Unfortunately, today's hearing conflicts with the Nebraska Cattlemen Board of Director's meeting in Alliance, which had been scheduled several months ago. The Association's leadership felt it was best to not reschedule that meeting at such a busy time of year, and they send their regards to you and your colleagues present at today's hearing. On behalf of the Nebraska Cattlemen, please include my full written statement in the record for today's hearing.

Drought Conditions

My family operates a "typical" diversified family farm in eastern Nebraska. Our operation includes irrigated and dry-land corn and soybeans, forages such as alfalfa hay, dry-land pasture and cattle feeding. The drought of 2002 has had a tremendous impact on our operation – hay yields have been cut by half and more, and our dry-land corn crop was harvested as poor quality silage. Pastures and livestock watering ponds are being depleted before cows can be moved to cornstalks or other alternative forage sources.

According to the August 12, 2002 Nebraska Weather & Crops Report issued by Nebraska Agricultural Statistics Service, the drought has had the following impacts in Nebraska:

- Pasture and range conditions rated 64 percent very poor, 27 percent poor and 9 percent fair. These figures are well below average, causing producers to continue to provide supplemental feed or dry-lot cattle, and/or cull deeper into their herds.
- Alfalfa conditions rated 40 percent very poor, 31 percent poor, 18 percent fair and 11 percent good, all well below average.
- Corn conditions overall rated 34 percent good and excellent. Irrigated corn rated 56 percent good and excellent, below the five-year average of 76 percent. Dry-land corn rated 4 percent good and excellent, far below the average of 47 percent.
- Soybean conditions rated 28 percent very poor, 27 percent poor, 30 percent fair, 14 percent good and 1 percent excellent (all well below last year and averages).

Please find several charts, also developed by the Nebraska Agricultural Statistics Service, attached to my statement. These charts provide numerous pieces of critical information:

- Graph 1 – Hay prices (alfalfa and grass hay) have skyrocketed in the past 60 days. The June to July 2002 increase for all hay prices was $15 per ton, the largest month-over-month increase since this data series was begun in 1949 and 44 percent higher than July 2000 hay prices.
- Graph 2 – This graph shows that, while December 2001 (blue bar) and May 2002 (red bar) hay stocks are consistent with previous years, the tremendous decline in production (green line) is anticipated to have a significant impact on December 2002 and future hay stocks.
- Graph 3 – Forecasted hay production for 2002 plus May 2002 stocks are projected to be the lowest in the past 14 years (lowest levels in 1989).
- Graph 4 – Graphic demonstration of drought conditions in Nebraska, with pasture and rangeland conditions in 91 of Nebraska's 93 counties labeled at poor to very poor (60 counties are considered to be in very poor condition).

Disaster Provisions

Undeniably, Nebraska and several other western states are experiencing a drought of historical proportions. This type of natural disaster too often creates scenarios where elected officials and government agencies are forced to "pick sides," based on geographical boundaries or the type of commodity produced. Unfortunately, this drought will be no different. This time, it is livestock producers who need your assistance.

Under existing programs found in the 2002 Farm Bill, crop producers will gain some (but not complete) relief through direct payments and federally subsidized crop insurance benefits. In fact, during this year's rewrite of federal farm policy, many mainstream grain groups asked that emergency provisions of current law be scrapped in favor of counter-cyclical measures to protect farm income. This time around, Congress listened and those wishes were granted. More money has also been funneled into the federal crop insurance program to increase producer participation rates and to offset natural disasters such as the drought facing Nebraska grain producers. Additionally, producers will continue to receive Market Transition (AMTA) payments in 2002.

Conversely, livestock producers do not have direct federal payments or federal insurance programs in place to address drought or other disasters (absent annual appropriations for the Livestock Assistance Program-LAP). Previous LAP programs have provided livestock producers with assistance to purchase supplemental feed at a rate of approximately 25-40 percent of total costs. This amount is significantly less than the 65 percent baseline coverage found with federal crop insurance programs.

The 2002 Farm Bill does provide substantial increases to livestock producers under the Environmental Quality Incentives Program (EQIP), but no direct funding for disaster assistance. With regarding to EQIP, Nebraska has been one of only a handful of states to earmark EQIP funds to provide disaster assistance to pasture and rangeland owners. This assistance is limited to the first 16 counties for which a federal disaster declaration was requested and is capped at $2 million in FY02 funds for long-term deferred grazing strategies.

The greatest "disaster" that may occur is if Congress chooses to ignore the impacts of this drought to the livestock industry. Losses in grazing capacity and forage production can be determined now and should provide an impetus for elected officials to take action immediately after Congress reconvenes in September.

Current Legislation

Three bills are pending in the Senate that would provide disaster funding to ag producers as follows:

- S. 2800 (Baucus, Daschle, Burns) would finance crop and livestock losses for 2001 and 2002 disasters with "savings" resulting from higher than anticipated cash grain prices. This open-ended measure does not include offsets for these expenditures. Senator Nelson has signed on as a cosponsor of this bill.

- S. 2830 (Thomas, Roberts) would finance crop and livestock losses for 2001 or 2002 disasters (producer would choose which year) in much the same manner as mentioned above. Once again an open-ended measure, any crop producer who did not have crop insurance would be required to enter into a three-year insurance contract to receive current drought benefits.
- S. 2768 (Hagel, Enzi) uses offsets from loan rates and the EQIP program to provide funds for the Livestock Assistance Program in 2001 or 2002 (producer's choice), as well as funds for grasshopper control and eradication.

Other legislative issues that bear consideration include bills to extend capital gains tax relief for producers forced to sell livestock due to drought conditions. These important measures will help avert further erosion of equity in livestock that are liquidated as a direct result of the drought.

There has been talk that the 2000 LAP program be used as a model for distributing assistance in 2002. One problem that has been identified with the 2000 program was an income trigger of $2.5 million that was triggered by gross sales rather than net profit. Gross sales, especially in livestock production, should in no way be considered a measure of income. The 2002 Farm Bill uses adjusted gross income (AGI) to determine eligibility and similar changes should be made to the LAP program for 2002.

Other Measures

The release of CRP acres for hay production has been helpful, but producer concerns have been raised that forgiveness of 25 percent of the rental rate for donated hay should also apply if producer using hay to feed their own cattle (make retroactive to July 2002 CRP release). This policy change would also help alleviate the burdensome task of sorting through CRP applications at county USDA/Farm Services Agency offices.

Transporting available forage or grain from willing donors to needy livestock producers has also arisen as a challenge for which a solution should be developed. It appears that a greater degree of coordination among all interested parties would aid this situation, and the Nebraska Cattlemen is pleased to see efforts in this area underway. The Association encourages the Governor's office through the Nebraska Department of Agriculture to maintain the leadership role in coordinating various relief efforts.

Politics

As is the case too frequently in even-numbered years, politics has taken "center stage" on this and a host of other issues. Partisan politics has no place in this debate and will only serve to impede the delivery of assistance to needy livestock producers. The Nebraska Cattlemen request that members of Congress begin work immediately in developing funding for the Livestock Assistance Program that addresses the concerns of livestock producers in Nebraska and the west. Partisanship and parochialism must not be allowed to rule this debate – Nebraska's livestock industry deserves everyone's best effort!

Summary

The Nebraska Cattlemen respectfully request that Congress take the following steps immediately after returning to Washington after the Labor Day Holiday:

- Pursue immediate funding authorization for the LAP program in an amount significant enough to provide meaningful assistance to livestock producers in affected states. Such a measure should also address grasshopper control efforts.
- This program should be at least partially funded by offsets, rather than seeking blanket emergency spending authorizations.
- Programmatic changes should be made to previous year's LAP programs to make income eligibility requirements consistent with 2002 Farm Bill provisions.
- Changes in federal Capital Gains tax laws should be sought to afford producers additional time to replace livestock that were liquidated due to drought conditions.
- A change in CRP policy should be sought regarding no payment reduction for CRP harvested for that producer's livestock (similar to donated forage).
- Congress should encourage the Secretary of Agriculture to use all resources at her discretion to move surplus beef supplies that will continue to accumulate as the result of livestock being sold during the drought.
- Partisan politics must be set aside in favor of aiding Nebraska's livestock industry at a time of need.

Thank you for this opportunity to provide input regarding the 2002 drought in Nebraska. I would be happy to answer any questions.

Figure 1.

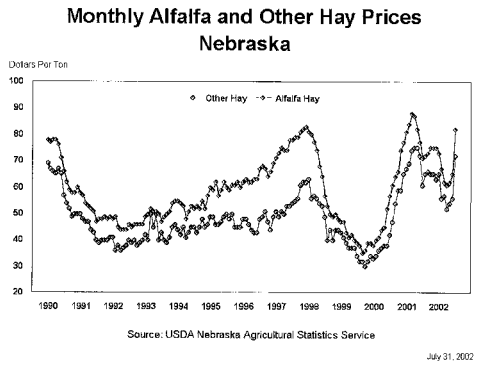


Figure 2.

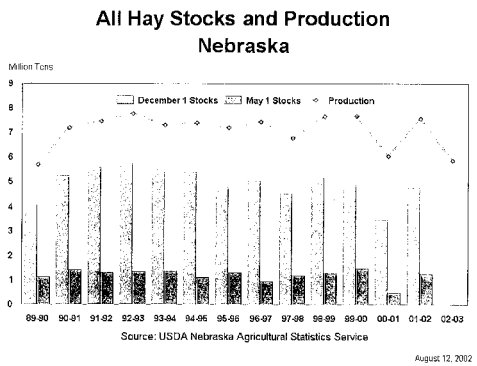


Figure 3.

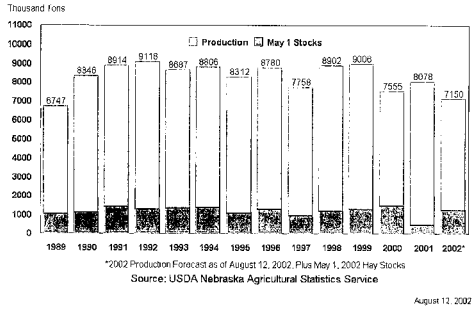
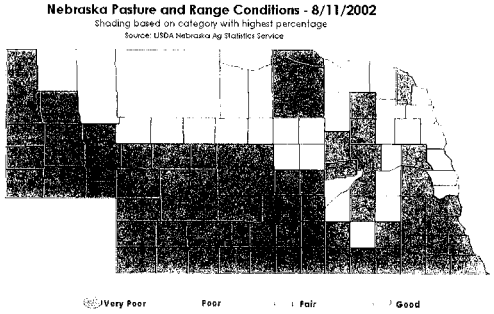


Figure 4.



Comments Presented To The

U.S. Senate Agriculture, Nutrition and Forestry Committee

Hearing on Drought Conditions

On Behalf of the Pork Industry

Presented By

Joy M. Philippi

Board Member National Pork Producers Council
2000 President Nebraska Pork Producers Association

August 20, 2002
Grand Island, Nebraska

Mr. Chairman and members of the committee, thank you for holding this hearing on drought conditions. My name is Joy Philippi; I am a farmer and swine producer from Bruning in Southeast Nebraska. Thank you for including the pork industry in today's proceedings.

I am speaking to you today as a producer of corn, soybeans and swine who has been directly affected by the drought. Our area has not received any significant rainfall since the last week of May. I am also a member of the board of directors of the National Pork Producers Council and have been involved in leadership positions for the Nebraska Pork Producers Association over the past several years.

Swine producers recognize the partnership, between all producers in production agriculture; we appreciate the assistance being offered to our friends in the beef industry and support those ongoing efforts. The drought has also created concerns within the pork industry as well.

Swine Industry Drought Concerns

Many times it is presumed that drought related problems only effect crop production. Animal agriculture is the number one consumer of corn and soybeans here in Nebraska and across the nation. Keeping that in mind I would like to draw your attention to the following crop condition information that indicates the severity of the drought conditions in Nebraska.

On August 12, 2002 the Nebraska Weather & Crops Report was issued by the Nebraska Ag Statistics Service, these figures indicate that feed grain stocks will be far below average production at harvest time.

Corn Condition was rated as 34 percent good and excellent, 31% below the five-year average of 65 percent. Irrigated corn is ranked at 56 percent good to excellent, 20%

below average, with non-irrigated corn rated 4% good to excellent or 43 percent below the five-year average.

Soybean conditions are equally alarming with 28 percent rated as very poor, 27 percent poor, 30 percent fair, 14 percent good and 1 percent excellent.

These Nebraska condition figures, along with USDA's August crop production report, which decreases 2002 corn production by 904 million bushels for a total estimate of 8.88 billion bushels and soybean production to 2.63 billion bushels, are a cause of concern for US swine producers. Theses production predictions indicate that corn and soybean purchase prices will be inflated throughout the next year.

In Nebraska, approximately 85 % of our swine producers operate diversified businesses, which have historically allowed them to produce adequate feed grains for their swine enterprises. Estimates indicate that these operations produce 65-70 % of pigs produced in Nebraska.

In a diversified crop and livestock operation, which depends on internally, produced feed grains, diminished yields and the need for extra cash flow to purchase additional feed grain is a cause of concern for producers.

According to estimates by Dr. Mike Brumm, Extension Swine specialist for the University of Nebraska, for each 10-cent increase in cash grain market prices, cost of production for swine producers increases 50 cents. Over the past 10 trading days producers have seen their cost of production increase $1.50-$2.00. He further estimates that the 2002 break even cost of production for a farrow to finish operation was $37.00-$39.00 per head.

Diversified producers are caught in a no win situation. Despite rising market prices for grains, and financial support from crop insurance and government payments, crop/ livestock producers will experience increased costs of production of feed grain crops. In

our operation we are expecting irrigation costs to be at least 2/3rds higher than normal. This production increase coupled with added insect pressure from grasshoppers and other insects that thrive in hot dry conditions has added many dollars to our per acre production costs.

Diversified operations are vitally important to the rural economy in many areas of the country. In Nebraska a diversified swine/cropping operation returns. 9.8% to equity vs. 5% returns on crops alone. This is a tremendous difference in today's economy.

Heat stress on swineherds has increased basic production practice costs. In my swine operation our electrical expenses are 2/3rd greater than normal due to the heat stress. Other producers have related that stock wells have needed to be re-drilled as water tables in their areas drop. Some have also related that because rural water systems are virtually shut down they must haul water to their production sites in order to maintain adequate water supplies. Each of these raises the cost of production beyond budgeted dollars.

Drought Relief for Swine

Over the past several weeks we have been seeing expanded relief efforts for our friends in the cattle industry. Swine producers agree that cattlemen have the most immediate needs, as pastures and grazing lands have all but virtually disappeared. But the question remains, has the pork industry suffered?

USDA's latest U.S. Drought Monitor map has expanded the area effected by the dry weather conditions, this estimate has broadened the area to include all or part of several major swine producing states including North Carolina, Iowa, Nebraska, Illinois, Indiana, Ohio, Kansas, Wisconsin and South Dakota. Producers in all states west of Nebraska are included as well as many other states across the nation.

The total effects of this drought on the swine industry may not become apparent until the final quarter of this year and early 2003. Until exact figures are known, producer organizations will continually gather feedback, and voice concerns for producers as needed.

Nationwide we have seen sow slaughter increase, with speculation that some will be directly related to the drought. I am currently aware of two producers in Nebraska who are liquidating 500-600 head sow herds lack of affordable feed grains. Both are also non-irrigated row crop farmers who in the past relied on their livestock herds to provide the majority of their farm income. Likewise they are also in the process of liquidating their cow calf enterprises. Presently they have no plans to re-populate their herds.

Presently there are no disaster related provisions in farm legislation, which will assist livestock producers, specifically the swine industry. We have no direct federal payments or federal insurance programs in place to address drought or related disasters. Producers rely on their own risk management practices of marketing, contracting, and production efficiency monitoring, in order to provide their own "insurance" when cost of production pressures exists.

Diversified producers use the tools proposed in the 2002 Farm Bill in order to construct business plans for the coming years. Discussion of use of off sets from program funding is of concern to these producers. Funding offsets make their disaster relief **"self-funded"** as opposed to **Emergency** funding, with no expense to the producers. Another issue of concern is that the use of offsets might have long term deflating effects on Farm Bill programs as passed earlier this year.

The only program, which exists to provide assistance to livestock producers, is the Livestock Assistance Program (LAP), which is not presently funded. This program did offer some assistance to those who suffered weather related grazing losses in the year 2000. It must be noted that the level of assistance was far below that of the crop insurance programs available to grain producers.

With the needs of producers becoming more apparent on a daily basis, the question must be asked could this program which has a mechanism in place to prove eligibility, be expanded to include issues being created by the drought conditions of 2002?

Possible expansion of this program could include provisions which would allow diversified livestock producers the opportunity to purchase additional feed grain stocks at loan rate for the coming year.

Questions do remain regarding the income trigger level for qualification in the existing LAP program that was set on gross sales, rather than net income. Gross sales in livestock production are not a true profit level indicator. Livestock producers would suggest using the gross income (AGI) to determine eligibility as outlined in the 2002 Farm Bill as a qualification parameter.

At the present time there are three bills that have been presented to the Senate regarding drought relief:

- S. 2800 (Baucus, Daschle, Burns) would finance crop and livestock losses for 2001 and 2002 disasters with "savings" resulting from higher than anticipated cash grain prices. This does not include the use of offsets for these expenditures. Senator Nelson has signed on as a co-sponsor of this bill.
- S.2830 (Thomas, Roberts) would finance crop and livestock losses 2002 or 2002 disasters—producers would choose which year. Crop producers who were uninsured would be required to enter a three-year insurance contract to receive current drought benefits.
- S. 2768 (Hagel, Enzi) uses offsets from loan rates and the EQIP program to provide funds for he Livestock Assistance program in 2001 or 2002—again the producer's choice. This bill also includes provisions for grasshopper control and eradication.

Swine producers also encourage you to consider support of bills offered which would extend capital gains tax relief for producers, forced to sell livestock due to the drought conditions. Such provisions will not expedite the loss of equity for livestock producers and might allow for re-entry in to the livestock business at later date.

At this time of emergency, pork producers join other livestock producers in asking that our elected officials utilize a bi-partisan approach when crafting drought relief strategies and legislation. We ask that members of this committee and other legislators from drought stricken areas lay aside partisan politics in order to expedite relief to our producers.

As stated earlier Swine producers do appreciate the efforts of the administration, the USDA and our elected officials to seek relief for livestock producers. It must be noted, however, that efforts of support can be generated in many ways such as additional product movement and also through creating innovative ways to help supplement feed supplies. These things are being achieved for the cattle industry through the release of CRP acres, but grass and hay do not offer support to the pork producers.

Swine producers would again like to emphasize the fact that the drought has created an **emergency** and ask that members of Congress begin immediately in the development of funding and provisions for programs such as the Livestock Assistance Program and other programs of assistance for livestock producers.

Summary

The swine industry is presently and will be further affected by the drought conditions as the year continues. Producers ask that Congress take up the issues regarding drought assistance immediately after they return to Washington and submit the following for consideration:

- Encourage members of Congress to recognize the drought of 2002 as an **Emergency** Situation and expedite programs to assist farmers and ranchers, similar to those programs used to assist victims of other natural disasters.
- Pork Producers respectfully ask Congress to avoid any Farm Program offsets that will jeopardize programs such as EQIP.
- Expansion and Funding of the Livestock Assistance Program to include feed grain purchases for swine producers and with changes made to qualification parameters to match those of the 2002 Farm Bill.
- Changes in the Capital Gains tax laws to benefit livestock producers forced to liquidate due to the drought.
- Encourage our elected officials to adopt bi-partisan tactics to expedite relief for livestock producers.
- Congress should encourage the Secretary of Agriculture to use resources at her discretion to move surplus beef and pork supplies.

Thank you for allowing the pork industry to voice concerns regarding the 2002 drought. I would be happy to answer any questions.

Impact of the Drought on the Sorghum Industry

Testimony presented to the

United States Senate Committee on Agriculture

By

Mr. James Vorderstrasse

Vice President - Legislation

National Grain Sorghum Producers

August 20, 2002

Grand Island, Nebraska

Testimony Of

James Vorderstrasse, Vice President for Legislation
National Grain Sorghum Producers
August 20, 2002

Introduction

Senator Nelson and fellow Members of the Committee, I thank you for convening this urgent and important hearing today.

My name is James Vorderstrasse, and I farm four miles north of Chester in southern Nebraska. I am a dryland farmer, and I raise grain sorghum, wheat, soybeans, corn, hay and manage a cow/calf herd on rangeland. I serve the National Grain Sorghum Producers as Vice President for Legislation, and I also serve on the Nebraska Grain Sorghum Producers Association board of directors.

The fact that I am here to discuss the grain sorghum situation should speak volumes about the severity of the drought in Nebraska and throughout most of the U.S. Great Plains. This is because grain sorghum is an extremely drought tolerant, resilient crop that is known for its ability to survive without water for long periods of time and then bounce back when water again becomes available. But, Senator Nelson, this year there won't be much grain sorghum bouncing back in the Great Plains or Nebraska. Even grain sorghum is being victimized by the disaster facing U.S. farmers this year. The U.S. is predicted to harvest the smallest sorghum crop since 1956, in large part due to the magnitude of the drought.

Early USDA estimates predict that Nebraska sorghum production will plummet almost 60 percent from last year, and sorghum yields will range 25 to 70 percent of normal, with similar sorghum yields forecast nationwide. Meanwhile on my own operation, my soybeans will yield 40 percent of normal if any at all, while expectations are that most of my corn crop will be cut for silage.

As a result of grain shortages, prices for grain are predicted to increase, but dryland farmers with little or nothing to harvest will not be able to take advantage of the higher commodity prices. Additionally, while we appreciate your work to

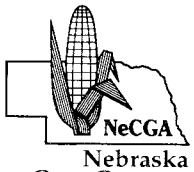
craft and pass a much needed farm bill this year, higher commodity prices will likely mean no counter cyclical payment. Grain sorghum farmers were pleased to see more improved treatment of grain sorghum in loan rates in the new farm bill, but sorghum farmers with no crop to harvest will not receive any benefit from this either. Further, throughout much of the U.S. Sorghum Belt, multiple-year droughts on the Plains, which have led to disaster assistance, have destroyed guaranteed yields for crop insurance purposes, unfortunately making the program largely ineffective as a solution to this year's widespread disaster.

Senator Nelson, we implore you and your colleagues to persevere in your work to address this situation, and we appreciate the early efforts that have been made so far. But, some form of disaster legislation will be needed if the farm families as well as their rural communities and schools are to remain viable in the face of these devastating conditions.

Recently the National Grain Sorghum Producers board of directors passed a resolution urging Congress to pass disaster legislation that would get much needed funds into the hands of affected farm families as soon as possible. Further, NGSP recommends that this disaster package be similar to past efforts and at similar levels as in the past.

Senator Nelson, thank you again for convening this important meeting today. Please let us know if we can provide additional input regarding this dismal situation.

Statement by Mark Schweers
Before the U.S. Senate Agriculture,
Nutrition and Forestry Committee
Grand Island, Nebraska
August 20, 2002



Nebraska
Corn Growers
Association

My name is Mark Schweers. I am the president of the Nebraska Corn Growers Association. I raise irrigated and dryland corn and soybeans near Wisner, Nebraska. I am here today representing dryland crop producers from across the state.

First, I would like to thank the committee members for their time and effort in addressing this serious challenge facing farmers, ranchers and our country. I'm sure by now you are well aware of the magnitude of this drought and its effects. As with any major disaster, there is not a quick concise answer, no silver bullet to fix all the problems, but rather a series of steps to begin the rebuilding process.

I would like to offer some broad ideas on the disaster packages and then focus on the specific areas of crop insurance and the effects of the drought on the livestock industry. There are several proposals that the Senate and House have under consideration. Each has strong points and weaknesses. Perhaps the toughest question is how to pay for a disaster package. I believe that this type of natural disaster, which has a broad effect on our whole economy should have the same consideration as other catastrophes that affect our country. Therefore, emergency spending should be adequate to repair the economies of these drought areas.

We have all worked long and hard to develop the 2002 Farm Bill. The concern of offsetting funds from the budget before we have begun to implement the program raises questions for which I am having a difficult time finding answers. It is assumed, at this time that counter cyclical payments and LDP's will not be needed this marketing year. Some of the suggested programs have looked at the use of these savings to fund a disaster package. The Congressional Budget Office will need to conduct a thorough review of the status of these payments in regard to their scoring against the budget. Areas that should not be considered in any potential offset are those that affect the future budget of these safety net programs and the new loan rate levels.

I would like to address some specific areas that should be considered in any disaster package, the first being crop insurance. I have a few points that I believe we all need to keep in mind as we look at disaster aid and the interest in maintaining a viable crop insurance program. We need to be sure that producers who have utilized risk management be rewarded for their decisions more than those who chose not to use crop insurance. The protocol that some are considering would result in a non-insured acre receiving 95% of the potential disaster payment compared to an insured acre receiving 100%. This is an unjust spread that rewards those who don't utilize insurance and penalizes producers who use this risk management program. I would like to offer the

1327 H Street, #305
Lincoln, NE 68508
402-438-6459
Fax 402-438-7241
necga1@cs.com

idea of a difference of 30% between the payments to insure the incentive necessary to maintain participation in the insurance program.

Many of the proposals being considered, require producers who do not have insurance and receive disaster payments to purchase insurance in future years. I support this concept. I also encourage you to look at increased participation and the levels of these requirements so they fit the goal of maintaining a viable insurance program and not result in minimum token policies. Those determined levels should be high enough to differentiate between producers who are willing to manage risks with crop insurance and those who choose to forgo disaster payments and remain self-insured.

Another concern is that under a scenario that may unfold this year, many producers who carried the high levels of insurance may reach the cap and will have to forgo payments. We should not penalize these people, but make some type of adjustment so using insurance doesn't create a disservice. A possibility may be to raise the cap levels or refund the premiums.

The other area I would like to focus on is support for the livestock community, which I believe has been hard hit by this drought. They are not only corn and soybean producers' largest customer, but also our neighbors in our communities. Their future is directly correlated to our future. Several efforts are under way in Washington to provide resources and support to producers, and I applaud this work. I would urge you to move as quickly as possible to address the needs of the livestock industry.

One specific area that I would like to touch on is the consideration of extending tax deferral time from two to four years to livestock producers that have been forced to liquidate part of their herds. In many cases, herds have been reduced by over forty percent and some entirely. This loss, along with the tax burden, may be insurmountable for many operations to survive.

There are many more ideas that are under consideration, and I encourage you to explore each on its merits and long-term consequence. I hope that, over the upcoming months, we can work in the many areas that will help agriculture, our economy, and our country work through these challenging times.

American Corn Growers Association
P.O. Box 18157 • Washington, DC 20036 • 202-835-0330 • Fax: 202-463-0862

Testimony Presented to

The United States Senate

Committee on

Agriculture, Nutrition and Forestry Committee

"Current Drought Conditions and Relief Efforts"

August 20, 2002

Grand Island, Nebraska

By

Keith J. Dittrich,
President,

American Corn Growers Association

Introduction

Mr. Chairman, and members of committee, on behalf of the 14,000 members of the American Corn Growers Association, I thank you for the opportunity to present the viewpoints of our organization to this esteemed committee concerning the impact of natural disasters on America's farm and ranch families. For those of you who don't know me, I am Keith Dittrich, a Nebraska corn producer and president of the ACGA since 1998.

Myself along with the board of directors of our organization are farmers who hold very strong beliefs concerning the future of not only corn production, but also production agriculture in general. We strive to do what we believe is best for family farm agriculture in this country. We like to say that we represent farmers from 50 to 15,000 acres in size and they all have one thing in common, that is they need a fair price for what they produce. We strive to make sure government policies ensure the health and welfare of citizens across this country.

Current Situation

In a normal year, about 12 percent of the US experiences a drought. This year, however, according to the National Weather Service, about 52 percent of the nation is experiencing drought. This is no small pocket of minor discomfort; this is an extremely serious and widespread disaster.

As you will hear many times today, the drought in Nebraska has been devastating. According to the Aug. 12' 2002 USDA Crop Production Report, Nebraska is projected to produce nearly 20 percent less corn and 23 percent less soybeans than in 2001. And it highly likely that the final production figure will fall more, since in 1995 with similar national conditions, the final national average corn yield was 12 bushels per acre lower than the August 1995 USDA crop estimates.

Under the new farm bill, current crop prices, though improved, will result in very little gain per bushel over income received in 2001 from all sources. Therefore, the projected production losses will translate almost directly into an equivalent gross income loss. Many of these losses of course will not be recovered from Federal Crop Insurance, since the effective deductible is so high. A decrease in gross farm income of this magnitude is devastating to a producer, especially

since in May, before any crop losses, USDA forecast that income from farming to farm operator households would be negative in 2002.

In addition to the devastation wrought by this natural disaster, farmers fortunate enough to have avoided such calamity will experience little or no improvement in income. It is true that price for corn and a few other commodities have strengthened on the reports of a short crop due to the drought, but we must remember that farmers, those producing corn in this instance, will see no increase in income until the market exceeds approximately $2.60 per bushel, the new target price established for Counter-Cyclical payments in the new farm bill. Given the structure of the farm bill, for every penny gained in price, producers will loose a penny in benefits, either from LDPs and MLGs, or Counter-Cyclical payments. While this may be good news for farmer, like myself, that prefer to get our income from the market as opposed to a government check, and also good news for taxpayers, in the aggregate, very little is really gained until market prices exceed the target price.

As I will detail later, the new farm bill authorizes fewer benefits than what was available over the past few years. USDA has forecast a reduction in farm income, a forecast made prior to understanding the severity of this year's drought. I really wish I were here today to tell you things are good for Nebraska farmers, but it simply isn't the truth. Too many of us need assistance and we need it soon.

Past Disaster Assistance

In a country as large and diverse as the United States, it is not uncommon that someone, somewhere is going to experience the devastation of a natural disaster – be it a long and torturous drought, the invasion of pestilence, the demoralizing devastation of a flood, the quick and shocking hail storm, or any of a myriad of other uncontrollable natural disasters. Unfortunately, farm policy over the past decade and a half has not provided a financial safety net adequate enough to help farm and ranch families weather severe natural disasters without additional assistance. In addition, the 1996 farm bill eliminated almost all standing disaster assistance for livestock producers. Those programs were not reauthorized in the passage of the

2002 farm bill. We should also remember that for many crops, such as fruits and vegetables, there is no program assistance of any kind.

Congress has passed disaster legislation and the President has enacted disaster laws covering every crop year since 1988, with the exception of two – three if we count 2001. Today, we seek assistance for the 2001 crop as well as the 2002 crop.

Current Needs

Nebraska had many losses in 2001, prior to the devastation of this year. For example, just 50 miles south of my farm, the Fullerton area had severe drought and produced virtually no dryland crop in 2001. In 2002, they are again in one of the driest areas of Nebraska. This localized situation is repeated in many areas across the state.

Therefore, many farm and ranch families need assistance due to disasters that occurred in 2001. Many more need assistance for 2002. And there are those that have been hardest hit by disaster in both years. As you move forward with legislation for both years, please make sure that if a producer qualifies for assistance in both years, that they are eligible for benefits for both years. It would be extremely unfortunate to discriminate against those who have suffered through two consecutive years of disaster.

We also need assistance for livestock producers. We are leaning too much on CRP haying and grazing as the program of choice for emergency livestock assistance. By the time CRP is released for haying and grazing, it is usually inferior and the reduction in CRP rental payments associated with haying and grazing can be exorbitant, but the only option for hard hit producers. Over use of this provision is can also jeopardize the conservation mission of the program and/or its political support from the environmental and wildlife communities. And besides, hogs don't do too well on grass.

We must also insure that those few standing programs remaining for disaster are properly funded. We would ask that you insure that the Emergency Conservation Program (ECP), the

American Livestock Feed Assistance Program and FSA Emergency (EM) loans are properly funded.

Funding

Funding of a 2001/2002-disaster program should be adequate to avoid any pro-ration of payments in the event the need exceeds the initial estimates. This not only provides the essential level of program benefits, it expedites distribution of those payments since there is no need to wait until every application has been approved before any one can receive those benefits.

We also are vehement in our opinion that funding for a 2001/2002 disaster program should not come from cuts, or offsets, from the recently passed farm bill. This is a disaster and funding should not be at the expense of other essential programs. There are several reasons.

First, even though the 2002 farm bill authorizes more funding than did the 1996 farm bill, we must remember that the 1996 bill was so woefully inadequate that additional programs and spending were necessary in most every year it was in effect. When the additional funding of these ad hoc programs over the past several crop years are added to what the 1996 bill had in statute, we find that the 2002 farm bill actually spends much less than what was spent in the last several years. In fact, the new bill spends about $1.5 billion less per year than what has been spent in previous years. With the announcement of the Secretary of Agriculture earlier this summer that farm income will be down approximately 15 percent this year, we contend that cutting essential programs at this time could easily be as devastating as the natural disasters we have already endured.

Secondly, we must remember that the production agriculture sector of the nation's economy is much larger than "program crops." Roughly speaking, the overall size of the sector is about $200 billion. Of that amount, close to half is livestock, including dairy. Another one-forth of the sector is fruits and vegetables. This means that, with the exception of dairy, three-fourths of the production sector has few, if any, programs to start with and need disaster assistance as much or more than does the one-fourth of the sector made up of program crops.

Lastly, are we to understand that those wishing to find offsets in programs for the disaster assistance would take all of the offsets from one-fourth of the production agriculture economy to redistribute to the other three-fourths? We find such a proposal inequitable and unjust, especially considering that improved crop prices are not yet helping program crops, and farm income was forecast to be so low in 2002 prior to the drought.

Future Needs

Unfortunately, until the privatization of agriculture disaster coverage through crop insurance is improved to the point that it is affordable and adequate to cover the types of losses experienced this year and last, we propose an examination of a standing disaster assistance program. Additionally, we feel there is a strong need for a standing Livestock Assistance Program (LAP) for grazing losses, and a feeding needs outside of grass.

An important program for the future if we are to seriously endeavor to protect farm families from the effects of drought and other disasters, but more importantly the nation as a whole, is the reestablishment of a Farmer Owned Grain Reserve (FOR). With such a program, consumers (including livestock feeders) would be assured that if we have a major drought, the U.S. would have reserves that will be made available. This stability of supply encourages stable growth in exports, renewable fuels production, food processing, and livestock production. In addition, FOR stocks can provide extra income or feedstocks to producers in drought years.

A portion of the FOR should be dedicated to a Strategic Energy Reserve for the renewable fuels industry. It is a serious concern for our members that, having taken the next step in marketing their products by establishing a farmer owned cooperatives to produce bio-based fuels, that a short crop could easily put them out of business. Their plant would then be easy pickings for the largest producers in the industry at fire-sale prices. Such a scenario only intensifies the concentration in the industry, reduces competition and in the long run hurts our farmers' ability to market their crops. In addition, a Strategic Energy Reserve would, in these days of uncertainty, help provide this nation with a domestic, decentralized, diverse and renewable energy source.

Conclusion

It has been and honor and a pleasure to have been here today and to be a recipient of such gracious hospitality. I would very much like to take your questions now and ask that should we fail to get everything asked and answered today, that you would never hesitate to contact me by phone, email or letter. Thank You!

NEWS FROM THE AMERICAN CORN GROWERS ASSOCIATION
For Immediate Release
www.acga.org
Contact: Larry Mitchell (202) 835-0330

Corn Growers Testify Before Senate on Need of Disaster Assistance

Dittrich Addresses Senate Agriculture Committee in Nebraska

Grand Island, Neb. – Aug. 20, 2002 –Keith Dittrich, president of the American Corn Growers Association (ACGA) and a corn farmer from Tilden Neb., was a key witness in today's Senate hearing on the worsening drought and the impact it has on the nation's farm and ranch families. Dittrich called upon the Senators to support pending emergency legislation for farmers and ranchers hard hit by natural disasters, both in the 2001 and 2002 crop years.

"In a normal year, about 12 percent of the U.S. experiences a drought," said Dittrich "This year, however, according to the National Weather Service, about 52 percent of the nation is experiencing drought. This is no small pocket of minor discomfort, this is an extremely serious and widespread disaster."

Last month, ACGA and a dozen other organizations asked Congress to use the Congressional summer recess as a time to tour and investigate the severity of the drought. "I am pleased that this group of Senators took our invitation and we are glad you are here today, proclaimed Dittrich. "Now please take this message back to Washington with you and pass the necessary programs so essential in keeping our hard hit farm and ranch families on the land."

Dittrich assessed the current situation by explaining, "The drought in Nebraska has been devastating. According to the Aug. 12, 2002 USDA Crop Production Report, Nebraska is projected to produce nearly 20 percent less corn and 23 percent less soybeans than in 2001. And it is highly likely that the final production figure will fall more, since in 1995 with similar national conditions, the final national average corn yield was 12 bushels per acre lower than the August 1995 USDA crop estimates."

"Even with the new farm bill, the safety net for corn farmers is still about twenty percent below our cost of production and no better for other segments of production agriculture," said Dittrich. "USDA announced this summer, before the severity of the drought was even considered, that farm income for this year will be 15 percent below last year's. I can tell you that no one made any profit last year and when natural disaster hits, our farm families cannot survive without essential emergency assistance. Until we can have farm policy which provides a fair price for what we raise when times are good, we will be required to assist those in need when times are bad."

Dittrich pointed out that the assistance should be for 2001 and 2002 and if a producer had a disaster in both years they should receive program benefits for both years, not only one as some have suggested. He also explained in detail why the program funding should not come from other farm programs and the funding should be sufficient to avoid the need to prorate benefits. Dittrich extended his remarks past the current needs and explained the need for a standing disaster program, a Farmer Owned Reserve (FOR) for grain in order to insure the needs of livestock producers, the ethanol sector and the nation as a whole in future disaster years.

The American Corn Growers Association represents 14,000 members in 35 states. To view Dittrich's full testimony and other information about ACGA, please visit their website at www.ACGA.org .

TESTIMONY PRESENTED TO

SENATE AGRICULTURE COMMITTEE HEARING

AUGUST 20, 2002

GRAND ISLAND, NEBRASKA

By

Ron Stoddard, Executive Director
Nebraska Wheat Board

I want to thank the Senate Agriculture Committee for holding this committee hearing in Grand Island today in order for agricultural producers, agricultural suppliers, financial lenders, rural retailers, and others to have an opportunity to express their concerns about the severity of the drought conditions present across Nebraska in particular, and the Central Plains area in general.

Nebraska, like our neighboring states, is an agricultural state deriving a majority of its gross national product directly from the production of agricultural crops and livestock. I have personally been involved in production agriculture in Nebraska for the past 40 years and I have never seen a year as severe as 2002 is proving to be. It is spooky to drive across the country and see one field after another severely damaged, if not nearly dead, from the lack of moisture. Most of the irrigated crops are also suffering severely because it has been impossible to provide these crops with adequate water due to no rainfall and abnormally sustained high temperature. Several crops that have somehow with stood the drought conditions are the feasting grounds for a huge influx of grasshoppers. When we look at the rangeland, one would think it was mid-January if it weren't for the one hundred plus degree temperatures. Grass has been non-existent in the majority of the cow/calf region all year. Due to the inadequate levels of soil moisture the grass never attempted to green up this past spring and is still as dormant today as it was last March. Several ranchers have been forced to either sell part, if not all, of their herds or haul them to expensive grass several hundred miles away.

Lets talk about wheat issues in specific. Nebraska had mixed results in wheat production this year. Much of the wheat produced east of Grand Island had yields as good, if not better, than in recent years. There were several reports of dryland yields of 60 to 70 bushels per acre, however, the fallacy is that only 11.2 percent of the wheat is raised in that area. The area from Grand Island west got progressively dryer the farther west one goes. The common harvest yields reported from this years harvest is in the 10 – 25 bushels per acre range.

This year's Nebraska wheat harvest of 46,400,000 bushels is 22 percent smaller than last years crop and the smallest since 1944. This compares with the past five-year average of 70,660,000 bushels.

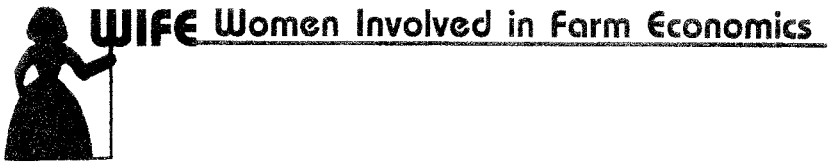
The June 2nd crop report released by Ag Statistics, reported that at that date the topsoil and subsoil moisture levels across the state of Nebraska was rated mostly short to very short in the major wheat growing areas and the crop condition was rated at 62 percent very poor statewide. Moisture conditions continued to decline during the following month leading up to wheat harvest. The August crop report from Ag Statistics shows subsoil moisture levels at 93 percent short and very short. This is the lowest soil moisture level since 1974.

The financial status of Nebraska's wheat producers was extremely fragile prior to this years' drought. It is encouraging to see wheat prices increase to levels around $3.80 per bushel, almost $1.00 per bushel higher than one year ago; however, price is a non-issue if you do not have any production to sell. This year's production was 12,800,000 bushels less than the 2001 crop. With wheat prices at $3.80 per bushel, the loss to Nebraska's wheat producers is $48,640,000. A dollar generated at the producer level will turn seven times through the economy reflecting a loss of $3,404,800,000 to the Nebraska economy. The Nebraska Legislature just completed a second special session in order to balance the budget for this fiscal year. Over one hundred million dollars was cut out of very worthy programs and projects. The Legislature may be holding other special sessions in order to keep the states budget in check if this drought continues.

The Nebraska Wheat Board is concerned about the outlook for next years' dryland wheat crop. If it doesn't rain within the next two weeks in the wheat growing area, the prospects for the 2003 wheat crop look very dismal. The acres will likely be planted, but the stand will be thin and spotty at best. It needs to be noted that even if it turns out wet during the spring of 2003, the potential wheat yields will be no better than the established stands obtained during the fall of 2002. The financial devastation that Nebraska's wheat producers experienced in 2002 will be potentially greater in 2003.

Nebraska wheat farmers, as well as all agricultural producers, desperately need Federal assistance in order to withstand this economic devastation. The designation of Nebraska as a statewide disaster area is of great importance because it facilitates the opportunity for producers to apply for low interest loans. In addition to the low interest loans, our farmers will need a stronger Federal Crop Insurance Program and assistance with obtaining crop inputs for next years crops.

I thank the committee for this opportunity to make these brief comments on behalf of Nebraska's wheat producers. I believe that together we can survive and Nebraska will continue as a strong wheat producing state.



August 20, 2002

Senator Ben Nelson
Senate Agriculture Committee
Washington, DC

Dear Senator Nelson and the Senate Agriculture Committee

Thank you for coming to Nebraska to see for yourselves and hear about the devastating losses being experienced by farmers and ranchers due to the drought. Moisture amounts are similar to those experienced in the Dirty Thirties. Modern agricultural practices have helped to lessen the blowing dirt and total loss of crops experienced at that time. However, even the best farmers have not been able to avoid the loss in production this year nor the potential for future losses.

If farmers and ranchers are going to overcome the financial losses that are occurring, they will need disaster relief funding from the federal government. When asked if they like Federal Assistance, most farmers will say they would prefer to get profits from the market place. Even in years with good weather, this idea just does not work because of the many forces beyond our control that are influencing our markets. With a natural disaster, like this drought in Nebraska, farmers must be realistic and accept assistance from the government. It is not what we prefer. It is our ONLY MEANS of survival.

Nebraska WIFE supports a total package for disaster aid that includes relief for both livestock and crop producers. S. 2800, introduced by Senators Baucus and Burns and co-sponsored by many other Senators, contains many of the programs that we would like to see included in a disaster relief package. It includes assistance for those who suffered losses in 2001 as well as those suffering losses this year. It includes assistance for both livestock and crop producers. It is consistent with previous emergency legislation approved by Congress and signed into law by Presidents over the past decade.

NE WIFE is opposed to the idea that offsets from the Farm Bill are necessary to finance emergency disaster aid. In no other segment of the economy would offsets be necessary for funding caused by a natural disaster. If there were homeless in Florida because of a flood, funds would not come out of Health and Human Services. If there were broken bridges in California because of an earthquake, Transportation would not have to come up with the funds. If there was flooding along the Rio Grande, funds for Immigration Services would not be used. Agriculture is an important part of national security. A natural disaster that affects the production of American food should be funded out of the general budget.

Another reason to avoid offsets is the timeframe involved. It will be months before the final outlay for the LDP and counter-cyclical programs are known. Any "savings" to be found in these programs cannot be determined until well into 2003. Farmers and ranchers need financial relief NOW rather than months in the future.

We urge the Senate Agriculture Committee and the full Senate to approve the Baucus/Burns legislation, seek concurrence of the House of Representatives and work with the administration to ensure an adequately funded emergency program is in place. This action is needed immediately to reduce the tragic economic impacts being experienced by farmers, ranchers and their communities throughout much of rural America, including Nebraska, because of natural disasters beyond their control.

Nebraska Farmers and Ranchers have been feeding Americans and people around the world through their dedication and hard work. Now they are caught in circumstances beyond their control and find that they cannot feed their own families or their livestock. Now is the time for disaster relief aid.

Thank you again for coming to Nebraska and listening to our immediate needs and concerns.

Sincerely

Nebraska Women Involved in Farm Economics
Pam Potthoff, President

Senator/Representative

My name is John Crawford . I am the owner/operator of Crawford Harvesting Harvesting. We live in Arapahoe , Ne and harvest in 7 states. This year's drought conditions are simply terrible. That is the purpose of this letter. We desperately need your help because our business is in trouble and in great danger of becoming insoluble. Allow me to explain some of the details.

The drought this year has been the worst that I have ever seen. It is unique because it is so wide spread that it has taken away our ability to survive. In any year there are regional disasters like flooding, drought, hail, etc., that impact our business. But in normal years we can move to a new location and pick up additional acres to harvest that will help cover our fixed costs. This year there simply are very few acres anywhere. Our own harvesting operation has lost a combined total of 9,000 acres this year. With our fixed costs at/near $ 14.00 acre, we have lost $ 126,000 in lost acres alone. And that only tells part of the story.

In addition to the lost acres, the drought brings another problem to custom harvesters. The fee we charge for acres that are harvested has also been greatly reduced. This is because our fee is partially determined by the yield of the crop harvested. The drought's reduction of yield on acres that have been harvested has cost me $ 3.90/acre on 9,000 acres that I have harvested. For my business that is an additional revenue reduction of $35,100 .

When you add the two figures above you can see that our general industry and my particular business are in trouble. I will personally lose at least $ 161,000 this year. I cannot continue to remain in business with these losses. After spending 26 years in this business, I am not in financial trouble due to poor management. I am in this mess because of the most widespread natural disaster of my lifetime.

If independent businesses like mine are allowed to fail, the next good crop that is produced may not make it to market. Custom harvesters handle more than 25% of all wheat harvested and hauled to market. Large percentages of other crops are also harvested by our industry. If you fail to help us out of this crisis, **you will be harming farmer producers indirectly**. ***We need your financial help to survive. Include our industry in the Fall 2002 Disaster Bill.***

Thank you,

John Crawford

Crawford Harvesting

Phone (308)962-7246

Acres destroyed per state that I lost

Tx 2,000	= $28,000 lost	Az ____	= $ ____ lost
Co ____	= $ ____ lost	Wy ____	= $ ____ lost
Ks ____	= $ ____ lost	Other ____	
ND 2,000	= $28,000 lost	Other ____	
SD ____	= $ ____ lost	Other ____	
Ok 3,000	= $42,000 lost		
Ne 2,000	= $28,000 lost		
Mt ____	= $ ____ lost		

~S & L FARMS, INC.~
Scott & Linda Payne
Phone (308) 882-4490 Cell (308) 882-8165 FAX (308)882- 4790
email:payne&chase3000.com Cell (308) 882-6581

August 9, 2002

SENATOR TOM OSBORNE

www.house.gov/writerep/

Dear Senator Osborne:

My name is Scott Payne and I live in Imperial, NE. I own S & L Farms, Inc., which is a custom harvesting business. I am sure you are very much aware of the drought that has plagued many states not only last year but also this year. You have visited Imperial this last month and saw with your own eyes how dry this country is. It has been recorded that this is the driest it has been there for 108 years. So not only has it effected the wheat crop, it will effect dryland corn, and irrigated corn, beans and sunflowers. There are many farmers not having enough water to finish producing the kind of crop it takes to make their business and my business a profitable business. It is a grave situation, indeed. There are many other states that have the same kind of devastation and it has affected my business and the businesses of many other harvesters in a very serious way. We are in danger of losing our business. I would like to relay to you how desperate the situation is.

We harvest in Texas, Oklahoma, Kansas, Nebraska, South and North Dakota, Montana and Canada. I have been in harvesting for 35 years and the drought this year is the worse I have ever seen. In the past, if there was drought, hail, etc., we could move on to another area and usually pick up extra acres to compensate for the ones lost, but this year there are no extra acres to be found because of the drought that is so wide spread. Also, this year has been the lowest amount of wheat acres planted in 70 years. Because of this year's devastation, many harvesters will not be able to go again next year and thus, farmers will not have the ability to hire enough harvesters to harvest their crop. Custom harvesters harvest more than 25% of all wheat harvested and hauled to market. Large percentages of other crops are also harvested by our industry.

I personally lost acres in:	Kansas –	5,000 Acres	--	$90,000
	South Dakota -	6,000 Acres	--	$100,000
	Montana --	4,500 Acres	--	$72,000
	Fall Crops (estimated)			$100,000

There is no way you can make up this financial deficit. When times are hard people make decisions to do things they would not do in prosperous years like cutting prices, not honoring commitments made to employees, dealerships, banking establishments, etc. It puts many people in perilous times. It becomes like a pebble in a pool of water; the ripples of the disaster affect everyone.

We make business commitments 6 months ahead of actually harvesting the farmer's crops so when we are put in the situation of this severe drought, our commitments are put in jeopardy and not due to improper management. So I earnestly ask you to help us in our plea for help. **We need your financial help to survive. Include our industry in the Fall 2002 Disaster Bill.**

Thank you for your consideration,

S & L Farms, Inc.
Scott Payne

MAHONEY'S HARVESTING & TRUCKING

418 So. Chestnut P.O. Box 459 Genoa, NE 68640 ■ Shop: 402-993-6006 Res: 402-993-2825 Fax: 402-993-6009

As most of our expenses are fixed such as machine costs, insurance, labor, taxes, motel and housing, permits, and transporting equipment from state to state. The only basic expenses that changes other than wear and tear on equipment is our fuel cost.

As you can see by these figures, our general industry of custom harvesting and my particular business are in big trouble. I cannot continue to remain in business with these losses.

If independent businesses like mine are allowed to fail, the next good crop that is produced may not make it to market. Custom harvesters handle more than 25% of all wheat harvested and hauled to market. Large percentages of other crops are also harvested by our industry. We need your financial help to survive. Please include our industry in the Fall 2002 Disaster Bill.

Thank you,

Patrick L. Mahoney
Mahoneys Harvesting and Trucking
Genoa, NE 68640

MAHONEY'S HARVESTING & TRUCKING

418 So. Chestnut P.O. Box 459 Genoa, NE 68640 ■ Shop: 402-993-6006 Res: 402-993-2825 Fax: 402-993-6009

August 8, 2002

Representative Osborne,

My name is Patrick Mahoney. I am the owner of Mahoney's Harvesting and Trucking from Genoa, Nebraska. As you well know, this year's drought conditions are horrendous. We desperately need your help because our business is in trouble and in great danger of becoming insoluble.

We have been in business for 32 years and the drought this year has been the worst I have ever seen. Because it is so widespread it has taken away our ability to survive. In any year there are regional disasters that impact our business. But in normal years we can move to a new location and pick up additional acres to harvest that will help cover our fixed costs. This year there are very few acres anywhere. In a normal year we leave our home of Genoa, Nebraska in May and work continually until into September when we return to harvest the crops at home. This year we have been forced to return home due to no work and have been here for four weeks.

Due to the drought of the 2002 harvest year we have lost revenue from several jobs. I am listing actual figures from the 2001 and 2002 harvest years to give you a better idea of how desperate our situation is. These figures are as of August 1, 2002:

	2001	2002
Alva, OK	$ 76,675.09	0
Perryton, TX	47,523.06	14,817.27
Yuma, CO	45,077.15	0
Kadoka, SD	41,663.41	0
Dalhart, TX	12,251.11	0
Sharon Springs,TX	38,801.10	29,662.68
	$261,990.92	$44,479.95

Senator/Representative

My name is Alan Gottula I am the owner/operator of Gottula Harvesting Harvesting. We live in Elk Creek, Nebr. and harvest in 5 states. This year's drought conditions are simply terrible. That is the purpose of this letter. We desperately need your help because our business is in trouble and in great danger of becoming insoluble. Allow me to explain some of the details.

The drought this year has been the worst that I have ever seen. It is unique because it is so wide spread that it has taken away our ability to survive. In any year there are regional disasters like flooding, drought, hail, etc., that impact our business. But in normal years we can move to a new location and pick up additional acres to harvest that will help cover our fixed costs. This year there simply are very few acres anywhere. Our own harvesting operation has lost a combined total of 2500 acres this year. With our fixed costs at/near $10.00 / acre, we have lost $ 25,000 in lost acres alone. And that only tells part of the story.

In addition to the lost acres, the drought brings another problem to custom harvesters. The fee we charge for acres that are harvested has also been greatly reduced. This is because our fee is partially determined by the yield of the crop harvested. The drought's reduction of yield on acres that have been harvested has cost me $5.00 /acre on 4000 acres that I have harvested. For my business that is an additional revenue reduction of $ 20,000.00

When you add the two figures above you can see that our general industry and my particular business are in trouble. I will personally lose at least $ 45,000 this year. I cannot continue to remain in business with these losses. After spending 30 years in this business, I am not in financial trouble due to poor management. I am in this mess because of the most widespread natural disaster of my lifetime.

If independent businesses like mine are allowed to fail, the next good crop that is produced may not make it to market. Custom harvesters handle more than 25% of all wheat harvested and hauled to market. Large percentages of other crops are also harvested by our industry. If you fail to help us out of this crisis, **you will be harming farmer producers indirectly**. ***We need your financial help to survive. Include our industry in the Fall 2002 Disaster Bill.***

Thank you,

Alan Gottula

Gottula Harvesting

Phone 402-335-2634

Acres destroyed per state that I lost

Tx____	= $____ lost	Az____	=$____ lost
Co ____	= $____ lost	Wy ____	=$____ lost
Ks 1200	= $12,000 lost	Other MN 500	= $5,000.00
ND____	= $____ lost	Other____	
SD____	= $____ lost	Other____	
Ok 800	= $8,000 lost		
Ne____	= $____ lost		
Mt____	= $____ lost		

August 2002

Senator/Representative:

My name is Lonny Peters. I am the owner/operator of Peters & Son Custom Harvesting. We live in Elk Creek, NE and harvest in 5 states. This year's drought conditions are simply terrible. That is the purpose of this letter. We desperately need your help because our business is in trouble and in great danger of becoming insoluble. I was sincerely hoping to pass Peters & Son Custom Harvesting to my son some day, but we and our fellow custom harvesters have a very critical situation with a wide spread drought. This year's drought has been the worst that I have ever seen. It is unique because it is so wide spread that it has taken away our ability to survive. In any year there are regional disasters like flooding, drought, hail, etc. that impact our business. But in normal years we can move to a new location and pick up additional acres to harvest that will help cover our fixed costs. This year there are simply very few acres anywhere. Our own harvesting operation has lost a combined total of 5,690 wheat acres this year. With our fixed costs of $22.00/acre, we have lost $125,180.00 in lost wheat acres alone. And this only tells part of the story.

We live in southeast Nebraska, which is also included in the drought area and will result is us losing 3,000 acres/$22.00= $66,000.00 for fall harvest. When you add the two figures above you can see that our general industry and my particular business are in trouble. I will personally lose at least $191,800.00this year. I cannot continue to remain in business with these losses. After spending 25 years in the business, I am not in financial trouble due to poor management. I am in this mess because of the most widespread natural disaster of my lifetime.

We have always been able to operate without any government support of any kind, but we have never seen conditions as extreme as this, we are looking at catastrophic losses and need your financial help to survive. **Please consider including custom harvesters (our industry) in the Fall 2002 Disaster Bill. "We harvest the grain that feeds the world".**

Thank you,

Lonny Peters

Lonny Peters
Peters & Son Custom Harvesting
RR 1 Box 140
Elk Creek, NE 68348
(402) 877-2845

July 25, 2002

Senator or Congressman:

My name is Bill Stevens. I am a custom harvester from Fordyce, Nebraska and member of the U.S. Custom Harvesters organization. We harvest wheat from Texas to North Dakota and fall crops in Nebraska. I have done this for thirty years and this is the worst condition I have seen my wheat crop, due to the drought. I am listing the acres lost on my run.

Texas	400 acres
Hobart, OK	550 acres
Cameron, OK	1400 acres
Satanta, KS	500 acres
Tribune, KS	5500 acres
Onida, SD	3000 acres
Mobridge, SD	1000 acres
Mott, ND	4000 acres

These are just the wheat acres, as for the fall crop of corn and beans, we don't know. In my area we have had .60 in. of rain the total growing season so far.

Most of the acres we harvested were at a reduced yield. The fee we charge is determined by yield as well as acre and this reduction of yield cost me $6.00 per acre. My fixed cost is $13.20 per acre. I lost 16,350 acres at $13.20 per acre, totaling a $215,820 loss in revenue. This is a fixed cost figure and does not include a profit margin.

The farmer that lost these acres will get federal assistance. I have harvested the same land longer than some of those farmers have farmed it and I qualify for no assistance. During the past thirty years I have never asked for federal assistance. We have had lost acres due to weather and economic reasons in the past several years and this has not allowed us to build a cash reserve. This year the drought took a devastating toll in the heart of the wheat belt and the heart of our harvest run. We are asking you to consider including the custom harvester in the drought relief program and a subsidized insurance program for the harvester for future years. Simply put – we have nowhere else to turn.

Thank you for your assistance in this matter.

Sincerely,

Bill Stevens

BS:cas

WIEBKE INC.

P. O. Box 193
Cook, NE 68329

Home	(402)864-4291	Shop	(402)864-4271
Fax	(402)864-4291	email	iw14158.alltel.net
Ivan's Cell	(402 304-3099	Julie's Cell	L(402)239-5455

August 3, 2002

SENATOR THOMAS DASHCLE
tom-daschle@daschle.senate.gov

Dear Senator Daschle:

We would like to take this opportunity to make you aware of a critical problem in the custom harvesting industry. As I am sure you know, custom harvesters harvest 7 to 10 million acres of wheat annually, along with a significant number of acres of other crops, and complete the agricultural production cycle. Many farmers rely on custom harvesters because the cost of owning harvesting equipment and hiring seasonal labor is much higher than hiring custom harvesting professionals.

According to insurance companies who serve our industry, the number of custom harvesters is down by 35% over the last two years, and with the prevailing drought in 2002, along with other financial pressures, there is a very real probability that another 20 to 40% will go out of business. Wheat acreage this year was the lowest in 70 years. If wheat acreage returns to normal next year and we lose more custom harvesters, there will not be enough harvesters to harvest the crop . This will result in heavy losses to farmers who will be unable to get their crops harvested in a timely manner.

Custom harvesters were struggling to break even before this years' drought. The drought, however, has made the situation desperate for a large percentage of custom harvesters. Without some sort of assistance, more than half will be unable to make note payments and insurance payments, and many of these will be out of business at the end of this year. The resulting high number of repossessions of combines and other harvesting equipment will have a big impact on the companies who manufacture this equipment. Some of the companies affected are Case New Holland, Agco, John Deere, and Caterpillar.

I, personally, have been harvesting the same farms for more than 20 years, and have a vested interest in the crops on these farms. The growers are able to insure their crops to protect against disaster, but we cannot. We are dependent on the whims of mother nature. A total loss of the crop is a total loss for us. We desperately need to be able to purchase insurance to cover our interest in the crops we harvest on an annual basis.

The insurance, however, is important only if we are still in business. As of today, I, with my crew, have been out of work for 25 days in the heart of our business season because of the drought in South Dakota. Considering that our entire season is 6 months in length, this has the same economic impact for harvesters as not flying for 45 days would have for the airlines. When we are not harvesting during the season, we must still pay labor, room and board for employees, insurance and other expenses. It is impossible to recoup these costs. Many harvesters use H-2A workers and are required by law to pay full wage scale and continue room and board even though there is no work for the employees! Low commodity prices the past few years have prevented harvesters from charging what is needed to make a profit. Most were hoping for a good year in 2002 to recoup losses of the previous years. Instead the drought has clobbered us. I personally, along with most of my fellow harvesters, had an operating loss last year. This year's projected revenue will be much less and our operating losses will be huge. Again, this will affect the entire agricultural industry, the farmers and the agricultural suppliers and manufacturers as well as the harvesters.

We have always been able to operate without any government support of any kind, but we have never seen conditions as extreme as the last two years, and especially 2002. We are looking at catastrophic losses in 2002 and we need help to survive. Please consider including custom harvesters in any drought relief program being discussed in congress.

Ivan Wiebke

Testimony by Dale Dueland, Farmer, McCook, Nebraska.
U.S. Senate Committee on Agriculture, Nutrition and Forestry
Hearing Topic: Current Drought Conditions and Relief Efforts
Tuesday, August 20, 2002
College Park
Grand Island, Nebraska

Introduction and Background.

Good afternoon. My name is Dale Dueland and I live in McCook, Nebraska. I manage and operate a family farm in nearby Frontier County, which includes the land that my great-grandfather homesteaded in 1890. I have operated this farm since graduating from the University of Nebraska in 1976, and also have had several years of part time work experience in agriculture finance and farm and ranch real estate sales. I currently serve as a director and officer of our local farm cooperative and have for the past 10 years. My wife Mary is an elementary school teacher in McCook and we have two children, Anna in college and Neal in high school.

In addition to our own family farm, I operate and manage land for three other families. Our total operation includes approximately 600 acres of irrigated farmland, 2,500 acres of dry land farmland, and 2500 acres of rangeland. We have a cow-calf herd utilizing the rangeland and also have a stocker-feeder cattle feeding enterprise through the winter. Our operation would be considered average to above average size in our region for full time farmers and we operate the farm solely with family and a few part time employees.

I have been invited today to comment on the drought in the McCook area from the perspective of the dry land farmer, and the longer-term effects and impact of the drought on the farm economy. I am honored to be able to represent our region in that regard, and hope that my testimony will live up to that expectation.

Physical and Financial Impact of the Drought.

According to the McCook Daily Gazette, last Friday was the 35th day this summer of a daily high temperature of 100 degrees or more. This is unfortunately very close to the record of 37 days back in 1936, in the dustbowl years. As of Friday McCook had recorded 8 inches of rainfall for the year. That is one half of normal with most of the shortfall occurring in the last few months. Many areas are drier as our farm 15 miles north of McCook has received just one half of an inch of rain since late June. Areas to the south and west of McCook are drier yet.

The extreme heat coupled with lack of rainfall has devastated the dry land crop production of our area. Just last Friday, our crop insurance adjuster appraised our nearly 900 acres of dry land corn at a zero yield, something a few weeks ago we would never have thought possible due to drought.

Since 1981 we have practiced conservation and no-till cropping practices on our dry land known as eco-fallow. It is a strict rotation of fallow, winter wheat, and corn over a three-year period and is designed to conserve moisture utilizing crop residues. It provides a ten-month moisture accumulation period before each crop, and the balance of months in the rotation are spent nurturing the two crops.

Our normal annual rainfall usually does not provide excessive moisture, so we adopted this practice years ago to conserve every drop of rainfall we receive. It has served us very well over the years, as I don't recall ever in my farming career, having a crop insurance loss claim due solely to drought. We have had a claim occasionally due to hail, but not drought. We thought we had a fairly bulletproof plan to produce crops, up until now.

Our long-term dry land corn yield averages are 80-90 bushel per acre, generating normally around $200 gross revenue per acre from grain sales. Multi-peril crop insurance coverage, which we have purchased as long as I can remember, will produce a little over $100 per acre leaving us about $100 per acre short. This totals close to $90,000 of uninsured lost income from our dry land corn crop alone.

It does not end there. When you add losses from our cattle operation due to lighter calf selling weights and higher feed costs, and add losses from the irrigated farmland due to reduced production from heat stress and higher pumping costs, our total uninsured farm losses should easily enter the neighborhood of $200,000.

Multiply this times the number of full and part-time family farmers in our area and you realize that this has enormous consequences, not only for the farmers, but also for the rural communities that supply the farmers with goods and services. I have many friends that are small business owners and I depend on them to keep my farm running. I depend on their success as well.

As you can see, losses of this magnitude test the financial strength, management abilities, and emotional fortitude of the families who operate the farms. The combination of low crop prices the last few years and an accumulating effect of dryer weather patterns in our area, are pushing many farm operations to the financial and emotional brink. In spite of larger price support payments the last few years, many operations have been operating at a break even at best, and will have a very difficult time producing profits to overcome these shortfalls. With losses accumulating as quickly as I mentioned above, even farm operations that were strong financially, can have their equity positions quickly diluted. It is very important that these facts be considered in discussing ways that government can mitigate the financial damage to the families operating our food production system.

Remedies, good and bad.

This drought is a disaster. It is as severe and as much a disaster as any flood, tornado, hurricane or earthquake that you could imagine. It has been sneaky and sinister. It has tempted and teased us for two years with moderate dry spells, and this year just unleashed an unbelievable 90 days of extreme heat and dry to scorch the earth. This disaster deserves extreme measures to deal with the problems.

Fortunately, many basic government programs needed to provide assistance are in place and operating.

Multi-peril crop insurance has been a great help to our operation. We have purchased CRC coverage at the basic levels and are comfortable with the risk level that we have assumed. As I pointed out earlier, it does not make us financially whole, but it is good coverage at a reasonable cost.

We have been generally pleased with the service of the private/public partnership and do not think wholesale changes are necessary. I am concerned however with nagging problems in the system and what impact this year's crop losses will have to the financial integrity of the MPCI program. Further refinement and making sure the program is fiscally sound is paramount.

Our area is about one-half rangeland and cattle are a large part of our farm and ranch incomes. The range deferment program and especially the livestock assistance program are needed and should be closely examined to assure that they provide appropriate assistance in a fair and responsible manner.

Regarding the EQIP program, I would suggest that additional or reallocated funding for EQIP in the drought area be considered. This program has been short funded the past few years and there has been a backlog of projects to be completed. These projects stop soil erosion, aid rainfall conservation, promote efficient livestock grazing, and promote irrigation efficiency conserving the high plains aquifer. They are private/public partnership projects that will help the farmers battle the effects of the drought.

Our farm is in the Middle Republican Natural Resources District. At their monthly meeting last week, The McCook newspaper reported there were 192 applications requesting nearly $3 million in cost share funding for EQIP conservation projects district wide. These are projects that the district conservationist has reviewed and deemed worthy of funding consideration. The current allocation of funding for those projects is $496,000. At this rate it would take six years to work through the list, not counting any new applications in the future.

Another thing to consider here is that most of these projects require contractors and other supply items from local communities. This would be a way to boost these businesses and rural development as well. I submit that these projects most likely will not be done without the EQIP cost share, as financial pressures from the drought will prevent farmers from spending the money.

Which brings us to the last area I want to touch on, the money issue. When my banker and farmer friends heard I had been invited to come here today, they commonly offered one request, half serious and half tongue in cheek. The request was, "just tell them to send money"! Don't we all wish it were that simple!

Even with insurance proceeds and direct government assistance it will be a long time before farmers and ranchers recover financially from this drought. I don't think any farmers or ranchers I know expect to be made financially whole from government assistance. They expect risk in agriculture and take steps to reduce their exposure to it. Not to recognize that risk can be financial suicide.

One thing we generally do not need today in agriculture is more loans, especially government or private loans that are made irresponsibly. I had a front row seat on the farm debt crisis of the 1980's and we do not need that experience again. I would not encourage a large government direct loan program to counter the effects of the drought. I feel we must offer as much direct disaster aid to producers that we can practically afford, and rely on the banking and credit system we have in place to manage the rest of this problem.

Generally the system is very good with adequate capital and personnel to service agriculture. Ag. Bankers know their customers and their credit capacity pretty well, and would be the best judge to administer any financial restructuring that may be needed.

The loan guarantee programs offered to banks by the Farm Service Agency have been very helpful in situations where there are producers with good management ability, good character, good long range financial prospects, but short on assets to meet bank liquidity and collateralization requirements. Properly administered, this program allows banks to stay with a customer and service debt while he works his way back from drought losses. I feel this program needs additional streamlining and adequate funding to keep working successfully.

Conclusion.

For the most part, this has been a hot, uncomfortable, and frustrating summer for producers in the dry areas of the high plains. In a normal year, we would be enjoying a late summer break, appreciating the growth and progress of the summer crops, and looking forward to a fall harvest that would have rewarded us for a spring and summer of hard work. Normally in the fall, including some harvesting we do for neighbors, we would run our combine over about 2,000 acres of crops. It looks like this year we will harvest around 300 acres of irrigated crops that will produce maybe half to two thirds of a normal yield. The other 1700 acres, all dry land, are a zero yield from the drought. At first glance it doesn't look like there will be much to do.

For me though, it feels like the work is just beginning. We will have to break out of our routine and make a number of decisions, which have important consequences for our future. What to do with our cattle? Sell them or feed high priced feed? Plan for a normal wheat crop, or one that will wilt like the corn did this summer? Fertilizer is expensive and is not needed on a crop whose yield prospects look slim. How is the banker going to view our decisions, with confidence or skepticism?

We may be witnessing just the first chapter of this drought although I hope and pray that we are not. At the moment, there is no indication that there is a big rain coming, but if it did, we would still not see much effect till the growing season of 2003. Immediate rains would get the wheat crop off to a good start, and would charge soil moisture reserves for a corn crop next summer. There wouldn't be much help for the cattle herd, in fact a cold snowy winter would actually cause more expense in feeding and caring for the herd.

A continuation of the drought will certainly drive production losses and producer despair deeper. Today looking into the future, it looks like we will lose complete grain and pasture crops continually until this drought breaks.

This outlook does not encourage those businesses in our rural communities either. Please understand and do not forget that they are very dependent on dollars flowing through the agriculture economy. Their financial future is directly tied to outcomes of the drought and governmental assistance. It is important to remember that not only our farms, but also our rural communities welfare is at stake here.

I want to thank you for the opportunity to share my views on this subject. I would be glad to answer any questions that I am qualified to address.

Dale Dueland
112 East N St.
McCook, NE 69001

dmandue@ocsmccook.com
H 308.345.6163
B 308.345.1154

The Central Nebraska Public Power and Irrigation District
Comments to the U. S. Senate Agriculture, Nutrition and Forestry Committee

Given by Jeremie Kerkman

The North Platte River, the Platte River, and associated reservoirs supply irrigation water to approximately 608,000 acres in Nebraska. Surface water irrigators in Nebraska's Platte River Valley from the Wyoming border to Kearney rely on a combination of precipitation, naturally occurring flows in the river, return flows from upstream irrigators, and water stored in Wyoming reservoirs and Lake McConaughy to meet the demands of their crops.

The Central Nebraska Public Power and Irrigation District's service area in south-central Nebraska received about four inches of rain during the months of May, June, and July, less than half the normal amount of precipitation during that period. The dry conditions were exacerbated by a depleted soil moisture profile in the area resulting from an abnormally dry winter and spring. At North Platte, total precipitation for the period between December 1, 2001 and July 31, 2002 was 6.23 inches, the second lowest amount on record and the lowest since 1876.

The lack of rain and low river flows have placed unsustainable demands on storage supplies in Lake McConaughy, Sutherland Reservoir, and other associated facilities. Flows in the Platte River have been low since June 2000 and record low flows began to occur in mid-April of 2002. A gauging station in the North Platte River near Lisco – 30 miles upstream from Lake McConaughy – has recorded flows that are lower than any year in the 1930s. During the past few months, flows measured near the town of

Lewellen, -- the point at which water enters Lake McConaughy -- are the lowest flows recorded at that gauging station since Kingsley Dam was completed in 1941. Cumulative inflows to Central's system of canals and reservoirs since January 2002 have been less than half the normal inflows. To illustrate the severity of the situation, the difference between inflows this year and in a normal year would be enough water to irrigate 150,000 acres.

Irrigators who depend on the many irrigation canals in the Platte Valley have had to rely to an even greater extent on water stored in reservoirs because of the extremely low naturally occurring flows in the Platte River system. Six irrigation canals that receive water from the Nebraska Public Power District's storage allotment in Lake McConaughy exhausted their supply of water this summer. Due to low natural flow in the Platte River, the canals, which serve almost 80,000 acres in Lincoln and Dawson counties, needed more storage water this year to raise their crops than in any year since the construction of Lake McConaughy.

Central agreed to provide additional storage water from Lake McConaughy to the canals' irrigation customers in exchange for a possible reduction in their water supply in a future year. If drought conditions persist into next year, Central may have no other option than to require these canals to pay back the water from their 2003 supply, leaving them with the very real possibility of running out of water very early in the irrigation season. This year, even with the loan of additional storage water, the irrigation season on these canals was cut short due to the cost of obtaining the additional water and the threat of future

shortages. On August 14 and 15, five of the six canals closed their headgates for the season. This is the second time in three years that their water supply has been depleted before the end of irrigation season.

Irrigators on Central's system will receive the full amount of water contracted to them in 2002. However, because of the lack of precipitation, in many instances the amount of water provided by their contracts and delivery systems will not be adequate to meet the full water demands of the crop. Precipitation is needed to provide adequate moisture for grain fill. Corn grown in central Nebraska requires 24 to 27 inches of water to meet the regional evapotranspiration demand. That water requirement is normally met by a combination of moisture stored in the soil, precipitation, and irrigation. On average, south-central Nebraska receives 11.75 inches of rain during the growing season, about half of the moisture needed to meet the evapotranspiration requirements of corn. This year, rainfall has supplied only 4.6 inches.

Canals in the Panhandle of Nebraska were told this spring by the Bureau of Reclamation that their storage amount in the Wyoming reservoirs would not be sufficient to meet their full demands this year. Many of the canals delayed their initial fill and started delivering water later than normal to conserve the small amount of storage water available to them. By July 15, five of the irrigation canals in the Panhandle reached an agreement with a Wyoming project to borrow storage water to get them through this year. In addition to the monetary payment for the water, the districts are required to replace the borrowed water from next year's supply. Farmer's Irrigation District halted diversions of storage

water on July 15, after coming to the conclusion that there was insufficient storage water available to them and that borrowing water from next year's supply would be too risky. This left them with only about 25 percent of the water they needed to fully irrigate their crops.

Natural flow available to the canals in western Nebraska was also extremely low. At one point during the summer, 15 canals on the main stem of the North Platte River west of McConaughy were prevented from taking natural flow to ensure it was available to canals with more senior natural flow water rights. Additionally, numerous canals on tributaries of the North Platte River were told to discontinue water diversions to make natural flow available to the three most senior canals on the Platte River system. The last time drought conditions forced the Department of Natural Resources to take these drastic actions was 1954.

The effects of this drought on Lake McConaughy have been mounting for three years, but have now reached a critical juncture. Lake McConaughy currently contains one-third of its capacity and Bureau of Reclamation reservoirs in Wyoming, which are filled primarily with snowmelt runoff from the Rocky Mountains, are extremely low. Lake McConaughy depends primarily on return flows from upstream irrigation projects in eastern Wyoming and western Nebraska. Normally, water flows directly from the Wyoming reservoirs down the North Platte River to Lake McConaughy only when there is more water than the upstream reservoirs can store. The amount of water available to the Bureau of Reclamation irrigation projects ultimately affects the amount of water that finds its way

back to the North Platte River and into McConaughy. With Wyoming's North Platte River reservoirs storing less than 30 percent of their capacity, the possibility of McConaughy filling in the next couple of years is remote.

Central has estimated Lake McConaughy's ability to withstand continued drought conditions. At this time, we believe it is very likely that McConaughy will contain sufficient water to irrigate the 110,000 acres under contract with the Central District in 2003. However, should drought conditions persist through next summer, the lake could fall to as little as 15 percent of capacity, which would make it extremely difficult for the lake to recover sufficiently to meet irrigation demands during the 2004 season.

There are additional concerns beyond irrigated agriculture in the Platte Valley. Low water supplies limit Central's ability to generate hydroelectric power, a primary source of revenue and an important component in Nebraska's electrical power supply. A reduction in revenue will also hamper Central's ability to implement additional conservation measures to extend the available water supply.

Also, the U.S. Fish and Wildlife Service manages a block of water set aside in Lake McConaughy as part of Central's new Federal Energy Regulatory Commission license. Releases from the Environmental Account, as it is called, are intended to benefit endangered species habitat along the central Platte River. The Fish and Wildlife Service stopped calling for releases from the Environmental Account on July 27; nine days later

the Platte River near Grand Island and further east went dry. The last time this stretch of the Platte went dry was in 1978.

Central and the producers to whom we provide irrigation water are making every effort to conserve water resources. Since the drought in the early 1990's, numerous improvements have been made to our delivery system and customers' on-farm systems at a cost of more than $25 million to ensure that Central's portion of the Platte basin's water supply would be sufficient to meet irrigation needs. These activities included hiring a conservation director to provide assistance to producers, conversion of more than 20 miles of canal to pipeline, and lining other canals to prevent seepage losses. Incentive payments have encouraged installation of more efficient on-farm delivery systems such as center pivots, gated pipe, and surge valves as part of this continuous improvement in the use of water resources.

We have informed our irrigation customers of the current circumstances at Lake McConaughy to encourage conservation and have reduced releases for hydroelectric power generation. Drought conditions have hampered our ability to maintain lakes along our system for recreation, power generation, and our ability to provide additional water to other irrigation canals that contract for storage water in Lake McConaughy. The conservation and education efforts implemented to date have been effective, resulting in a reduced demand for water from Lake McConaughy. However, the total financial impact of the drought on producers will not be known until after harvest. It is likely that the reduction in yields and revenues will be significant.

Without a timely end to the current drought conditions and above normal snow pack in the Rocky Mountains of Wyoming, the situation could become worse. Continued drought may very well interfere with Central's ability to deliver a normal supply of irrigation water in 2004.

NORTH PLATTE
Natural Resources District

P.O. Box 36 Gering, NE 69341 Phone: 308-436-7111 Fax: 308-436-2452

Testimony by Ron Cacek
Senate Agriculture Committee
August 20, 2002, Grand Island, Nebraska

Senator Nelson, members of the Ag Committee:

Thank you for providing the opportunity to testify today on the effects of the drought in Nebraska. My name is Ron Cacek. I am testifying today as manager of the North Platte Natural Resources District and also as chairman of the NRD managers committee, made up of the managers of Nebraska's 23 natural resources districts.

Senator Nelson is familiar with Nebraska's system of natural resources districts. For the benefit of the others, let me explain briefly that the state is divided into 23 natural resources districts, also known as NRDs. NRDs are local units of government, each with an elected board of directors. State law gives NRDs a charge to "conserve, protect, develop and manage the natural resources of this state," and assigns them a broad range of responsibilities and authorities to carry out this mission. Protecting and conserving groundwater is one of NRDs' key responsibilities. Many NRDs can tell you that the current drought has put severe stress on groundwater across much of Nebraska.

Virtually all of Nebraska has felt the effects of the drought, but it has been most severe in the Panhandle. Scottsbluff receives an average of 14 inches of precipitation yearly, so a typical year for us would be considered a drought in many areas. But 2002, by any standards, has been especially dry. Since January First, Scottsbluff has received 3.87 inches of precipitation, according to the National Weather Service – about one-third of the normal amount. Along with the drought has come extreme heat. June's average mean temperature was 6 degrees warmer than normal, and July's average mean temperature was 4.5 degrees warmer, according to records compiled by the Department of Natural Resources at Bridgeport.

The drought has put extreme stress on the entire system of surface water and groundwater in the North Platte Valley. Several large reclamation projects on the North Platte River provide water to irrigate more than 300,000 acres of crops in the Panhandle. These projects rely on winter snowpack in the mountains of Colorado and Wyoming. But last winter there was not very much snow. The snow that did fall mostly soaked into the soil and not much ran off into the streams and reservoirs. This left the North Platte Project with scarcely more than a third of a full water supply this spring. For irrigators, this has translated into enough water to last an average of 65 days. In our area, the average irrigation season is 122 days.

The supply of water has been so limited that the Nebraska Department of Natural Resources at Bridgeport began administering water rights (shutting down newer appropriators with junior rights) on June 14. DNR reports that they have closed appropriators on the main stem

of the North Platte River to protect water for an appropriator with a priority date of 1884. The last time this has happened was in about 1954. The North Platte River isn't much more than a trickle. On June 24, DNR measured a flow of 17 cubic feet per second at Lewellen, at the upper end of Lake McConaughy. This is the lowest flow on record at that location. The previous low was 44 cfs measured in 1954.

The effects that I've listed so far are visible to anyone who can see the dry river bed, stunted and wilted crops, and scorched grazing land. But this drought is having other effects that can't be seen. It has severely stressed groundwater in the North Platte Valley. There are several reasons for this. First, surface water irrigators whose canals dry up will turn to groundwater to get them through the summer, if they also have a well. This will obviously result in the pumping of much more groundwater than a typical year. But a second reason is that much of the groundwater recharge comes from the irrigation canals. When they dry up earlier than usual, that means less groundwater available to pump.

The combination of less groundwater and more pumping has already led to problems for groundwater users. Some counties have received approval for emergency assistance through USDA to drill new livestock wells. This assistance has been helpful, but should have been made available sooner. There have also been reports of cities in Nebraska restricting the use of water by residents. Since early summer, the NRD has received numerous reports of significant problems with domestic and livestock wells, and even irrigation wells. In some cases, the wells that provide water for farm homes and livestock operations have dried up. The NRD measures water levels weekly in a number of wells, and we have charted some declines in water levels as a result.

Across Nebraska, many natural resources districts have been receiving reports of problems with wells (see attachment 3). These problems range from lower water tables to wells going completely dry.

One result of the groundwater problems has been an even higher demand to drill new wells. So far in 2002, the North Platte NRD has issued 112 well permits. This is more than the NRD has issued before in an entire calendar year, and about double the number of permits issued in most years.

The drought of 2002 has been especially hard on a western Nebraska watershed known as Pumpkin Creek. In Pumpkin Creek, even before the drought, there was more irrigated cropland than there was water available. The lack of rainfall has only made the problem worse. Many farmers in Pumpkin Creek have told us that they would convert their fields to dryland crops or grazing lands, if USDA programs provided adequate incentives to make this financially feasible. The 2002 farm bill authorizes incentive payments under the EQIP program in the High Plans Aquifer. The Natural Resources Conservation Service in Nebraska established as a pilot program incentive payment through the EQIP program to convert irrigated cropland to dryland in the Pumpkin Creek Basin and in the Republican River Valley. The program will pay, in certain circumstances, from $50 to $70 per acre to convert irrigated land to another use. Payments will be made for three years under a ten year program. This is an excellent start and we support the program. But landowners tell us this dollar amount is too low, and needs to be in the neighborhood of $400 to $500 per acre to be effective. Probably, the only solution to the problems in Pumpkin Creek is a reduction of irrigated acres. We would like to pass this information along to the Senators as a suggestion.

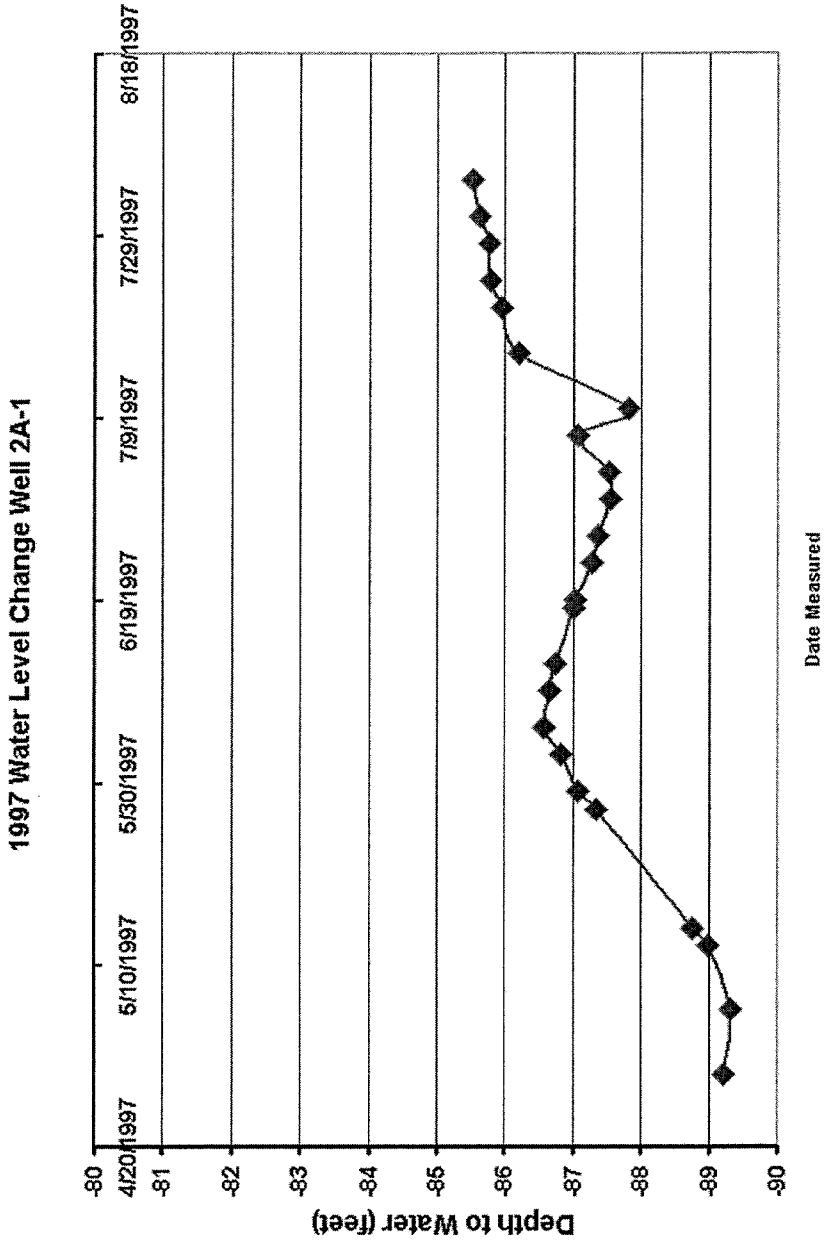
In conclusion, it is becoming clear to us that the drought of 2002 is unprecedented. Longtime residents who can remember the 1930s cannot remember it being this dry before. The effects have already been severe, and indications are that they will get worse. Even when this drought has passed, it is likely to take a long time for surface water and groundwater resources to recover. Steps need to be taken now to lessen the long term impacts of this drought.

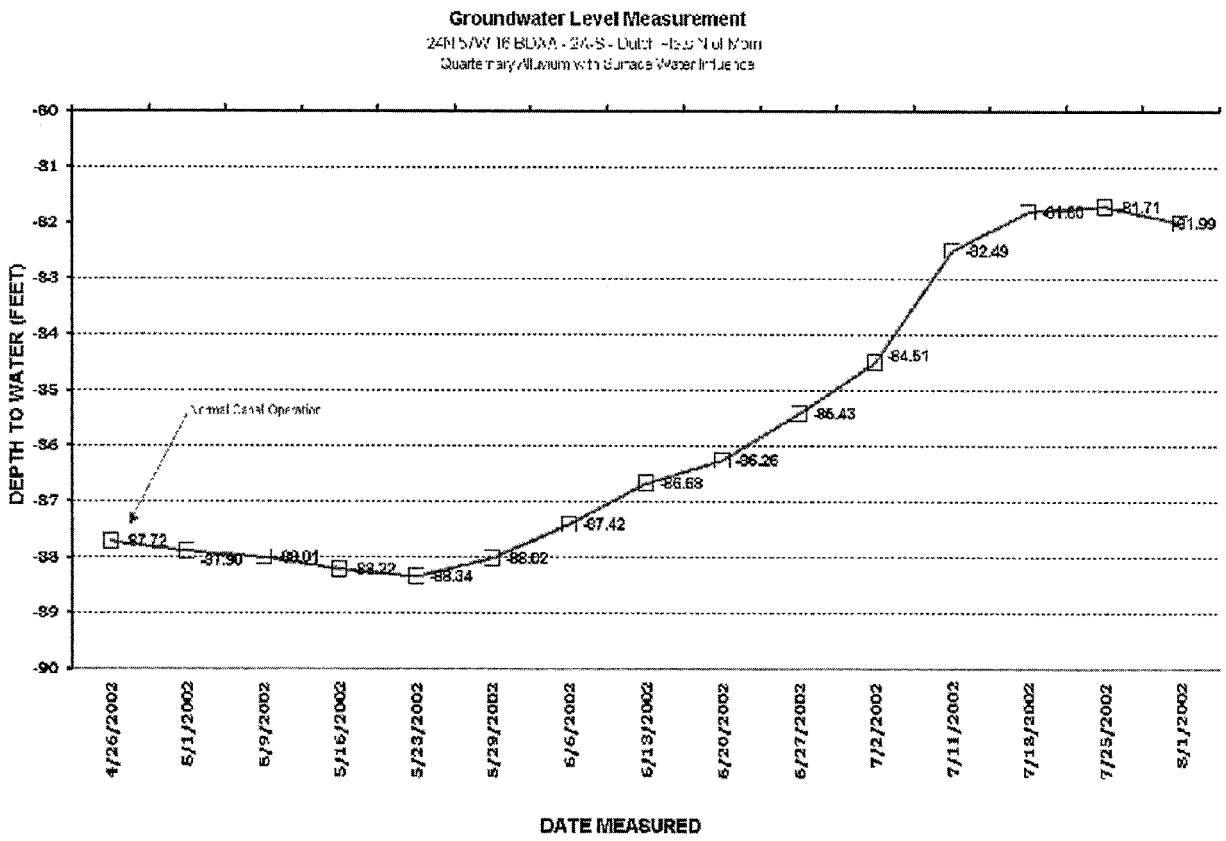
Attachments 1 and 2:

The two attachments show hydrographs, which depict water level changes over time in a typical monitoring well in the North Platte Valley. Normally, the water level rises during the summer and fall (as shown in the first hydrograph) because the aquifer is recharged by seepage from surface irrigation. In 2002 (the second hydrograph), the well level did not rise as much as normal, and had already begun declining by mid-summer.

Attachment 3:

This table summarizes reports of well problems received by Nebraska's 23 natural resources districts.


1997 Water Level Change Well 2A-1
Depth to Water (feet)
-80
-81
-82
-83
-84
-85
-86
-87
-88
-89
-90
4/20/1997
5/10/1997
5/30/1997
6/19/1997
7/9/1997
7/29/1997
8/18/1997
Date Measured


Groundwater Level Measurement
Quaternary Alluvium with Surface Water Influence
DEPTH TO WATER (FEET)
-80
-81
-82
-83
-84
-85
-86
-87
-88
-89
-90
Normal Canal Operation
-87.72
-87.90
-89.01
-88.22
-88.34
-88.02
-87.42
-86.68
-86.26
-85.43
-84.51
-82.49
-81.71
-81.99
4/26/2002
5/1/2002
5/9/2002
5/16/2002
5/23/2002
5/29/2002
6/6/2002
6/13/2002
6/20/2002
6/27/2002
7/2/2002
7/11/2002
7/18/2002
7/25/2002
8/1/2002
DATE MEASURED

ATTACHMENT 3

Natural Resources Districts Reports of Domestic Water Well Shortages
As per Request from Nebraska Health & Human Services
August15 , 2002

NRD (Headquarters City)	**Number/Type of Reports**
Central Platte (Grand Island)	**No reports of domestic well shortages**
Lewis & Clark (Hartington)	Small number of calls on water shortages in Knox County; expect "conflict of use" issues where irrigation and domestic wells compete for water in low permeability aquifers; considerable interest in cost share for livestock wells
Little Blue (Davenport)	One report of domestic well pumping sand southeast of Edgar but this may be due to generally poor availability of ground water in overdeveloped area; few requests for livestock wells due to dried up ponds
Lower Big Blue (Beatrice)	Calls from three domestic well owners reporting shortages
Lower Elkhorn (Norfolk)	No reports of domestic well shortages
Lower Loup (Ord)	Ten to twenty calls in early July reporting domestic wells pumping air in Greeley and northern Custer Counties
Lower Niobrara (Butte)	Fifteen to twenty calls requesting assistance with water supplies, mainly for new wells and pipelines; most reports from western part of NRD in Boyd, Rock, Holt, and Keya Paha Counties
Lower Platte North (Wahoo)	Confirmed shortages in Bruno area of Butler County, mainly in shallow wells or wells along aquifer fringes; few other miscellaneous supply problems not specific to any one area
Lower Platte South (Lincoln)	Unconfirmed reports of one well near Emerald and one shallow well near Beaver Crossing going dry; numerous calls and individual contacts during sampling expressing concerns, but no confirmed shortages
Lower Republican (Alma)	One confirmed domestic well with shortage from last year (being monitored this year and is maintaining supply); suspect many livestock wells may be short but no specific reports
Middle Niobrara (Valentine)	No reports of domestic well shortages; most wells appear to be completed deep enough to avoid problems to date
Middle Republican (Curtis)	No reports of domestic well shortages; several well drillers report adding pipe to stock wells; numerous reports of irrigation wells pumping air/reduced volume; most reports from Hayes and Lincoln Counties
Nemaha (Tecumseh)	Increased request for ground water level measurements; most ground water levels have declined in measured wells, thought to be attributable to competition from irrigation wells and limited aquifer capacity
North Platte	Nearly daily reports of domestic and/or livestock well shortages

(Gering)	from all parts of NRD; most problems involve wells pumping air or going dry; increasing reports of problems with irrigation wells; 90 new well permits, which is nearly double normal amount
Papio-Missouri River (Omaha)	Fifteen to twenty wells requiring lowering of pumps and about six new wells drilled in Blair area due to declining water levels; two wells requiring lowering of pumps in Herman area (numbers supplied by two of the most active well drillers in these areas)
South Platte (Sidney)	Numerous reports and secondhand information of domestic well shortages along Lodgepole Creek throughout NRD; reports of irrigation wells in Sidney Draw (southwest of Sidney) experiencing low water levels and resulting low pressure
Tri-Basin (Holdrege)	Unconfirmed reports of domestic well shortages; NRD is running ad requesting reports from public
Twin Platte (North Platte)	No reports of domestic well shortages
Upper Big Blue (York)	Three or four reports of domestic wells pumping low volumes or going dry
Upper Elkhorn (O'Neill)	No confirmed reports of domestic well shortages; some reports of sand point livestock wells going dry
Upper Loup (Thedford)	No reports of domestic well shortages
Upper Niobrara-White (Chadron)	One report of domestic well shortage when neighbor's irrigation well is running; few reports of livestock wells going dry
Upper Republican (Imperial)	Numerous reports of domestic wells needing to be lowered; NRD board is considering cost share for domestic well maintenance; numerous reports of irrigation wells being lowered up to 40 feet, including some that were lowered last year; some of these are in areas without previous problems

Testimony of Al Davis

Senator Nelson:

I want to thank you for giving me the opportunity to represent the Sandhills Cattle Association and Nebraska's ranchers in discussing the widespread drought and economic disaster which accompanies it. My name is Al Davis and I am a rancher from Hyannis, Nebraska, a small ranching community 60 miles east of Alliance. My wife and I have become weather channel junkies the past few months and it is obvious to me that the entire nation is in a period of extended dryness and drought. This is not the first year of this drought, but 2002 has brought a vast expansion in the area of dryness. Southwestern Nebraska and northern Kansas have been abnormally dry for several years. Last year the drought expanded into the Sand Hills, western Nebraska, and other areas west of the 100th meridian. This year it has expanded to included an area from Canada to Arizona and much of Nebraska is in the heart of the dry area. Nebraska's rangelands are in extremely poor condition, and many believe that they are in worse shape today than during the 1930s when the Great Plains were blowing away.

A cattle rancher is essentially a farmer--a grass farmer--- and the cow is the vehicle that converts this grass into cash. In ranch communities, cows far outnumber people, so they have to take on a number of responsibilities.

It's the cow that pays the bills on a ranch. She makes the principal and interest payments on the land. She pays for fuel oil, electricity, and gasoline. She buys tractors and pickups, and pays for the repairs. She provides for the ranch family's food, clothing, and shelter. In a strong economy, she's able to fund home improvements, college tuition, a new vehicle, and tickets to Nebraska football games---or an event at the Lied Center.

But the cow needs to pay her own bills as well. She usually owes a big debt to the local feed store, and has medical expenses payable at the vet's office. She needs to pay to keep the fences up, the windmills running, and the feed wagons in good repair. She pays wages, housing, and benefits to the workers who take care of her.

As if that isn't asking enough of the cow, she's also relied upon to fund the local schools, government, and road systems through property taxes. She enables the rancher to buy goods and services that garner state and local sales taxes. In fact, the cow is the foundation of the economy in a huge portion of Nebraska, and anything which reduces her ability to prosper has a grave impact---not just on the rancher---but on all of Nebraska's economic entities ---from State government, to mid-size cities, to our rural towns.

To carry this heavy load, the cow must have plentiful, nutrient-rich grass, and it's water that makes the difference between a lush hay meadow or green pastures and the brown,

parched, sandlots we're seeing today as a result of the desiccating drought. The cow---and all the things she supports---is in dire straits.

Nebraska's rangelands are in extremely poor condition. Many producers report that forage production was between 25% and 50% of normal in their pastures. Hay production on Nebraska's ranches varied from 25% to 75% of normal, depending on the sub-irrigation available to the vegetation. Drought's old friend, the grasshopper, has experienced a population explosion and has devastated wide swaths of Nebraska and the Great Plains states. There are some reports from Custer County which indicate over 1,000,000 grasshoppers per acre. This means that there are 23 grasshoppers for every square foot of land. UNL's Nebguides state that the economic threshold for treatment of grasshoppers is reached when there are 4 grasshoppers per square foot. As grasshoppers consume grass they move on into new areas and new crops. Additionally they will lay millions of eggs which will contribute to a grasshopper problem in future years.

It is important for you to understand that the cattle market has been severely depressed for some time. Bred heifers were selling between $850 and $1000 last February. Today, as a pair, this same heifer with calf by her side might bring $650 in a livestock auction barn. Liquidation will continue to drive down the price of cattle in the short term. If Nebraska's ranchers are forced to liquidate their herds under these depressed prices it is unlikely that they will be able to fully rebuild their herd for many years. Many individuals will be unable to qualify for financing to repurchase livestock. Those producers who are at retirement age will choose not to restock. As a result there will be further liquidations and consolidation, which means further population loss and economic decline in Nebraska's struggling rural communities.

It is important to understand what makes the drought of 2002 different from previous dry periods in Nebraska's history. I spoke with a number of producers who have lived through many dry periods, and all commented on the unusual spring conditions. In the Sandhills, April and May 2002, were particularly cold, dry and windy. Cool season grasses, which normally begin to grow at this time, were held back by the cold and lack of moisture. Moisture received during those months was sapped by strong winds which continued for several days in a row. Most ranchers turned into their summer pastures between May 10 and May 30, knowing that they were short of forage but hoping for moderate weather. The cool season grasses lagged behind but ranchers had to go to summer pasture because they were running out of winter feed. The weather flipped 180 degrees in June, which was unseasonably dry and hot. Hot winds were common much of the month and little moisture fell to bring on the warm season grasses. Cool season grasses rushed to maturity and were much shorter than normal, but there was little moisture available for the warm season grasses to begin to grow. July brought unrelenting heat, with many communities breaking heat records every day. And, at our ranch, we had our last measurable precipitation on July 6, when we had 1.5 inches.

My ranching neighbors follow the seasons in making their ranching decisions for them. They move to summer pasture in the spring when the grass is growing, move to winter pasture around October 30 when they have used up the summer grass, and begin

supplementing cattle with hay in January or February. This year the summer pastures are already exhausted. Ranchers in our area will be able to graze their winter pastures for approximately one more month, but will then be out of grass for the following four months (prior to the traditional hay feeding period in February). To the west of us, the situation is worse. While the Hyannis area has received about ½ the normal amount of precipitation, the Scottsbluff area is experiencing a 75% reduction in their normal anticipated precipitation. One Scottsbluff area rancher I spoke with told me he was 9" below normal for the period January to August. This portion of Nebraska has never seen such meager amounts of rain, even during the "dirty thirties." The moisture deficit will also have long lasting effects on Nebraska. It will take an exceptionally wet winter to bring grasses on next spring in the extremely dry areas. Ranchers in the McCook area were weaning calves in June when I spoke with them, and are in the same desperate situation as the rancher in the Scottsbluff area. Normal weaning dates are several months later, but the grass isn't there to support a cow with a nursing calf. At Angora ranchers are already feeding hay. Lakeside area ranchers anticipate feeding hay beginning October 1, with hay supplies exhausted by February 1 (the normal start of the hay feeding season). Summer and winter pastures are exhausted in the area and the feeding of hay is months ahead of schedule. Some ranchers in the Hyannis area are at such a desperate point that they are already purchasing and feeding supplement now to save forage. Mother Nature's contribution to the economy of western Nebraska is simply missing this year, and no amount of money can replace what is already lost.

It is important to emphasize that a drought is a natural disaster. It is no different than a hurricane, forest fire, flood, or earthquake. Aid in those instances arrives immediately, because the damage is visible, sudden, and attention getting. A drought is silent and often ignored but equally as deadly. Individuals driving across Nebraska with no background in agriculture might not even know there is anything wrong. But the damage done can be long lasting and life changing. In those extremely dry portions of Nebraska the rancher is out of options. He needs to have assistance immediately or he needs to liquidate. Time is of the essence to him A quick response is necessary in this instance, and it is my hope that the House, Senate, and President will move beyond partisan politics or it will be too late for most of us.

Each day places another nail in the coffin of many individual ranchers in Nebraska and on the Great Plains. Many ranchers have already thrown in the towel and are liquidating portions of their herds. Deep culling will eliminate all animals over 6 years old at one neighbor's purebred Charolais ranch. At Angora several ranchers are liquidating their entire herds. Others are liquidating everything but their first calf heifers, which will calve in spring, 2003.

Rural communities that are heavily dependent on the ranch economy will suffer too. As liquidation continues, the market price of an animal is depressed. Loans that were fully collateralized last year may be called this year as the price of cattle declines in response to the drought. Marginal operators are then forced out, causing further erosion in the price of livestock. Our bank in Hyannis recently laid off two employees and reduced hours. Implement dealers, feed, fertilizer, and fuels dealers, veterinary supply houses,

and vets will all be directly affected by this drought as the rancher pulls in his spending to cope with the additional financial stress imposed on him by the weather. Fewer cattle on the ranch means less money spent for these items. Automotive dealers, clothing stores, restaurants, and grocery stores will see an immediate effect as the rancher cuts back. The fragile cattle-based economies of Nebraska's western communities are already being hit hard by this crisis and they stand to benefit from any assistance offered by USDA.

Suggestions:

1) Most ranchers feel that it is very important to extend the buyback period for ranchers to restock following this drought. Current law provides that the operator must buy back within two years or pay capital gains taxes on the differed income. It is impossible to know whether the drought will extend for another year or two, but the rancher needs to be able to differ repurchase of livestock until after the drought is over. Some ranchers would like to rebuild their own herds from inside the ranch (instead of purchasing from an outside individual). This goal requires more than a two-year window. Unwise tax policy can result in unforeseen circumstances on the ranch. As individuals rush to restock after the drought is over an artificial bubble may develop in the price of bred cows. Ranchers who pile on debt to repurchase these cows (in an attempt to avoid further capital gains taxes) may be forced to borrow more money than they can adequately service. Extending the buyback period to 4 years would help the rancher keep debt low and manageable.
2) Aid could come in several forms. During the 1989 drought many ranchers were dismayed when hay doubled in price shortly after the government announced that it would pay ½ the cost of purchasing additional feedstuffs. The beneficiaries of government assistance that year were the producers of hay and roughage who saw the price of their commodity double overnight. Most ranchers were glad of the assistance that year, but did not feel that it materially helped them but helped hay producers instead. Producers I spoke with offered the following suggestions:

    a). Consult with NRCS to determine the carrying capacity of a particular ranch. Consult the rancher's inventory records to determine how many head of cattle he is running on that particular ranch. Then pay the rancher a lump sum amount, which is related to the number of cattle on the ranch, but not greater than the carrying capacity of that particular ranch. The objective here is assist all ranchers, but to avoid reinforcing behavior which is not conducive to good ranching practices for those who are overstocking their pastures.

    b). Assist the rancher through federal "rebates" to local taxing entities who would then lower property taxes for the affected ranchers. This would require the coordination of local assessors, state government, and the federal government, but would free up money for the rancher to purchase whatever type of feed he chose to feed or to move cattle to the feedlot as needed. The objective here is to assist the rancher with one of

his largest expense items, while freeing up additional money for the rancher to purchase needed feed. Assuming a wide variety of feed options are available to the rancher, this alternative might preclude the anticipated run up in hay and feed costs which direct payments might foster.

c). All ranchers would like to have flexibility to purchase feeds that most suit their operation. Corn is now, and will remain, the cheapest source of energy for the cow's diet. It may be more cost effective to move the cows to a feedlot for a few months rather than bring high priced feed into the ranch and this option needs to be available to the rancher.

3). All ranchers asked me to emphasize that there is nothing in the current farm bill which supports beef cattle interests, although there is a misconception among many urban Senators that farmers and ranchers are all participants in the farm bill. All ranchers emphasized that they would prefer that funding to assist them come through the farm bill, since that money has already been allocated and since certain portions of that money will not be needed this year because the increasing price of corn has removed the need for some of that funding. At the same time, we all feel that time is running out for the industry in our area and extensive wrangling in the Senate and House over where the money is to come from will be detrimental to the region. Therefore most of us would support additional funding above and beyond the farm bill if it is required and can be delivered in a timely manner.

Finally, Secretary Veneman recently announced a $150 million dollar assistance program for much of our area. Surprisingly, the local FSA offices do not have any information available about this assistance program. Press releases by the Department of Agriculture without any supporting materials available to the rancher are not helpful and I would urge you to contact the Department of Agriculture and request that they immediately hammer out the program.

I appreciate your efforts on behalf of Nebraska's ranchers. Thank you very much.

OPERATION HAY & GRAIN LIFT
Testifying:
Vern Steinman OGT Volunteer Manager "Operation Hay & Grain Lift"

The operation was started at the request of Governor Mike Johannes.

The first load of donated hay was delivered on June 28, 2002 to John Hardy at Seneca, NE by Jeff Walmsley and Burney Wrede of Norfolk and Pierce, Ne. Jeff and Burney donated the hay and the transportation.

A phone line for "Operation Hay Lift" was establish 402-640-5528.

Calls started coming in to the "Hay lift phone" after the Omaha World-Herald published the phone number in July; they continue to come in non-stop.

How To Request for Donated Hay **Call 402-640-5528**

1. A form is completed (Request for Donated Hay). (Sheet attached)
2. A call is placed to either UNL Extension County Office or Farm Service Center in the county of the requester to have the request verified.
3. A manifest is prepared and sent to the requester as to location of donated hay including the donor phone number.
4. The preferred way is for requesters to arrange trucking.
5. Some Requesters arrange for trucking but Orphan Grain Train has hauled many loads with volunteer drivers and trucks

How To Donate Hay **Call 402-640-5528**

1. Hay Lift Donor information Sheet is completed. (Sheet attached)
2. Questions include: (a) is the hay Cut or does it need to be cut; (b) is the hay Baled or does it need to be baled; (c)is loading equipment available?
3. Harvesting projects continue to be arranged by Operation Hay Lift.
4. Example "Pender, NE area farmers and town folks" harvested over 100 donated acres of CRP Hay netting 550 large Bales. (18 semi-loads)
5. Many individual producers have donated loads of hay.
6. Randy Hanson of Bloomfield, Ne harvested the roadside area near his farm and hauled the bales to Floyd Slagle at Sargent, NE.

Number of Hay Requests

	Requesters	Tons
June, July & August	169	3512.4

Number of Request filled	Filled	Tons
	51	1104.4

Requests to be filled	Filled	Estimated Tons
	(118)	(2408)

As one can see, requests exceed donations.

Number of Hay Donors

	Donors	Tons
June, July & August	21	1307

What do we need to fill all requests?

1. CRP acres dead line for harvesting extended past August 31, 2002. until October 15, 2002.
2. Other HAY DONATIONS from out of state.
3. Monies for purchasing of the needed Hay from Nebraska Hay producers.
4. Trucking to haul hay to western Nebraska.

We are working with a group of organizations. (See Attached)

REQUEST FOR DONATED HAY SHEET

Date of Request: _____

Name: _____

Address: _____

City: _____ State: _____ Zip: _____

County: _____ Phone #: _____Cell #: _____

Number of Bales Requested: _____

Number of Animals to be fed:

Cows _____

Horses _____

Goats _____

Sheep _____

Other _____

Can you haul the hay from the Donor site in East Nebraska? ___NO __YES

Do you have equipment to unload the hay: ___NO ___ YES

Approximate Date you can receive the hay: _____

Contact Person if other than above: _____Phone # _____

Directions to location:

_____

_____

_____

__

_____**For Dispatch Notes**_____

_____

_____

_____

_____

_____

Use other side of page if necessary

HAY LIFT DONOR SHEET

Date of Donation: _____

Name: _____

Address: _____

City: _____ State: _____ Zip: _____

County: _____ Phone #: _____Cell #: _____

Number of Bales donated: _____or Cash Donation $_____
Type of Bale:

___ Round _____Ave Wt. Per bale
___ Big Sq (3x3) _____Ave Wt. Per bale
___ Big Sq (4x4) _____Ave Wt. Per bale
___ Other Size _____Ave Wt. Per bale

Do you have trucks for Transportation: ___NO ___ YES – How far can you haul?

_____

Approximate Date the hay can be hauled or loaded: _____

Contact Person if other than above: _____Phone # _____

Directions for picking up Hay:

_____
_____
_____
__

List of neighbors that that could donate hay or transportation:

_____

_____**For Dispatch**

Notes_____

_____
_____
_____
_____

_____

Use other side of page if necessary

OPERATION HAY & GRAIN LIFT MEETING
NORFOLK, NEBRASKA
AUGUST 12,2002

Vern Steinman called the meeting to order. Pastor Ray Wilke gave the opening prayer. Present were Vern Steinman, Pastor Ray Wilke, Clayton Andrews, and Faythe Jaroska all of Orphan Grain Train Inc., Marvalene' Gruchow, CED, Pierce Co. Farm Service Agency; Sharon Stevens UMC & IMN-1 Janet Burgel, United Methodist Church; Don Waimsley, Christian Farmers; Sherri Hansen, MNCA Kearney; Kyla Martin, MNCA Kearney; Bob Houser, Presbytery of Central Nebraska and Presbyterian Disaster Assistance; Clark Kinnison, Farm Bureau Pierce; Marilyn Mecham, Interchurch Ministries of NE; Koni Purscell, NE Rural Ministry Project and NE District U Methodist Church, Keith Johnson, District Superintendent of the NE District-United Methodist Church.

Vern Steinman gave an overview of the activity of Orphan Grain Train and the Hay Lift Project. There have been 157 requests for hay to feed 20,000 cows. There has been shipped, or made available to ship, 2000 ton of hay to date.

There was general discussion about the animals needing supplemental nutrition; this could be provided by grain, predominantly corn. Marvalene Gruchow reminded the group that under present rules, the CRP hay has to be harvested by August 31, 2002. There is a possibility this requirement may be extended by the government.

Clark Kinnison questioned if there could be public service announcements advertising this project. The main concern was the additional quantity of phone calls and manpower to staff the phones that would result from the public service announcements.

Ray Wilke discussed the proposed grain provided by Archer, Daniels, Midland (ADM) and other grain companies. A voucher system would be provided to Operation Hay and Grain Lift, PO Box 1466, Norfolk, NE 68702-1466 and will be distributed on the basis of per cow per day. Donors will be able to deposit grain at their local elevator and recipients will, in turn, be able to redeem the grain at their local elevator with the use of a voucher system provided by Operation Hay and Grain Lift.

Marilyn Mecham discussed the need for counselors. There is a hot line 800-464-0258 available for people in need of mental health services or just to talk out their concerns. Koni Purcell also mentioned that extension educators also offer mental health assistance.

Clark Kinnison suggested trying to use the Internet and perhaps establish a web site where people could gain access to the different organizations for different sources of aid. This was not acted upon. Ray Wilke suggested that

Clark Kinnison and Farm Bureau develop a publicity plan. Clark agreed, subject to his Board's approval.

Another phone number was also discussed, but the group agreed this could add confusion if there are too many numbers available and could add to a recipient's frustration so this was not acted upon.

Kyla Martin gave an overview of their activities. They have 15-20 semi loads of hay available in other states as far away as Pennsylvania. This would take about $40,000 to transport to Nebraska. They are starting an "Adopt-a-Truck" program to raise funds. They are appealing for funds for support services, such as fuel, twine, lunches, promotion, advertising and education.

It was decided that Orphan Grain Train and Mid-Nebraska Community Action would coordinate their activities of obtaining donors and recipients and arrange for transportation. There will be details to be worked out for efficient operation.

There was agreement between all parties participating not to duplicate efforts. Clayton Andrews suggested that each organization's money controllers should formulate one central money collection depository. Marilyn Mecham advised her organization is already set up for just this type of project and could receive any federal funding when it becomes available. Bob Houser suggested a committee of four people be organized to act as a Board for dispersion of funds. This committee could communicate by phone or e-mail. The group unanimously agreed to have Marilyn Mecham, Clark Kinnison, Kyla Martin and Pastor Ray Wilke serve on this committee.

Vern Steinman reiterated the need for some of the donated money to be used for purchase of hay nearby, where hauling would not be a large factor.

The group reviewed information about the meeting with Ben Nelson in Grand Island on August 20th.

VVith no further business to come before the group the meeting was adjourned.

Volunteer Organizations
Government Agency
Orphan Grain Train
Christian Farmers
Presbytery of Central NE Disaster Assistance
Methodist Church
National
Farm Service Agency
State UNL Extension Services
Local
Farm Service Agency
Mid Nebraska Community Action
Operation
Hay & Grain Lift
402-640-5528
Farm Bureau
Hay Dealers
Grain Dealers
Equipment Co.
Lutheran Family Services
Catholic Family Services
Interchurch Ministries
Methodist Church
Private Business
Religious Organization

Attendance form the August 12, 2002 Hay & Grain Lift meeting in Norfolk, NE.

First Name	Last Name	Title	E-mail	Phone
Marvalene	Gruchow	CED, Pierce Co. Farm Service agency	Marvalene.gruchow@usda.gov	402-329-4996
Sharon	Stevens	UMC & IMN	galens@bloomnet.com	402-586-2229
Janet	Burgel	Meadow Grove, Tilden, Elgin	nevjanet@gpcomm.net	402-843-2195
Don	Walmsley	Christian Farmers	dbwalmseley@conpoint.com	402-371-2489
Sherri	Hansen	MNCA Kearney	shansen@mnca.net	30-865-5675
Kyla	Martin	MNCA Kearney	kmartin@mnca.net	308-865-5675
Bob	Houser	Presbytery of Central Nebraska & Presbyterian Disaster Assistance.	presbybob@citlink.net	308-236-6996
Clayton	Andrews	OGT - Norfolk	ogt@ncfcomm.com	420-371-7393
Ray	Wilke	OGT - Norfolk	ogt@ncfcomm.com	420-371-7393
Clark	Kinnison	Farm Bureau - Pierce	kinco@ptcnet.net	402-329-6340
Marlyn	Mecham	NE Rural Ministry Project	lm50427@alltel.net	402-476-3391
Koni	Purscell	NE Rural Ministry Project NE District U Methodist Church	nrmpkoni@yahoo.com	402-371-1313
Keith	Johnson	District Superintendent NE District-United Methodist Church		402-371-1313
Vern	Steinman	OGT- Norfolk	vsteinmn@ncfcomm.com	402-640-5528

Needs

- Transportation
  - Hay Bales to be moved
  - Semi -Tractor/ Trailers

- Volunteers
  - Take requests 402-640-5528
  - Operate data base
  - Coordinate
  - Fund Raising

- Hay
  - Locate CRP & Others
  - Cut/harvest/Load
  - Donation
  - Funds to Buy

- Grain (Vouchers)
  - Donation
  - Funds to Buy

- Counseling
  - Churches
  - USDA/County Extension
    - Verification of needs (Validated)

- Federal Government
  - Help (Declaring National Disaster)
    - Money for
      - Transportation to deliver hay / Grain
      - Subsidize cost of hay
  - CRP release – more hay needed

- State of Nebraska
- Declaration National Disaster
  - UNL Extension provide training how to feed CRP Hay / Corn Stocks
  - Release NRD, State land for harvesting

- Volunteer Organizations
  - Orphan Grain Train
  - Churches
  - American Red Cross & Salvation Army
    - Money
      - Transportation & Buying Hay Grain
      - Food & Clothing

Orphan Grain Train will supply

- Transportation
    1. One Semi Tractor / Trailer
    2. Volunteer drivers

- Volunteers
    1. Take Hay requests 402-640-5528
    2. Operate data base
    3. Coordinate Hay & Grain Lift efforts
    4. Verification of needs with Extension and or Farm Service Agency

- Hay
    1. Locate donated Hay
    2. Arrange for Harvesting / Loading
    3. Buy Hay

- Grain
    1. Vouchers Distribution
    2. Accept Grain Donations

- Personal Items
    1. Clothing
    2. Quilts

- Counseling

- Federal Government

- State of Nebraska

Your Organization _____ will supply
(Name of Organization)

- Transportation
  1.
  2.

- Volunteers / Personal
  1.
  2.
  3.
  4.

- Hay
  1.
  2.
  3.

- Grain
  1.
  2.

- Counseling

- Federal Government

- State of Nebraska

- Volunteers

1200 LB. Dry Pregnant Mature Cow

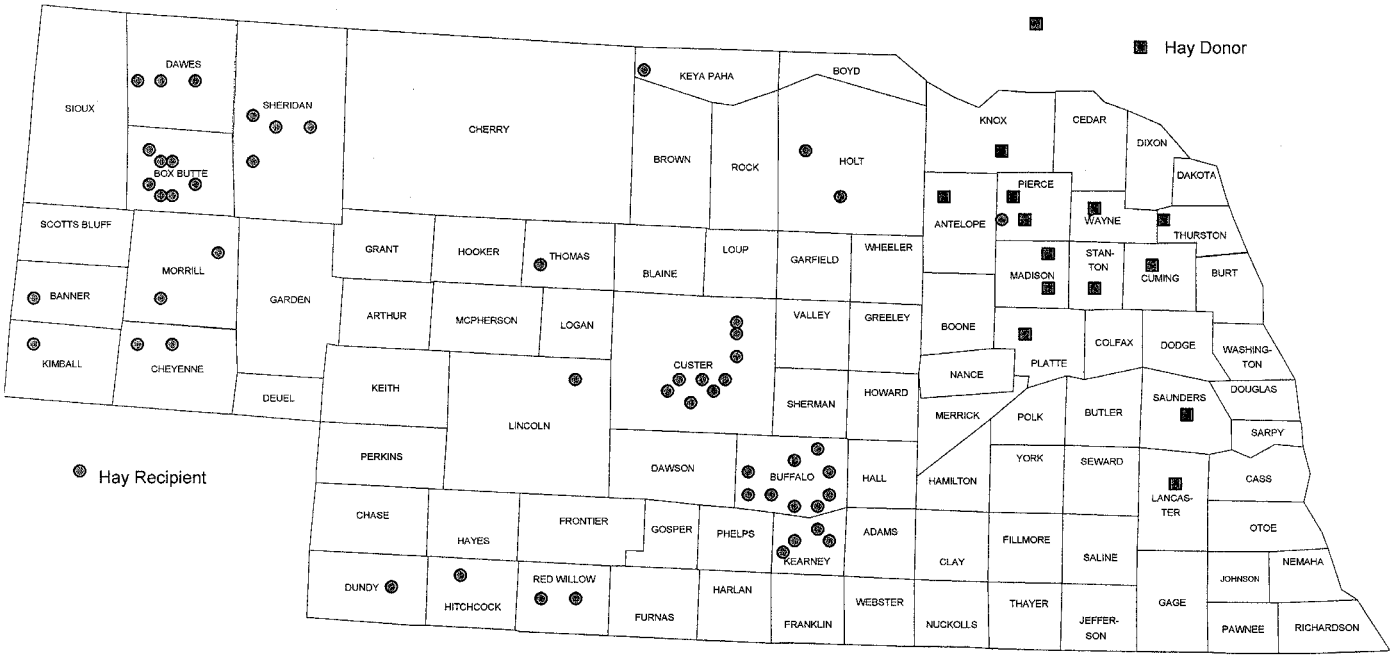
Feed Samples	Moisture	Dry Matter	Protein	TDN
Av 5 CRP	%	%	%	%
	10.3	89.6	9.3	55.3

Needs 24 Lbs. 2.0 Lbs. 15.6 Lbs.

Per Day	As Fed #	Dry Matter	Protein	TDN
CRP Hay	20	18.1	1.24	10.1
Corn	5	4.4	0.39	3.52
	1	0.51	0.32	1.37
Totals	26	23.01	1.95	14.99

Estimated amount needed for Dry pregnant Mature Cow

23 to 25 lbs. of Dry Matter
15.0 lbs. TDN
2.0 lbs of Protein
30,000 Units V - A
15,000 Units V - E


Hay Donor
Hay Recipient
SIOUX
DAWES
SHERIDAN
CHERRY
KEYA PAHA
BOYD
KNOX
CEDAR
DIXON
DAKOTA
BOX BUTTE
BROWN
ROCK
HOLT
PIERCE
ANTELOPE
WAYNE
THURSTON
SCOTTS BLUFF
MORRILL
GRANT
HOOKER
THOMAS
BLAINE
LOUP
GARFIELD
WHEELER
MADISON
STAN-TON
CUMING
BURT
BANNER
GARDEN
ARTHUR
MCPHERSON
LOGAN
VALLEY
GREELEY
BOONE
PLATTE
COLFAX
DODGE
WASHING-TON
KIMBALL
CHEYENNE
DEUEL
KEITH
CUSTER
SHERMAN
HOWARD
NANCE
MERRICK
POLK
BUTLER
SAUNDERS
DOUGLAS
SARPY
LINCOLN
PERKINS
DAWSON
BUFFALO
HALL
HAMILTON
YORK
SEWARD
LANCAS-TER
CASS
CHASE
HAYES
FRONTIER
GOSPER
PHELPS
KEARNEY
ADAMS
CLAY
FILLMORE
SALINE
OTOE
NEMAHA
DUNDY
HITCHCOCK
RED WILLOW
FURNAS
HARLAN
FRANKLIN
WEBSTER
NUCKOLLS
THAYER
JEFFER-SON
GAGE
JOHNSON
PAWNEE
RICHARDSON

Testimony of Arthur Duvall

Hello, My name is Arthur Duvall. My wife Tanya and I have a soybean and corn farm near Ord, which is located 65 miles north of Grand Island. I have been a member of the Nebraska Soybean Association, the Nebraska Corn Growers, and Nebraska Farm Bureau, for many years. I am currently serving as the Chairman of the Nebraska Soybean Association. I am also an independent crop insurance adjuster, working with both hail and multi-peril claims. I am here representing the Nebraska Soybean Association, but the drought has affected all areas of crop and livestock operations, so I will not limit my comments to just soybeans since our farm, like may others in Nebraska is a diversified operation.

I would like to thank Senator Nelson and his staff for conducting this meeting, and for allowing me to have the opportunity to relay to you the drought conditions that we are facing in Nebraska. Today, I would like to convey to you the drought conditions on my farm, the drought condition that I have seen as I travel across this state and visited with other farmers as a crop insurance adjuster, and the effect the drought has had, and could have on my community.

Our farming operation consists of around 500 acres, of which 45% is non-irrigated. Starting June 7th for 60 days, we did not receive any measurable amount of rainfall. The temperature was in the upper 90's to 100°. We also had many days of high winds. I watched as my dryland corn and soybeans withered and then died, I will not harvest any grain from these fields. Because of the drought conditions the nitrate levels in the damaged corn is so high it is not safe to graze or hay. My dryland soybeans are from 6 to 8 inches tall, and I may be able to hay or graze these. If you are interested I have some pictures of my dryland crops that I would share with you after my comments are over.

The irrigated soybeans are much shorter than normal. They are setting pods and beans are starting to form. Our average yield on irrigated soybeans is 50 bu/ac, I feel that this year we will be 15 to 20% lower, due to the extreme heat and winds. Our irrigation system, although running full time, could not keep up with the crop water demands. Most irrigation systems are designed to supplement the normal rainfall, and could not apply enough water fast enough this year. Also, we normally start watering soybeans when they begin to set pods (around late July). This year we were forced to start watering over 30 days earlier, which will add a considerable amount to our production costs.

The irrigated corn is in much the same condition. Extreme heat during the pollination period has caused a reduced yield. We have also had a plague of grasshoppers this year. Grasshopper control has been expensive, and in most cases ineffective. The irrigation costs are much higher than in normal years. My average yield is 150 bu/ac, and similar to the soybeans, I expect to see 15-20% lower yields this year. I would like to reiterate, on the irrigated corn and beans, our yields will be lower, and our costs are higher.

I, like most farmers carry multi peril crop insurance, but crop insurance alone will not be enough. We are in the third year of a drought, it is more widespread this year, and receiving more attention. In 2000 we produced no dryland crops, in 2001 we had about ½ a crop, this year we again will raise nothing. We need a drought assistance program to keep our operation viable.

As a crop insurance adjuster I have traveled over a large part of central and western Nebraska. The crop conditions that I see on my farm are replayed on farm after farm that I visit. I have been in hundreds of corn and soybean fields that have **absolutely no potential**. Some irrigation districts have shut off water because the lakes and canals are so low. This is a critical time in grain production, with kernel development in corn and pod fill in beans. Having their irrigation water shut off now will drastically reduce their

yields. Farmers have expressed to me that their irrigation costs have been extremely high, and grasshopper control costs range from $8.50 to $11.00 per acre. Most operators have sprayed the borders of their fields several times, and I have talked to some farmers who have sprayed entire fields up to 3 times. I have had several producers tell me that, without some financial assitance, they may not be farming next year.

The alfalfa crop was also very short. Most producers harvested a fair 1st cutting, but between the drought and the grasshoppers, 2nd and 3rd cuttings were greatly reduced or not at all. Ranchers are also facing a very serious situation, pastures are completely gone. They have been forced to wean calves early, and reduce their cow herds dramatically. The normal 5-month grazing season has been reduced to 2 months, and **if** they can find hay to buy, it is very expensive.

As I visit with area agricultural businesses, they are concerned that the full effects of the drought on their business have not been felt yet. When fall arrives and harvest is complete, farmers cash income may not allow for any non-essential purchases. Area bankers have expressed concern that when loan renewal time comes, (generally, mid winter) the farmer may not have the funds to pay these loans off.

I hope I have relayed to you the conditions here in Nebraska. I know that I have painted a bleak picture, but the situation is bleak. This drought is a natural disaster, just like a hurricane, flood, tornado, or forest fire. The victims are the hard working farmers and ranchers, the agricultural businesses, the communities, and eventually every one in this state will feel the effects. As I visit with the older generation of Nebraskans, they tell me that this year is drier than the 1930's. If it were not for irrigation we would be living in a desert. As you contemplate your decisions, remember that a healthy agriculture economy is essential to a healthy economy not only in Nebraska, but also across this entire country. My farm, the area farmers that I work with and our rural communities need a drought assistance program. I invite you to come with me to area business and see the look of concern on their faces as they talk about the impact this drought will have on them and their communities. I invite you to come to my farm and walk through my soybean and corn fields. I welcome you to ride along with me for a day as I work with farmers across this state who are watching their fields and very possibly their **livelihood and way of life** dry up and blow away.

○