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REGIONAL FARM BILL FIELD HEARING: HARRISBURG, PENNSYLVANIA

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

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REGIONAL FARM BILL HEARING: HARRISBURG, PENNSYLVANIA

FRIDAY, JULY 21, 2006

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Harrisburg, PA

The committee met, pursuant to notice, at 1 PM at the Pennsylvania Farm Show Complex. The Honorable Saxby Chambliss, chairman of the committee, presiding.

Present: Senators Chambliss and Santorum.

Also present U.S. Representative Don Sherwood.

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

CHAIRMAN. This field hearing will now come to order. Good afternoon.

I would first like to ask the officers of the Pennsylvania Future Farmers of America to come forward and lead us in the Pledge of Allegiance.

[Pledge.]

The CHAIRMAN. Thank you. The future of agriculture is in the hands of these young men and women, and it is, indeed, a privilege to have them come out today to help us get started this afternoon. I always get excited when the blue jackets come to Washington, and it seems like it is always in July and August when they come. Somehow, I feel a little bit sorry for them, but I am so proud of them that they don't mind walking around in 95–degree weather with their jackets on. But they are great young men and women.

And let me tell you what a privilege it is for me to be here today. I have had the opportunity on only one other occasion to spend much time in Pennsylvania to take a look at your agriculture, which, obviously, is significantly different from the way we grow crops in the southwest part of Georgia. But at the end of the day, all of us in agriculture have so much in common that we share not only agriculture in common but we share values in common. So it is, indeed, a privilege for me to have a chance to come up here and visit with you and of course to visit with my good friends Don Sherwood and Rick Santorum. We had President Shaffer in Washington, DC last week. I had a chance to speak to him and the other 50 presidents of the Farm Bureau from around the country. So Mr. President, it is good to see you again this week.

I am, indeed, privileged to have my good friend, Don Sherwood, here. Don and I served together in the House of Representatives.

He has not only been a close friend from an agriculture perspective, but he is a good personal friend, also. So Don, we are sure glad to have you here, and any comments you want to make at this time, we would be happy to hear from you.

Mr. SHERWOOD. Well, thank you, Senator. And thank you so much for being here.

And Senator Santorum, I appreciate you holding this field hearing today and everything the committee has done to make this event quite a success.

The focus today, of course, is on the future of farming and on what the 2007 Farm Bill and its programs should look like. I think it is great that the witnesses came to share their insight and ideas as we work with our colleagues in Congress and Secretary Johannes and his folks at USDA to shape the nation's farm policy. We need to know what is working and what may need some improvement.

We are very fortunate to have with us today some of my constituents who are leaders in Pennsylvania's agricultural community, Keith Eckel of Clarks Summit representing the Specialty Crop Industry. Keith is a green tomato producer, among other things. Mr. Don Cotner of Danville is representing the Poultry Industry. And David Hackenberg of Lewisburg represents the American Beekeeping Federation. And of course, as the Senator said, we have Carl Shaffer, the President of the Pennsylvania Farm Bureau representing all their members.

Agriculture is Pennsylvania's No. 1 industry, and we sometimes forget how important it is to the economy of the whole state. And I can speak for my own congressional district. Dairy, in particular, is so important in the northern part of the state. It is very important in Lancaster County, also. My congressional district is number 30 out of 435 in the country in the number of cows. And I take a personal interest in keeping dairy and agriculture in the northeast successful and competitive. We are close to the markets. We have the water. And we do it in an economically and an environmentally sustainable way. The huge farms in the San Joaquin Valley have now replaced some pretty big cities in producing smog. What we do in Pennsylvania, where we have our agriculture spread out and our cattle spread out over a large area, is very environmentally friendly. And it is important that we keep northeastern agriculture viable so that we have a fresh, wholesome supply of milk that will be able to take care of the consumers in the eastern part of the country for a long time to come.

So with saying that, I would like to introduce the Secretary of Agriculture from Pennsylvania, Danny Wolff. We are very, very fortunate to have a Secretary of Agriculture that was a great dairy farmer and knows what we do in Pennsylvania probably better than anybody.

So Secretary Wolff, welcome.

STATEMENT OF DANNY WOLFF, SECRETARY OF AGRICULTURE, STATE OF PENNSYLVANIA

Mr. WOLFF. Congressman, thank you very much.

I know that you are very familiar with the Farm Show Complex, because you have exhibited here many times over the years. And

I know Senator Santorum has been here many times in visiting agriculture events, but I would like to welcome Chairman Chambliss to the Farm Show Complex. It is during January farm show season here, and the farm show has the distinction of being the largest indoor agriculture exposition in the United States. So it is something we are very proud of. And every September, we host the all-American dairy show, and it is the largest dairy show in the world that is held right here in Harrisburg, Pennsylvania.

Pennsylvania has some very unique statistics. We are 32nd in size, so we are, obviously, not the largest state in the United States. And we are sixth in population. So we are near the top in terms of population. When you add into that the strong agriculture economy that we have here, therein lies some of the challenges that agriculture is facing today and faces in the future. The focus of this current administration here in Pennsylvania for the last 3 ‡ years has been the profitability of the farms in Pennsylvania, because we know that the number-one reason that farmers go out of business and the number-one reason that our next generation chooses not to come to the farm is because of profitability. So we have focused on a few initiatives like the Acre Initiative that allows farmers to challenge local ordinances that restrict normal agriculture operations, the Dairy Task Force that is working on developing a strategic plan for the future of the dairy industry in Pennsylvania, the Pennsylvania Preferred Campaign that allows consumers to see a label and know they are supporting local agriculture by purchasing that, the First Industries Fund that offers low capital to our farmers and keeping their cost of capital low, the Center for Farm Transition and making sure that we have all of the information available to transfer one farm to the next generation, and when that transition happens, making sure that we have everything in place to try to encourage the top soil in topsoil. And last but not least, the Ag Renewable Energy Council to see where that fits into the future of the farmers here in Pennsylvania.

We would also like to thank USDA for your continued support in programs like Animal ID where Pennsylvania has been part of that and is one of the leading states and the program developed as well as the Avian Influenza Pandemic Initiatives that we have been able to use for surveillance of our poultry flocks. And in fact, we have about 250,000 to 300,000 surveillance samples we do every year. So we could not do those types of surveillance initiatives and/or look at new programs without the support of USDA.

The 2007 Farm Bill is going to be critical to the future of the farmers in Pennsylvania. Pennsylvania farms are smaller. They are only about 137 acres. And they are very diverse. And we hope that one thing that we have learned from previous Farm Bills is that one size doesn't fit all, that agriculture is different in different parts of the United States, and it is different here in Pennsylvania.

And in closing, I would just like to leave with one special note. I just returned from northeastern Pennsylvania, up in Congressman Sherwood's district, and the devastation of the June 2006 flooding was very, very damaging to the farmers in the northeast. We are asking for consideration of additional ECP funds to help those farmers up there as well as to be considered as part of the

$4 billion line item in the Senate Ag Appropriations bill to qualify these farmers for some disaster assistance.

So with that, once again, welcome to Pennsylvania. We are thrilled you are here. And thank you for choosing Pennsylvania.

The CHAIRMAN. Well, Mr. Secretary, thank you very much, and thank you for coming out today from what I know is a very busy schedule to be with us. I marvel at your facility here. What a great physical complex you have. And obviously, folks around the country have an appreciation for it, and that is why they come here and why it makes you the largest indoor show. My hometown is Moultrie, Georgia, which is down at the very southwest part of our state. We have the Sunbelt Expo in the middle of October every year. We are the largest outdoor farm exhibition show east of the Mississippi River, and we are very proud of that, and I can understand why you are so proud of your facility here. I understand Pat Kerwin is out of town today, but Pat and his staff really are to be commended for working with us to help coordinate this today along with Senator Santorum's office. I appreciate Pat as well as his entire staff, and we thank you for being such great hosts today.

I was elected to Congress in 1994, and probably the best thing about having the opportunity to represent the people of your respective congressional districts is to have the opportunity to come to Washington and meet what you find out very quickly are some of the brightest minds in our country as well as some of the hardest working people in our country and just some of the best people in our country. One of the first folks I met, even though I was on the House side of the Capitol, was a brand-new freshman Senator from Pennsylvania named Rick Santorum. Rick was good friends with a lot of my close friends in the House, so we were thrown together quite often, and we developed a very fast friendship. I had no idea that 8 years later I would have the privilege of serving with him in the U.S. Senate.

Indeed, it has been a true privilege to have the opportunity, first of all, to work with Rick, I won't have to tell you folks in Pennsylvania, there is not a harder working Senator for any group of constituents anywhere in America than Rick Santorum. He develops a lot of parochial interest. You all will notice we have got some Georgia peanuts up here. We are pretty proud of the peanuts we grow in Georgia, and after I got elected, I was very forceful in my advocacy for the peanut program. Well, it just so happened that Rick had a parochial interest that was on the other side of that issue, and we had a lot of fun with it, and we had a lot of battles with it. At the end of the day, we sure were glad in 2002 when the peanut growers and peanut shellers and food processors, like Hershey Foods, were able to get together, and we developed a peanut program that was good for all sectors of the industry. And Rick and I worked very closely during that Farm Bill process to make sure that happened.

I want to tell you just a quick anecdote, because, Mr. Secretary, you made it very plain about how important dairy is here, and Don has certainly emphasized this to me over the years. We had a very difficult decisions to make during the budget reconciliation process last year, and one of the truly difficult decisions we had to make had to do with the MILC contract program. The President had

made a commitment, during the campaign, to extend this program. He had no idea what it was going to cost, and like a lot of politicians, he said what was convenient at the time. But when we got down to the budget reconciliation process, we found out that the MILC program was going to cost $1 billion. Well, here they were asking agriculture for a contribution of about $9 billion out of our farm programs, and on top of that, they were asking us to spend $1 billion for the MILC program, and it just didn't work. So we began to negotiate with the budget committee, and at the end of the day, folks, we were able to get that number of $9 billion down to a reasonable figure. But were it not for Rick Santorum, the dairy producers around the country would not have the MILC program today. He is the one that was primarily responsible for the inclusion of that in the U.S. Senate bill that came out from a budget reconciliation standpoint. And again, as always, it was a pleasure to work with Rick. To see Rick in action and to see how committed and how passionate he is about an issue is one of the things that truly makes serving in the U.S. Congress a pleasure.

So Rick, I am glad you could join us today. Thanks for inviting the Ag Committee up to Harrisburg and to Pennsylvania, and we are very pleased to be in your state.

Senator SANTORUM. Thank you very much, Mr. Chairman, for coming here. Thank you, obviously, for those very kind remarks. And thank you, more importantly, for making those changes in the budget last year to preserve this vitally important program. And Don Sherwood, my colleague, deserves a lot of credit for the work that he did in working the House side on this. It was a great team effort from our entire delegation in Washington to keep this program.

But being on the Ag Committee, which I happen to be on, is a good position to be in to try to make some of the changes. And we have been working, as many of you know, if you have ever been to any hearings where I have talked about agriculture in the past, I always like to say the truth, which is I am the first Senator from Pennsylvania on the Senate Ag Committee in over 100 years. And I think it is obvious from the kind of farm legislation that was passed over the past 100 years, we haven't had much representation.

And what we have been trying to work on, and one of the reasons I am so happy that Senator Chambliss agreed to have the hearing for the northeastern part of the country, he is doing a series of hearings around the country to try to get input from producers about the next Farm Bill. And it was very kind of him to select Pennsylvania. I think it makes a lot of sense to select Pennsylvania, because I think we are pretty reflective of northeastern agriculture. We have just about everything that is grown up in the northeastern part of the United States. It is grown here in Pennsylvania, and we have a lot of issues in common, and so it is a good place to get a snapshot of the problems that we confront.

As you know, Mr. Chairman, dairy is a big business here, and obviously, we are going to have to battle through what dairy policy is. And of all of the things I have worked on in the U.S. Senate, I can not think of anything that is more difficult than dairy policy, but we are going to continue to struggle through that and make

sure that we have a program that works for all of the United States, which that is what makes dairy policy so difficult is because it is so different from region to region of the country.

Another area that is of very important concern is to understand that we are different here in the northeastern part of the United States than in Pennsylvania when it comes to the mix of crops that we grow. We are not a big program crop state, although, yes, we have row crops here, obviously, but specialty crops is really what Pennsylvania is most known for. And when you look at the fact, Mr. Chairman, that specialty crops now, in market value, produce as much, or get as much, at the marketplace as row crops do in America, we sort of come into our own here. And yet it is not reflected in the laws dealing with agriculture policy. And we are not looking to have our strawberries in a program crop, but we are looking for things that make the Federal Government programs work better for our fruit and vegetable growers. And that is what we are going to hopefully hear from some of our witnesses here today. And certainly you will be hearing from me and those of us from the northeastern part of the United States in the future. And I was with one of our guests here earlier who Don introduced, Keith Eckel, who unfortunately was a victim of the flood a few weeks ago. And just to understand how crop insurance doesn't particularly work well because of the way it is structured and the difference in the topography and the climate as you go from one set of acreage to another that may be in the same farm. You don't have those differences out in Iowa, but you have those differences when you have bottom land and you have hillside land. But the specialty crop program doesn't take that into account, doesn't understand the differences in farming in places like Pennsylvania and farming in places where we tend to think of big Ag states. So those are the kinds of things that hopefully you will hear today and understand that we do have some unique challenges here in this section of the country. And I really do appreciate you taking the time to come. The last time I was in this room was for a meeting of USDA. And Mr. Secretary you were a co-sponsor of this along with us to talk about renewable energy. That is another very promising area, obviously, for agriculture and something that there is great interest here in Pennsylvania. We want to encourage and we need to encourage, not just for farm income, but, frankly, for national security, as we see in the Middle East today. And the time before I was in this room was for an Ag Committee hearing, which you permitted me to chair of our subcommittee where we talked about insecurity, and the Secretary testified and mentioned briefly how important those issues of terrorism and protecting our food supply.

So we have got a lot of issues on our plate here. It is very important to the producers here in Pennsylvania, and it has been very important to the people of Pennsylvania. And I just want to thank you, Mr. Chairman, for taking the time to come.

And my final comment, I just want to introduce a good friend of mine and outstanding State Senator from the farm belt in Pennsylvania, Noah Wenger. Noah, thank you for being here. And Noah is in the leadership of the Senate Republicans in the State Senate. And I see Representative Art Hershey back there from Chester County. If there are any other Representatives or Senators here I

haven't spotted yet, please make yourself known, but I wanted to introduce my two colleagues and thank them for being here.

The CHAIRMAN. Thank you, Rick. I want to make sure, too, that we don't leave out a very prominent group that participated in the pledge of allegiance a minute ago, and that is our 4–H students. We are very pleased to see you two folks here. The first public speech I ever gave was when I was 8 years old as a 4–H member in a high school cafeteria in Tracy City, Tennessee. I was absolutely scared to death. So you never know where you two folks may go one of these days. Thank you all for your help this afternoon.

Agriculture in the United States is very diverse, and we are here today to gain a better understanding of the unique nature of the agricultural industry in the northeastern part of the United States. This is the third in a series of regional field hearings that we will hold in preparation for the writing of the next Farm Bill. The next scheduled hearing will take place next Monday in Ankeny, Iowa and we will also hold other hearings in Nebraska, Oregon, Montana, and Texas. These hearings are intended to provide American producers an opportunity to explain how Farm Bill programs have worked and what changes to these programs should be considered as we look to write the Farm Bill next year.

As many of you know, American agriculture will face tremendous challenges in the coming year. In 2002, Congress wrote a Farm Bill with the belief that our programs were compliant with our international obligations. Unfortunately, the Brazilians successfully brought a case against the United States, which has forced us to examine many of these preconceptions. The current Doha round of negotiations within the World Trade Organization provides additional uncertainty about future agricultural programs. While I can unequivocally say that we will not unilaterally disarm in anticipation of any international trade agreement, we must ultimately create future policies and programs that can stand the scrutiny of our international trading partners.

In addition, the 2002 Farm Bill was written during a time of budget surplus. The current budget deficit places a tremendous amount of pressure on all spending programs, including agriculture. It will be important for us to balance any changes or additions to the current Farm Bill with the need to remain fiscally responsible. Developing the next Farm Bill is a tremendous responsibility, and as chairman of the committee, I understand the importance of leaving the halls of Washington, DC to meet with actual producers who work the fields, milk the cows, and help provide this country with the most abundant, affordable, and safest supply of food this planet has ever known.

I commend all of you for your hard work on behalf of all Americans, and I look forward to hearing the testimony from our witnesses today.

I would remind our witnesses that we would like for you to keep your opening remarks to 3 minutes. We will be happy to take any full statement that you want to put into the record.

And at this time, we will move to our first panel, which consists of: Mr. Carl T. Shaffer of Mifflinville, Pennsylvania, representing the Pennsylvania Farm Bureau; Mr. Richard Wilkins from Greenwood, Delaware, representing the Mid-Atlantic Soybean Associa-

tion; Mr. Keith Eckel, Clarks Summit, Pennsylvania, representing the Specialty Crop Industry; and Mr. Klaas Martens from Penn Yan, New York, representing the Organic Farming Research Foundation.

Gentlemen, thank you very much for being here. We look forward to your comments. Carl, we will start with you.

STATEMENT OF MR. CARL T. SHAFFER, PENNSYLVANIA FARM BUREAU, MIFFLINVILLE, PENNSYLVANIA

Mr. SHAFFER. OK. Thank you.

If I can, Mr. Chairman, I would just, once again, like to repeat the expression of thankfulness for you to come to Pennsylvania. On behalf of Pennsylvania farmers, we are glad to have you here. Senator Santorum, thank you for your effort and help setting this up. And to the other two friends of agriculture, Congressman Sherwood and Secretary Wolff, thank you for your effort in this.

I would just like to start out in saying a little bit about my operation. As you said, my name is Carl Shaffer, and I am fortunate enough to be President of Pennsylvania Farm Bureau, which is the largest Pennsylvania farm organization. We have over 40,000 members we represent. But I am also a full-time farmer. I make my full-time living off farming. My operation this year consists of about 1,200 acres of corn for cash sales, about 400 acres of green beans that go to a processor, and about 200 acres of wheat that is marketed for cash sales and ground into flour.

I was very happy to hear you say about the differences between Georgia and Pennsylvania farming and Senator Santorum expounded on that a little bit. It is not only the market. It is the diversity of crops. It is the topography. As a matter of fact, we have something that we jokingly refer to as vertical set-aside [ph] in Pennsylvania that is some land that is a little too steep, even for the cows to stand on sometimes.

But I would like you to consider in the next Farm Bill a new approach, maybe a regional approach. A little more regional consideration in crafting the next Farm Bill, I think, would be a big benefit. I know it is a daunting task, but we have to.

The flood was mentioned, and I want to just expound on that. In 1980 and 1994, Pennsylvania agriculture and the whole Ag community made a deal with Congress that we would trade ad hoc disaster programs for a workable crop insurance. Thus far, in Pennsylvania, 43 percent of our producers take advantage of crop insurance. Because of the regional differences, it just doesn't work as well as it does maybe in Illinois or Indiana. Also, last Farm Bill, conservation programs were just the top priority. But as I told Secretary Johannes last year in a meeting, this is a Farm Bill, not a conservation bill. Some of the concentration of money that went to conservation programs never got down really to the production Ag side, and that is something I think you really need to look at in the next Farm Bill.

Also, in closing, one thing I would just like to say, something expounding on what you said, when we go into the next Doha rounds or trying to finish them, we can't disarm ourselves with a Farm Bill that has no teeth. If it is giving away the store, we really have no bargaining chip, and I think, Mr. Chairman, hearing you before,

you agree with that, that we need to have something to bargain with.

So just in conclusion, it would be helpful for a Farm Bill that takes consideration of different areas of the country in trying to craft that to come up with some common sense risk management tools that is going to work in the northeast here. And once again, the global trading issue is going to be a very, very high issue.

So thank you very much for coming, again, and thank you for your time.

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

The CHAIRMAN. Thank you.

Mr. Wilkins.

STATEMENT OF MR. RICHARD WILKINS, MID-ATLANTIC SOYBEAN ASSOCIATION, GREENWOOD, DELAWARE

Mr. WILKINS. Yes, I appreciate the opportunity and the invitation to come and give testimony today. Senator Chambliss, you may appreciate this. As I traveled north today, as soon as I crossed the Mason Dixon line, we ran into bottlenecks, and Senator Santorum, that Route 41 and Route 30 could sure use some help down there. The only blessing was I think the two heavy trucks that were in front of me were burning a soybean biodiesel blend, and that made it tolerable.

But I have the pleasure of serving as the President of the Mid-Atlantic Soybean Association. That association makes up four states: the state of Pennsylvania; Delaware, formally known as the three lower counties of Pennsylvania; Maryland; and New Jersey. We won our independence from William Penn a long time ago.

Soybean producers in the mid-Atlantic region are not only producers of soybeans but also huge consumers of soybeans. Over 10 percent of the nation's soybean production is consumed in the mid-Atlantic region by mostly the meat and poultry industries. We look forward to the writing of the new Farm Bill, having a chance to provide input into that. Overall, soybean producers are satisfied with the program, the way it has been working. The direct payment along with the counter- cyclical payments have been helpful. I understand that we are currently about $18 billion below what had been the projected expenditures for the term of this Farm Bill. It has provided a safety net, a way of helping crop producers at times when market conditions were low. We would much rather take our profits from the market rather than through loan deficiency payments, but until the rest of the world will give us the market access that we deserve, we need some type of safety net underneath of us.

Again, I would like to point out that we are huge supporters and appreciate the support that you have been giving to soybean biodiesel. We have worked really hard in pushing for soybean biodiesel and the renewable fuels in the Jobs Creation Act. We were dismayed that when the Jobs Creation Act went to the Internal Revenue Service for rule writing that they allowed Malaysian and Ecuadorian palm oil to also receive the same excise tax credit as domestic production. We wish that something could be done to alleviate those problems.

To tell a little bit more about myself, I am, like most other farmers in the mid-Atlantic regions, working two full- time jobs. I am a full-time farmer, and I also run a full- time farm equipment and farm supply business. And I think that is something that is unique to the region is that many of the farms have to have a source of income off the farm, also, in order to be able to sustain that lifestyle.

Again, the regional approach, I think, is something that we need to look at.

Thank you.

[The prepared statement of Mr. Wilkins can be found in the appendix on page 47.]

The CHAIRMAN. Mr. Eckel.

STATEMENT OF MR. KEITH W. ECKEL, SPECIALTY CROP INDUSTRY, CLARKS SUMMIT, PENNSYLVANIA

Mr. ECKEL. Mr. Chairman, Senator Santorum, again, I would reiterate we really appreciate you coming here to Pennsylvania, the largest agricultural state in the northeast, and I think the one with the most positive future, and we appreciate your interest in us.

I want to visit with you a few moments about specialty crops and some of our concerns.

No. 1, I think it is extremely important to reflect on the fact that specialty crops account for approximately ‡ of the total crop sales in this country. They are specialty crops, but they are not minor crops. In Pennsylvania, the production amounts to $609 million. The mushroom industry is the largest single cash crop in Pennsylvania. Just a few miles from here, in Adams County, we visit a county where it is the fifth largest county in the Nation with orchards. We are a state that has tremendous specialty production. And that comes from someone who has also been a dairy producer and is still a green producer.

I want to highlight a few concerns.

One, I think it is important that when we look at the Farm Bill that we make it, as our goal, a safe, adequate, affordable, dependable supply of food and fiber. And in fact, if that is our goal, risk management becomes an important tool for specialty producers. The recent flood underlined the problems that we have. I have friends and neighbors who only grow crops along the river, never participated in a program, but they do not grow crops that are insurable by Federal crop insurance. And as a result, they have lost their total income for the year, but worse than that, their total expenditures. I can not, in good conscience, go to them and say, "Because we have a crop insurance program, we can't support disaster assistance." These people need help. Risk management needs to be reworked to help us do that.

In the area of conservation, I have a concern that many of those dollars are not finding their way to producers as they used to. I would emphasize that sometimes here in Pennsylvania the CREP program becomes a program that competes with private farmers trying to rent that land. We are enrolling whole farms in that land. That was not the intent. We need to look at that.

Research and extension funding are critically important. The Federal Government has not been making those investments in the

past. In my operation over the last 20 years, I have reduced by fertilizer applications by 50 percent as a result of banding fertilizers rather than broadcasting, a result of research and extension work. The same can be said for pesticide application. The need for us to maintain our competitiveness is clear: research and extension is an important part of that.

I would be remiss if I did not mention one program that I am very concerned about, and that is immigration reform, not tied to the Farm Bill, but very much tied to specialty crops. We must have a workable, accessible program to supply labor to the specialty crops in this country or we will export the production of fruits, vegetables, and mushrooms around the world. I don't think we want to depend on foreign nations for that production.

Gentlemen, I appreciate your interest and look forward to working with you on these important issues.

[The prepared statement of Mr. Eckel can be found in the appendix on page 50.]

The CHAIRMAN. Thank you.

Mr. MARTENS.

STATEMENT OF MR. KLAAS MARTENS, ORGANIC FARMING RESEARCH FOUNDATION, PENN YAN, NEW YORK

Mr. MARTENS. Mr. Chairman and members of the committee, thank you for this chance to testify.

My name is Klaas Martens, and I represent the Organic Farming Research Foundation. I went through the land grant system and was a conventional farmer. I started farming 31 years ago, and I did things pretty much like everybody else in our community that was growing corn, soybeans, and other crops, and dairy cattle.

About 14 years ago, we converted our farm to organic management. We were surprised, actually, to learn that our yields did not go down. Our cost of production did. Organic farming has been very good for our family and our farm and our community. At this point, there are nine other farms bordering us who are farming organically, and they are a major stimulus to the local economy.

In the past, we have talked about subsidies. I am not proud to say it, but when we were farming conventionally, I was growing crops to trade dollars and getting my profits by farming the programs. Today, that is not true. Markets for organic foods have grown at the rate of over 20 percent per year for the past decade. This rate doesn't show any signs of slowing down. Consumer demand is currently outpacing supply.

I am personally very concerned about our share in the market. As companies like Wal-Mart that need a very large stable supply of organic foods enter the marketplace, they need to have a reliable supply, they need to get what they want when they want, and I am afraid they are going to go overseas and start buying the organic foods elsewhere.

The key to increasing organic production is research, extension, and good information. The reason we have a sell in Penn Yan and a lot of organic farms is that we have been learning from each other. We are very close to Cornell University. We have had terrific support from our researchers. And we have been able to institute changes on our farms that have made organic farming extremely

successful. One thing I would like to quip is that organic farming and conventional farming are 95 percent the same. It is best management practices.

There are a few things that I would like to ask for that I think would help make organic farming more competitive and help us hang on to our market share. I think we need to prioritize support for organic farming. We need to increase the amount of money available for research into organic farming and disseminating that research to the farms that need it. I think we need to continue the program for cost sharing. A lot of farms, and even businesses, that go into organic see that cost of certification is a big upfront cost, and they are starting out with a small portion of their business doing that. By having this cost share available, they are able to offset part of that cost until their market grows. And we have seen business after business in our area do that and watch their markets explode and then be on their own. So this program has been very effective and a big help in us meeting the demand for organic food.

I would like to thank you for the chance to testify before this committee and for the support that the USDA has shown to organic farming.

One last thing I would like to point out is that when you look at the size of the organic market, 2.5 percent of organic food, we could increase the amount of money put into research by fivefold and only be bringing it up to the fair share, if look at it as a proportion of the industry. And if you look at the growth we have, this fivefold increase would still be behind.

Thank you.

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

The CHAIRMAN. Thank you very much, gentlemen.

I have a series of questions, which I need to direct to you, Mr. Shaffer, and you, Mr. Wilkins, that we are going to ask at every field hearing we do so that we can make sure that we have the right information from the different sections of the country.

First of all, how would you prioritize the programs of the Farm Bill generally and the commodity titles specifically? How would you rank the relative importance of the direct payment program, the marketing loan program, and the counter- cyclical payment program?

Mr. Shaffer?

Mr. SHAFFER. Of those three, the first question I would have is, as you have talked about, how are they going to be interacted once we have a new trade agreement settled. That is going to determine a lot of where we need to go, and that is why, as I mentioned before, we are kind of at a critical period as far as lack of direction, because once we develop our trade agreement, then the direction might be different than what we are prioritizing now.

I am a very big supporter of counter-cyclical payments. I am a very big supporter or safety nets. And I think they would be needed just because it puts a floor under it. It is something that is not going to be utilized all of the time. And incidentally, you discussed something that was interesting about the amount of cost to the Farm Bill. and I look back at the last Farm Bill, and it is a shame

that the Congressional Budget Office doesn't realize money not spent as a savings, because I think on a lot of programs in the last Farm Bill, whether it be the MILC program or whatever, if that money is not all spent, it is still considered allocated, and we can't show that as a savings. So I guess I just bring that up, because when we look at budget cutbacks, once you have cut it back, we aren't taking into account that the Ag community didn't utilize all of the money that was allocated in the first place.

But I think the direct payments and counter-cyclical payments, as far as the crop program, have worked well. But to some of the side rules of those payments, for instance with the vegetable industry, if you infringe on the base with vegetables, you run the risk of a penalty. So therefore, we need some more flexibility when we are rotating specialty crops around with program crops. That is what I was referring to as some of the different challenges of the northeast.

I hope that answers some of your questions.

The CHAIRMAN. Mr. Wilkins.

Mr. WILKINS. Mr. Shaffer made a very, very good point, that it is difficult to talk about the 2007 Farm Bill not knowing what is going to come out of the Doha round, if an agreement will be reached or not. But to answer your question, looking at the three programs that you specifically relate to, the direct payment program, marketing loan, and counter-cyclical, I believe that we would want the marketing loan program and the loan deficiency payment. We would prioritize that as, out of those three, being the No. 1 program that we would want to see continue. At times when commodity prices are below cost of production, we need some type of a safety net there to ensure that we are at least going to break even and be alive to farm the next year. Second, I would rank the direct payment program as number two. And third, the counter-cyclical payment program.

One flaw that I see with the counter-cyclical payment program is it is not based on amount of money that the producer received. It is based on the average market price. The formula has not taken into account the number of bushels of production that was sold at that price. So many producers that don't have an adequate amount of storage space to store a year's worth of commodity, they could be penalized, because if they are forced to sell their commodity at harvest time out of the field and market price rises, they didn't capture that increased market price. But then the counter-cyclical payment is based on the average market price for the year, and that takes some of that counter-cyclical payment back away from them, which we have seen that happen several times in the last 3 to 4 years.

Other programs of the Farm Bill, the Conservation Security Program, excellent program. We really feel that that program will reward producers that are good stewards of the soil, that have been and have already put into practice good conservation practices. In some of the conservation programs that we have had in the past, you had to be harming the environment before you would qualify for the program. The Conservation Security Program takes a different approach. It says you are already doing this, we are going to reward you for doing that. I think there are some other parts

of the Farm Bill, the assistance for marketing co-ops. That was an excellent part of the Farm Bill. We would like to see that continued, also.

The CHAIRMAN. We can expect an effort to further reduce payment limits in the next Farm Bill. Do payment limits need to be modified in this Farm Bill? If so, why?

Mr. SHAFFER. We have, as you said, a limited supply of money. We would like to see the payment limits removed on there. It goes back to the amount of money that you said is going to be available as far as that goes. In Pennsylvania, payment limits might not mean as much as they do in other parts of the country. So I guess for me to comment from Pennsylvania as far as payment limits, other parts of the country might have a different view on it. I would just say, as far as our Pennsylvania farmers, if there is enough money to adequately help the greater number of farmers is what I am looking for, if that includes payment limits or whatever, but I am looking for that there be a safety net able to be provided to the greatest number of farmers.

Mr. Chairman, it is so important that we keep, not artificially, but valuable the number of farmers in business as possible. If we don't, in Pennsylvania and other parts of the country, I am afraid if we start losing our infrastructure, our agricultural infrastructure, we already see there are fewer and fewer machinery dealers, fewer and fewer processing plants, we won't get those back, and that is why I think it is so vitally important to develop a program that is going to keep the maximum amount of farmers in business as possible. And like I said, not artificially prop them up, but actually make it so they can stay in business.

Mr. WILKINS. Mr. Chairman, the issue of payment limits is probably one of the issues that divides the agricultural community. Looking at the blue jackets, when I had the pleasure of wearing the blue jacket, I visited Washington, DC for Leadership Week, met with then-Secretary of Agriculture Butts, who told us plant fencerow to fencerow. The world is hungry. We can get rid of everything that you produce. And as young agriculturalists, we went home and we listened to those words, and we became very efficient producers of food. But then market prices went down, cost of production continued to spiral upwards. What were we forced to do? Outbid our neighbor for the next farm. And it is really sickening in my region at how values of being good neighbors and helping each other have, in many cases, been squashed by the need to get bigger in order to remain competitive. This is why the agricultural camp is so adamant about protecting payment limits, keeping them large, protecting the three entity rule. And I have really mixed feelings on this, because on one side, I understand the need that you must get larger and larger and larger in order for efficiencies of production, but at the same time, I look back and see that when we were only farming 500 and 600 acres we still had time to spend in our community. We still had time to belong to community organizations, to do things recreationally with our families. And now that we are pushed to be bigger and bigger producers to survive, a lot of those things we don't have time for today. We have to work 16–hour days, 6 and 7 days a week. And I wish there was something that

we could do to reward the small farm producers, but not at the expense of taking too much money away from the large operations.

Mr. MARTENS. Mr. Chairman?

The CHAIRMAN. Yes, sir.

Mr. MARTENS. I think there has been an unintended consequence from raising the payment limits and having these payments, that they have become an entitlement that goes with the land. And I have got a personal interest. My son is sitting here. He is 17 years old, and he would like to farm. And he regularly asks me, "Dad, how am I going to be able to afford to get a piece of land so that I can become a farmer? And I think we are seeing greatly inflated land prices partly as a result of the way, not intended, the program is working. And I think payment limits could possibly help rectify that situation.

The CHAIRMAN. All right. The Doha round of negotiations seeks to provide additional market access for U.S. agriculture goods in exchange for cuts in domestic farm payments. How important are exports to the future of farmers?

Mr. SHAFFER. I think they are vital. We are already producing over 30 percent more than what we use in this country. If we don't have an export program, we are just going to basically put probably close to 30 percent of our farmers eventually out of business. So this is so vital. As far as the Doha rounds, we need, and it was very gratifying to hear from Susan Schwab the other day when I was in Washington, that her philosophy is that she is intending on standing firm, that a bad deal is worse than no deal. And personally, I agree with that, and I think you are on the same program as that. But I think the people in the United States have to understand, as far as exports and imports, how vital it is to keep the United States' agriculture healthy. We are hearing every day, that is all you hear in the news, about the price of fuel and depending on foreign oil. I think if the people had to depend on foreign food, between biosecurity issues, availability, and price, there would be more dissatisfied voters, I think, in this country than anyone has ever seen. So I think the whole ability for exports is getting back the ability to keep our farmers in business. We have to have that export market to utilize our overproduction.

The CHAIRMAN. I didn't intend to skip you guys down there. I was primarily asking this to the commodity growers, but any time you all want to jump in, feel free to do so.

Mr. ECKEL. Senator:

The CHAIRMAN. Sure.

Mr. ECKEL. Your previous question, I agree totally with Carl. And for the specialty crop industry, it is extremely important that we have access to those markets. And I would just make one observation from having been involved in the previous round of negotiations, and that is that this is a work in progress. And one of the additional things, if we do get an agreement, is to insist on a continuity clause so that we continue down this path. We won't achieve all of our goals, in my opinion, in this round. It will take more rounds. Continuity, a commitment to future negotiations, will be key and something that I don't hear many people mentioning about.

The one comment I would make about payment limitations, and this is coming from a specialty crop producer, but I have had experience with many of your colleagues from other production crops, there is a philosophical argument that you have to deal with. I had indicated in my testimony that it was important that we be geared to a farm program that assures an adequate supply of food and fiber. Once we set any payment limitation, I believe we have modified that goal, because now we are talking about income support rather than production encouragement. And I think that that is a philosophical discussion that absolutely needs to be in the minds of those of you who deal with the next Farm Bill. What is the real goal? If the real goal is just financial support of a certain group of individuals, there are probably better ways to do that than a farm program.

The CHAIRMAN. Mr. Eckel, I want to direct this question to you, but before I do, my part of the country has primarily been, historically, row crop production. Peanuts, cotton, and tobacco have been our staple crops for decades. My home county is one of the more diversified counties in the country. In fact, we pride ourselves on being the most diversified agricultural county east of the Mississippi River. If you can eat it, wear it, or smoke it, chances are, it could have come from my home county. But my son-in-law is a produce farmer. Joe grows cabbage, cucumbers, squash, all kinds of greens, bell peppers, and eggplants. He and I have talked about this question many number of times that I am going to direct to you. Do you have any thoughts about relaxing or eliminating the planting restriction in order to comply with our WTO obligations? What would the impact of relaxing or eliminating that provision be on specialty crop growers?

Mr. ECKEL. The one concern that I have is that when we relax that provision, what we ultimately do is cause the traditional vegetable producer who has never established a base to have to compete against those program crop producers who are now entering vegetable production but armed with a payment, if direct payments are kept in that proposal. In fact, in the current structure, could actually receive direct payments and counter-cyclical payments. That is unfair competition to that individual who has been a traditional vegetable producer and never built a base. I understand the need for flexibility, but if, in fact, we have to do that, we may well have to look at some other way to level that playing field, otherwise, he will be competing against someone who has an economic advantage that he does not have.

The CHAIRMAN. Mr. Martens, as an organic producer, how have you been able to utilize the conservation provisions in the 2002 Farm Bill?

Mr. MARTENS. We have participated in all of the Federal programs. We have gotten EQIP funds for putting in contour farming, diversion ditches. Our farm, I am proud to say, is farming well below the erosion factor. I do have a concern. I hope this is not totally off topic, but we have gotten terrific support from the very well trained NRCS staff that has worked with us. And I am very concerned that we have got five senior district conservationists in our area who are retiring this year, and there have not been sufficient people trained to replace them. And we are going to sorely

miss the contribution that NRCS gives if we don't put resources into training new people that can continue doing that. So to kind of sum it up, we have participated in all of the programs. Our farm has definitely benefited, but I am very concerned for the future, not just organic farmers, but all farmers having the support from NRCS technical people that we need.

The CHAIRMAN. Senator Santorum.

Senator SANTORUM. Thank you, Mr. Chairman.

I would ask Carl. I think you made the quote that this is a Farm Bill, not a conservation bill. Obviously, there are substantial conservation programs in the Farm Bill. Do you have suggestions of how we could alter those conservation programs, and anybody else who would like to comment, also, but I wanted Carl to start, alter those conservation programs to be more beneficial to production?

Mr. SHAFFER. Well, I don't want to be flip, but the first thing sounds like we ought to move to Penn Yan, New York with the farm. It sounds like it is working better there. It is not in Pennsylvania. EQIP used to be called the ACP program years ago. It was a vital tool for cost shares that a producer, an operator, could apply for cost share money to do conservation practice. And back then, to be honest with you, NRCS, that used to be the Conservation Service then, would receive from zero to 5 percent money of the total budget for technical training. Now that is up to 19, almost 20 percent, that they get for technical training. And also, my concern is there is an advisory committee made up of approximately 40 people in Pennsylvania. And one, maybe two, out of that 40 has ties to production agriculture. And those are the people that are advising where the EQIP money should be spent. So I think we need to relook at things, because we need programs that are going to provide help, especially with our WTO agreements where the green box would allow for some more conservation money to get to producers. Somehow, we need workable programs where that conservation money actually gets to production agriculture and isn't tied up with some sort of middle person or something. We need technical advice. We don't need water police. And some of this money is sort of geared toward enforcement rather than money to actually go to a farmer to implement practices to better our environment. And I think we need to do that. We need to concentrate on that.

Mr. MARTENS. I think the conservation money, especially the EQIP program, maybe we have benefited better than other parts of New York, but we have had some very good people working with us. But they are a win-win situation. The farmer wins, because we improve our land, we protect our soil from erosion, and we increase our production. But the public that pays the taxes also wins, because their water is cleaner and their air is cleaner and their environment is a better place. So I think there is a fairness in these conservation payments where we can go to the taxpayer and say, "Yes, we are taking your money and using it on farms, but we are doing things that are going to benefit you." And just, for example, the big project that our farm just completed is a farm that is uphill above the village of Penn Yan. We had a flood in the year 2000 when eight inches of rain fell overnight, and there were two kids with a rowboat out in the middle of my kidney bean field. That

flood just narrowly missed flooding the entire village. Now what this project has done, by putting in terraces, contour strips, and better water management, is protected the village. And I think there is hardly anybody in Penn Yan downstream from that farm who doesn't feel that their tax money was well used.

Senator SANTORUM. OK. Keith and then Carl, if you want.

Mr. ECKEL. Senator, this is more of an administrative observation. NRCS has been extremely important to agriculture and to the environment, I think, in providing technical service over the years, as my colleague has indicated. One of the concerns that I see in the operation is that with the advent of some of the new conservation programs, they have become the administrator of funds as well as the technical advisor provider. It seems to me that perhaps within USDA we are creating two agencies. We already have the Farm Service Agency who historically has administered those programs, and I think it is better equipped to do that. And I am concerned that we are taking away time from that critical technical advice in doing that where FSA could do that. Again, I would indicate it is an administrative concern, but perhaps something that should be looked at as you work on the bill.

Mr. SHAFFER. Just a little more follow up. There are other programs. And it was ironic he just talked about the flood, and we just had a flood. You were there. You saw it. There is a program called the Emergency Conservation Program, which is a conservation program. Wonderful. It is just geared for what we have had. It is to help clean out waterways, diversions, and straighten things up. It would really help with a lot of this flood damage so if we have more rain, we are not going to have more erosion down in the streams and creeks and rivers. The problem is, there is zero money allocated in the program. So we do have some programs that work really well where there are no dollars in there, so it is not available. In the CREP program, I have utilized some of that money to do some conservation practices. Great program. The only thing, it will only pay, for some reason, for projects that run up and down the hill. It won't pay for projects that run across the hill. And to try to stop erosion, projects that you can apply across the hill to collect the water and channel into that project that up and down the hill. But we can talk until we are blue in the face, but there needs to be some common-sense approaches to the conservation program. I am not saying, and please don't take this wrong, that it is not good. It is good, but it just needs to be tailored that it does what it is intentioned to do. When you vote for it, I know you have in mind it is to go to production Ag to do conservation practices or reward people that are good stewards of the land. But when it is getting lost some place in the middle, that is what we need to address.

Thank you.

Senator SANTORUM. Just one final question. I talked about the issue of crop insurance, and I think it would be helpful to the committee if you could explain, any of you, Keith, maybe since you have gone through this, some of the problems that we are having here in Pennsylvania with the crop insurance program and some suggestive changes that we could make in the program that could

help improve our coverage here and take care of some of our farmers.

Thank you.

Mr. ECKEL. No. 1, from the specialty crop perspective, we absolutely need to develop a program that offers coverage for all producers. We don't have that now. Some of our small family farms located along the Susquehanna River and all of the other creek bank areas in Pennsylvania, those operations are small. They are retail. They may grow 30 different crops. We talked about vegetables. It happens that I grow two that are insurable: sweet corn and tomatoes.That is not by accident. That is by plan for myself. But those who grow those others have no protection at all. That is a serious problem, so we need to broaden the protection to all crops, number one.

No. 2, the program is administered differently in different parts of the country. If we living in the Midwest, sectional equivalence would allow us to break up our operations. I will use my operation as an example. My operation is composed of nine separate farms, some as far as seven miles away that we own. The FSA offices had encouraged us to group them under one FSA number, which we did. If we lived in the Midwest, for crop insurance purposes, we could separate them by sectional equivalence. In the northeast, we can't. You were in the northeast 2 weeks ago. We had tomatoes, for instance, that were flooded along the Susquehanna River. Because I have tomatoes that are also grown on a different farm five miles away, there will be no coverage for them. So it is critically important, in my opinion, that sectional equivalence or insurance by tract rather than by FSA number would be very, very important. We have to increase the expertise of FCIC at all levels in order that we can adequately provide that coverage. Until we do, we absolutely have to have the consideration of a disaster program, because, gentlemen, while this disaster was narrow in scope, it was devastating to the producers that are involved. They deserve assistance. There is no one in this country that, seeing that, would say that they did not. So we have got to work in that Farm Bill to correct that, but I personally believe something needs to be done for those producers now that didn't have that protection.

Mr. SHAFFER. I stated in my opening comments that in 1980, the Ag community made an agreement with Congress to forego the large ad hoc disaster payments. And I am 100 percent supportive of crop insurance. It is a voluntary way where I feel a farmer can self-help himself. He is paying a portion of the premium, and he is making that decision whether he wants to provide a safety net for himself, and he is contributing to it with money out of his farming operation. But having said that, in Pennsylvania, when 43 percent of the farmers are taking advantage of this program, it is not because they just don't like crop insurance, because if it doesn't work for them, they are not going to take advantage of it. We are classified as an underserved state, and I told the administrator of risk management I would love to get off that list. I would love for us to be off that list that Pennsylvania is an underserved state, because that means more of our producers are able to take advantage of crop insurance.

Mr. Eckel mentioned the specialty crop, and we have mentioned that. We have mentioned the green crops. At worst, the agricultural community is so dependent on one sector or another that if one sector is getting a better deal from the Federal government and the other sector isn't, that puts them at a disadvantage. I know we are on a global market, but we are also competing within the United States. So I really feel that crop insurance can't be one cookie-cutter policy for the whole country.

And something you can relate to, Mr. Chairman, I was told, I said, "Well, we can't make it different for northeast," as the southeast said. "That is all the same." I said, "Well, I beg to differ, because if you can find a cotton or a rice policy written in Pennsylvania, I would love to know about it." So there already are some differences in amongst the different parts of the country.

Thanks.

Mr. MARTENS. I think all of the things that Mr. Eckel shared about crop insurance applied to most organic farms, too, with one important difference. Crop insurance seems to work fairly well for corn and soybean farmers. Those are easy crops to insure. Maybe wheat. That program works for the farmers in my area, too. As an organic farmer, though, when I sell my soybeans that go to Japan, I am getting $22 a bushel compared to a ready soybean that might bring less than $5. And I can't insure my $22 soybean for more than the going price for the cheapest soybeans in the community. So I am really not getting meaningful coverage on the grains because of the difference in value, and I think we need to have a way that a farmer can actually insure their exposure to us in an equitable way. And I think this could be fairly easily done.

The CHAIRMAN. Don, did we cover everything you wanted to ask about?

Mr. SHERWOOD. They pretty well got through the specialty crop insurance, which I wanted to talk about. And we talked about conservation a little bit. And to go back to the CREP program, I think it needs to be reemphasized that the way the CREP program was set up in Pennsylvania, not only did it take a lot of marginal farmland out of production, which is a good thing, it also took a lot of good farmland out of production, because in Pennsylvania, land rents are not as high as the CREP program, anywhere near as high in most parts of the state. And so it has been counterproductive for agriculture in that regard.

The other thing, we have all talked about the flood. And we all know that we need money for disaster relief, but we also need to change our policies in this country a little bit. In this part of the world, we went in the creeks in 1972 and sort of straightened them up, and nobody has been allowed to do it since. So the creeks were ready for a disaster, because when we had a hard rain, they all blocked up and split into three channels and go out through the agricultural ground or go out through a residential neighborhood because they hadn't had any work done on them in years and years because that is out of favor right now. And really, there was more mud in the creeks and mud in the river and mud in the Chesapeake Bay by this natural rainstorm than there could have been many times over in all of the projects that might have been done

in the last 30 years and weren't done. So I think we have to relook at those policies a little bit.

The CHAIRMAN. Well, gentlemen, thank you very much. We appreciate your testimony and your input very much.

Yes, sir. Mr. Wilkins?

Mr. WILKINS. Mr. Chairman, if I could, please, on the Doha round of negotiations. And we were talking about Mr. Shaffer mentioning that 30 percent of current farm production is being exported. Historically, that is ever since the 1970's that we have been very dependent upon exports to keep our production utilized. We are on the verge, though, in this nation that if we continue to increase the production of ethanol, if we continue to increase the production of soybean biodiesel, and we are just starting to look at biomass energy production, we could sustain a vibrant farm economy in this country with hardly any exports, but with programs that would help to utilize the production as renewable fuel. I mean, that is what I am looking forward to, working over the next few years to continue to get renewable fuels encouraged and production ramped up. And I think it is very important that these incentives for renewable fuels end up to the consumer, either the producer or the consumer.

In my county, I purchased 100 percent soybean biodiesel prior to the excise tax credit, and I paid $3.20 a gallon for it. After the excise tax went into effect, I paid $3.30 a gallon for it. I asked my supplier how I could possibly be paying more after he is receiving $1 a gallon excise tax credit, and his simple answer was: supply and demand. Supply and demand. I could stick an extra dollar of profit in my pocket. And what I want to see is when a consumer pulls up to a fuel pump island that they don't have to pay extra for renewable fuel. And the polls have shown that consumers are willing to pay a small amount extra for renewable fuels if it means reducing our dependence on foreign oil.

Thank you.

The CHAIRMAN. Let me assure you, as we write the Farm Bill next year, the energy title that we put in the 2002 Farm Bill, for the first time I would add, is going to be greatly expanded, because this is a key issue all across America. We have never used ethanol in the southeast, because we have not had a supply, but the demand is there. The supply is going to now come, just like it is everywhere. So whether it is biodiesel or ethanol, we are going to see an awful lot more in the way of manufacturing of those products and utilization of those products across the country.

Let me again thank all of you for coming out today. We appreciate very much your input and your testimony. We look forward to continuing the dialog with you as we approach the writing of this bill next year.

Thank you.

Mr. WILKINS. Thank you, Mr. Chairman.

Mr. SHAFFER. Thank you.

Mr. ECKEL. Thank you.

Mr. MARTENS. Thank you.

The CHAIRMAN. I would like to call our next panel forward at this time: Mr. James Shirk of East Earl, Pennsylvania, representing the Shirk Family Farm and Pennsylvania State University; Ms. Chris-

tine Hetz Phillips of Fairview, Pennsylvania, representing the Fairview Evergreen Nurseries and Pennsylvania Landscape and Nursery Association; Mr. Don Cotner of Danville, Pennsylvania, representing Cotner Farms.

Mr. Shirk, Ms. Phillips, Mr. Cotner, welcome to our panel today. Thank you very much for taking your time to come here with us, and we look forward to hearing your testimony. We are happy to submit your entire statement for the record.

We would ask that you hold your comments brief.

Thank you.

Mr. SHIRK.

STATEMENT OF MR. JAMES A. SHIRK, SHIRK FAMILY FARM, PENN STATE UNIVERSITY, EAST EARL, PENNSYLVANIA

Mr. SHIRK. Chairman Chambliss, Senator Santorum, and everyone else, thank you very much for coming to Pennsylvania and being here to hold this hearing.

My wife and I are the ninth generation to live on our family's farm and are committed to continuing to be a part of agriculture like our family has for the last 248 years. It is my belief that the purpose of the Farm Bill is to provide the framework for ensuring the long-term viability of agriculture in the United States in the interest of national security and quality of life for all Americans. My comments will focus on three general areas: the critical need for full funding of Ag research and extension at land grant universities, farmland preservation, and the distribution of farm program dollars.

Penn State and the land grant institutions continue to have a critical role in the generation and distribution of relevant knowledge in providing an educated workforce for generations to come. One specific area in Pennsylvania that land grants have played a significant role is their assistance in combating avian influenza. Twenty-five years ago, we faced an outbreak of avian influenza that virtually destroyed our industry, and 5 years ago, we faced an outbreak again, but through partnerships with universities and the Department of Agriculture, the impact was significantly and greatly reduced.

Two components of that success came directly from the universities through the development of a faster test for the presence of the virus and a better understanding of composting techniques which minimized the spread of the disease. Unfortunately, the Federal component of research extension funding that allows for these success stories has been flat for some time, and it is now time to initiate change in the system. The next Farm Bill should establish a new institute under USDA reporting directly to the Secretary of Agriculture that would consolidate agencies, programs, and activities.

The second area I would like to address is the value of farmland preservation programs. These are an economic stimulus and provide a background for expansion and profitability in our industry. In 2000, my father entered into an agreement to sell the development rights from our farm. One of the primary reasons for participating was to purchase the farm and to keep it in our family. Generation transfer is a very common reason for preserving land, thus

providing the opportunity for farms to remain in the same family for multiple generations. In Lancaster County, we are fortunate to have a non-profit land trust that can also provide this service. The Lancaster Farmland Trust is a very active, nimble, and effective organization that has preserved almost 15,000 acres through donated easements or low-cost purchases, with many farms using the Trust as part of their estate planning. The Trust estimates they have saved taxpayers around $35 million using their organization to preserve this land. Federal policy should encourage the use of non-profit land trusts as a cost-effective model for preserving farms and consider expanding tax incentives for easement donations.

My final comments revolve around distribution of Federal Farm Bills and the regional equity. The advantage we do have in production is our proximity to major populations and thus consumers. The next Farm Bill can invest in our advantages by providing incentives for value-added production and expanding our regional supply chains.

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

Chairman Chambliss, I thank you for the opportunity to share my thoughts and look forward to any questions you would have.

The CHAIRMAN. Thank you.

Ms. PHILLIPS.

STATEMENT OF MS. CHRISTINE HETZ PHILLIPS, FAIRVIEW EVERGREEN NURSERIES, PA LANDSCAPE AND NURSERY ASSOCIATION, FAIRVIEW, PENNSYLVANIA

Ms. PHILLIPS. Mr. Chairman and distinguished gentlemen, thank you for coming today and for your interest in the concerns of Pennsylvania agriculture. Thank you.

My name is Christine Hetz Phillips, and I am the CEO of Fairview Evergreen Nurseries, a 3,500 acre agricultural operation located near Erie, Pennsylvania. I also serve on the Penn State Erie County Cooperative Extension Board and on the Board of the Pennsylvania Landscape and Nursery Association, or the PLNA.

PLNA represents predominantly family owned businesses in Pennsylvania's $5.6 billion landscape nursery and retail garden center industry, known as the "green industry". The green industry employs over 100,000 Pennsylvanians, is Pennsylvania's largest cash crop, and the fastest growing segment of agriculture in Pennsylvania. Nationally, nursery and greenhouse production represents 11 percent of the commodity agriculture.

Our green industry has not played a major role in previous Farm Bills because we are a non-subsidized component of agriculture. The green industry is not seeking subsidies, but stands in need of research and development funding. Pennsylvania State's College of Agricultural Sciences has provided such research and development supported by Farm Bill grant funding. And PLNA simply asks that this funding continues as the partnership between the college and the green industry has been immensely beneficial to the nurseries and landscape contractors and garden centers of Pennsylvania.

With new challenges, such as the Asian Longhorn Beetle, Emerald Ash Borer, and Phytophthera Ramorum, or Sudden Oak Death, the green industry must be equipped to respond to these diseases

and/or pest crisis. Farm Bill funding can help bridge the widening gap between current resources and these needs. Historically, the Commodity Credit Corporation has been a strong funding source for quarantine and eradication efforts, but this has been scaled back. More funding is needed to ensure the short and long-term safety and stability of our nursery and greenhouse crops.

The challenge of invasive species is another area in our industry that suffers for lack of strong scientific research. Research in this relatively new field is desperately needed, but funding is scarce and difficult to find. The 2007 Farm Bill could provide additional grant dollars for the issue of invasive species so the industry can better understand the implications of certain plants in both our landscapes and forest lands.

Finally, I want to direct your attention to the most vexing problem in the green industry. Our industry's greatest need is access to sufficient labor. Pennsylvania's own Senator Arlen Specter has helped to author excellent legislation, and the Senate has passed this good bill, which will begin to solve our nation's labor and immigration crisis.

I want to thank the Senators here today for their hard work to achieve a bipartisan and balanced bill that will achieve a real solution for our farms, communities, and agribusinesses.

Thank you.

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

The CHAIRMAN. Thank you.

Mr. COTNER.

STATEMENT OF DONALD COTNER, COTNER FARMS, DANVILLE, PENNSYLVANIA

Mr. COTNER. Yes. Senator Chambliss, welcome to the beautiful rolling hills and valleys of Pennsylvania. Thanks for coming here.

Senator Santorum, thanks for hosting this program.

And Secretary Wolff, thanks for sharing your house with us.

It is a pleasure to speak with you today, and I appreciate the opportunity to talk to you about the status of Pennsylvania agriculture and the potential implications of the upcoming Farm Bill.

First off, I would like to provide a very brief background of myself. We are a third-generation family farm involved in the production and marketing of eggs. We raised 1,300 acres of corn and soybeans annually, and we recently began a commodity trading and soybean processing business serving northeastern United States feed industry and the emerging biofuels industry. Additionally, I serve as Director of AgChoice Farm Credit and for PennAg Industries Association. AgChoice, as part of the Farm Credit System, provides financing and financial services to rural Pennsylvania. And PennAg is a trade association, which provides lobbying and operational services in support of agriculture and related industries. My comments are not meant to reflect positions of these entities.

I was pleased that Congressman Sherwood recognized the fact that I was involved in poultry and egg production, however, I was asked to participate with an emphasis on biofuels, so that is where I will emphasize.

The emerging bioenergy markets present a tremendous opportunity to reverse the current conditions of agriculture in our region. In order to energize our local Ag economy, we must stimulate local corn and soybean prices. Rather than reduce supply to achieve this goal, we need to spark corn and soybean demand. The present and ongoing fuel crisis presents a great opportunity to do just that. Ethanol and biodiesel production within our region would eliminate any locally produced surplus, would create buyer competition for our corn and soybeans, and put profits into the farmers' pockets.

Without question, government assistance will be required to overcome the establishment and startup costs inherent to the biofuels industry. The programs put into place in the new Farm Bill must promote growth and increased market competition. The new Farm Bill needs to promote the agricultural community to get involved in ethanol and biodiesel from the beginning to the end of the cycle: from farmers to consumers. Agriculture needs to see incentives that encourage farmers to plant more acres of beans for biodiesel plants and more acres of corn for ethanol plants. I would encourage programs for farmers that commit to produce for the biofuel industry.

Agriculture needs government support for ethanol and biodiesel startups. I would encourage continuing grant programs and tax credit programs for bio-based fuel producers and blenders. Agriculture needs a Farm Bill that encourages the community to use biofuels. Actively promote it. Reward the farm community to use it. Consider reducing taxes on bio- based fuels. Set reasonable, yet progressive, biofuel usage mandates in public transportation and the railroad industry.Possibly tag funding for public awareness programs on the merits of ethanol and biodiesel fuels.

And thank you, again, for the opportunity to speak with you.

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

The CHAIRMAN. Thank you very much.

Ms. Phillips, you talked about research, as did some of our other witnesses earlier, and unfortunately, we are not likely to have additional funding for any new research programs in the next Farm Bill. Are there any existing programs, from a research standpoint, that you think we are not fully utilizing or that we are, in effect, not getting the benefit from that we ought to shift to other areas?

Ms. PHILLIPS. I don't know, really, about shifting any of the resources. I am on the Penn State Cooperative Extension Board. I do know that funding to them overall has dropped 2 percent, I think every year for the last three or four years. That was one main area where a lot of research was taking place. Also, as a new member on the PLNA, I know they look at research. As a member on the HRI Board of the ANLA, which is a trust for research into horticultural concerns they have tried to be a significant resource. But there are so many different invasive plants, invasive bugs, just everything that concerns our industry. I know the Avian flu was even talked about. I think our government could do a lot of good by granting money in the form of research with this Farm Bill.

Mr. SHIRK. Mr. Chairman?

The CHAIRMAN. Sure.

Mr. SHIRK. If I could add on to that as well. That is kind of the genesis for one of the comments I made about consolidating agencies into an institute so that some of those research lines could not only be enhanced, but they could be better coordinated to increase deliverables from those programs effectively. Individual and national programs in CSREES, AMS, ERS, could be maintained and grown through a better integration of how they are coordinated. The funding could be competitive. It could be based on priority areas and problem issues and require extension and research on a multi- institutional basis across county lines to leverage those activities across state so that you can expand on those benefits. An important part of that, though, is that there not be an elimination of local priorities and that they would still have funds to be able to reach issues that are site- specific to individual states. Pennsylvania's prime example is the mushroom industry, as already mentioned. This is a high-value crop, a specialty crop here in Pennsylvania, that benefits greatly from the base funds that universities have, but their individual needs would never rise to the level to compete for a national competitive funding. So maintaining the level of base formula funds is a very important part of where those research dollars go.

The CHAIRMAN. Mr. Shirk, should we shift funding from land retirement programs to working lands programs like farmland protection to achieve a better balance, or vice versa?

Mr. SHIRK. I think that it is a perfect marriage to have both of them working in together. Farmers are considered to be the first environmentalists, and whenever times get tough, there can be a temptation to bring in marginal production land and try and utilize that in order to put more monies into your pockets. When a farmer accepts Federal dollars or state dollars or benefits from preserving farmlands, they have a fiduciary and an environmental responsibility to maintain the long-term production of that farmland. The conservation and the stewardship and the fiscal responsibility must be a part of any type of conservation programs and farmland preservation programs are enacted through the Farm Bill.

The CHAIRMAN. Mr. Cotner, you talk about the utilization of alternative crops for production of alternative fuels, which I agree with you. I know they are doing a lot of research, just like we are at the University of Georgia, particularly on cellulosic crops. In fact, we grow something in Georgia that is a cellulosic crop that is called kudzu. If we could ever figure out a way to manufacture alternative fuels out of kudzu, I tell you, we are going to put everybody else out of business, because we certainly have an abundance of it.

But what is your thought on utilization of crops like switch grass or other cellulosic crops? Where do you think we are headed in that direction?

Mr. COTNER. I understand that the levels of yield from some of those product is greater than the yield from soybeans, and it would be a valuable source of biofuel. I think we should further explore those. And I am not sure what the byproducts would be for switch grass and so forth, and that needs to be studied further.

The CHAIRMAN. Being in the poultry business yourself, we are number one in broiler production down our way, and I am sure

your folks are doing the same thing from a research standpoint when it comes to looking at trying to capture methane and other energy sources out of the poultry industry. An issue that we have relative to the utilization of corn, particularly in the manufacturing of ethanol, is that we have got to be careful that we don't use all of our resources which are necessary for feedstocks for folks in the poultry industry. How can we balance agriculture's potential in renewable energy production with wildlife, environmental, and feedstock concerns?

Mr. COTNER. That is a very good question, and something that I have considered. But the bottom line is, the amount of money back to the producer has to increase if the government subsidy is decreased. And we will have the byproduct from corn-based ethanol is a product that is well suited for dairies and maybe probably decrease the cost of that byproduct. But the initial commodity, corn, that should increase and go back to the farmers. However, I do understand that the corn distiller is not a prime feed for poultry, but the dairy industry is a very good user of that product.

The CHAIRMAN. That is a very difficult and sensitive issue. Rick was just telling me that Pennsylvania is a corn- deficient state. As we expand on this particular ethanol production from corn as a resource, we are going to have to be careful that we don't use all of the corn to make ethanol, and that we make sure our dairy folks, our cattle folks, and our chicken folks have plenty of resources also.

Rick?

Mr. SHIRK. Mr. Chairman? I am sorry.

The CHAIRMAN. Yes, sir.

Mr. SHIRK. If I could add something into that as well.

The CHAIRMAN. Sure.

Mr. SHIRK. One of the best results of all of this attention being paid to biofuels is that it creates windows for educating consumers about the value of agriculture. And it is amazing to see how suddenly people see value in farming when it is going to affect their gas tank when they have been fed by the livestock industry and the food industry in the country for all of these years, but you have got to make hay when the sun shines. Our region would benefit most by having investment in energy production that utilizes resources that we have in excess. In Pennsylvania, we have a lot of excess manure. If we can guide our energy production and investments towards places where we have challenges like manure. We have excess soybeans. This is a perfect place to do that. We have cellulosic opportunities because of the hardwoods industry. If we can guide energy production to where we have excess and opportunity, I think that is the best way to wisely use those resources.

Mr. COTNER. I think, too, that you need to recognize the fact that we have been producing soybeans in excess in Pennsylvania, and the farmers in Pennsylvania have been paying high transportation costs, either to the southern part of the country or to the Midwest where they process soybeans into to soybean meal. It is something that we ourselves don't use. We use mechanical pressure and heat, and then we press the oil out. But without transporting that out, without paying the freight costs and the demand increasing in Pennsylvania, would cause the basis to move in favor of the farmer,

therefore getting a better price to him, which is critical if we are going to do away with subsidies.

The CHAIRMAN. Rick?

Senator SANTORUM. Yes, I just want to follow up on this same line.

You talked a lot in your testimony, Mr. Cotner, about incentives. You mentioned repeatedly about incentives for the development of alternative energy sources. I am sitting here, step away from this being an Ag hearing, as a consumer saying, why do we need to provide incentives for this production when you are sitting here with oil at $75 a barrel?" I mean, what additional incentives need to be given when you have got a marketplace where it would appear that you can probably make a fair amount of money at oil prices? What sort of program does the government have to do in addition to the fact that you have got a market that makes about anything profitable when you are producing at this point? Why do we need incentives?

Mr. COTNER. Well, that is the current market. And right now, oil is at its highest level it has been forever. If you incentivize and extent grants to produce more biodiesel and ethanol use, there will have to be some sort of mandate for the public to use it and some reason for the consumer to use it. So when oil, if it ever does, drops below $40 again and the price of soybean oil and ethanol——

Senator SANTORUM. You are suggesting that we have to provide a mandate to use this, the biodiesel?

Mr. COTNER. Yes.

Senator SANTORUM. Why do we have to provide a mandate?

Mr. COTNER. Well, currently, I believe that you wouldn't have to, but when, as I said, crude oil prices drop below the $40 level, then you will have all of these ethanol plants and all of these biodiesel plants going broke. You will have the production of soybeans and corn maybe fencerow to fencerow to supply these plants. So if there is not a mandate involved, then there will be a surplus again. The companies will go broke.

Senator SANTORUM. OK. So what you are suggesting is we need an incentive to build it and a mandate to use it?

Mr. COTNER. Yes. Yes. As opposed to subsidizing.

Senator SANTORUM. An incentive is a subsidy, isn't it?

Mr. COTNER. Pardon me?

Senator SANTORUM. An incentive is a subsidy.

Mr. COTNER. Yes, in a way, how ever you develop it. But a mandate is not. A mandate would not cost the taxpayer any money.

Senator SANTORUM. OK. And you would want this. I am just trying to understand. You would want this at this point, even though we have very high prices, or you would want this at a trigger level that if oil drops below a certain level, that you get some sort of mandate? Or how would you envision that?

Mr. COTNER. Well, I envision it as a trigger level, yes, but also, have a reasonable mandate, not something that is preposterous. For example, Minnesota has a mandate to use a certain percentage of B–20, which is 20 percent biofuels mixed in with the diesel fuel. And I think something reasonable would work.

Senator SANTORUM. OK. Just back to you, Mr. Shirk. You made a point in your testimony about regional supply chains. Can you

get into that from the standpoint of specialty crops? I think you were talking about that.

Mr. SHIRK. I think what I am really talking about is how could farmers increase their returns per acre, and the specialty crops are a way to do that. If we could grow toasters in corn crops, we would figure it out and how to harvest it with a combine, we would do that. We are looking for opportunities to get a return on our investments in that farmland. Not every farm has the ability to direct market what they can grow to their neighbors, but many farmers certainly have the ability to produce them. What could be developed is additional infrastructure to link producers to markets. When you came in today, you saw the farmers' market sitting out in the parking lot outside. That is a great opportunity to interact there, but it is a limited number of people that have the time to take a day out of their week to come up there and sell their wares, and it is only 1 day a week. So there are things that are limited on there. If there is a way to look at value-added grant programs, rural business and enterprise reforms to increase the ability to access processing, packaging, and shipping for cooperatives, they would be much better positioned to serve a regional marketplace with their specialty crops. It doesn't have to be a crop. It can be a specialty product, but as long as it increases the return per acre that a farmer has on his land, that is the bottom line.

Senator SANTORUM. Thank you, Mr. Chairman. I appreciate it.

The CHAIRMAN. Mr. Secretary, anytime you want to jump in here, don't hesitate if there is anything you would like to cover. These are your experts.

Well, thank you all very much for being here today. Now I can't let three Penn State graduates be here without reminding you if it were not for Penn State, the University of Georgia would possess our second national football championship. So you all tell Coach Paterno he is the class of college football coaches, but we will fund his retirement, if he is ready. He is a terrific guy.

Thank you all very much for being here. And again, we look forward to staying in touch with you.

Our third panel today consists of: Mr. Logan Bower of Blain, Pennsylvania, representing the Professional Dairy Managers of Pennsylvania; Dr. Joe Jurgielewicz of Hamburg, Pennsylvania, representing PennAg Industries Association; Mr. Robert M. Ruth of Harrisburg, Pennsylvania, representing the National Pork Producers Council; Mr. David Hackenberg of Lewisburg, Pennsylvania, representing the American Beekeeping Federation. If you gentlemen would come forward. Thank you all for being here today. You all have seen the routine. We are going to follow that again. We will be happy to submit your entire statement for the record.

Mr. Bower, we will start with you and go right down the row there. We look forward to your comments.

STATEMENT OF MR. LOGAN BOWER, PROFESSIONAL DAIRY MANAGERS OF PENNSYLVANIA, BLAIN, PENNSYLVANIA

Mr. BOWER. Mr. Chairman, Senator Santorum, and members of the committee, I appreciate the committee's invitation for me to come here today and present my views on dairy in regards to the 2007 Farm Bill.

I am Logan Bower. We currently milk 600 cows and farm 650 acres in the western end of Perry County located in south- central Pennsylvania. I have been in business for the past 13 years, and I am the third generation to own and operate the farm our dairy is currently located on.

I will address very briefly each of the following issues: No. 1, a safety net for the U.S. dairy industry; number two, Farm Bill funding; No. 3, trade; and No. 4, regulations.

No. 1, safety net. Reform farm safety net by preserving and expanding the best features of the existing farm safety net, including a trade-compliant income stabilization program for dairy producers. The safety net should not discriminate between farmers of differing sizes, nor should the safety net discriminate between farmers in different regions of the country. The safety net should not result in price enhancement, meaning that it should not be an inducement to produce additional milk. The government safety net should be just that: a device that prevents a collapse of producer prices without stimulating milk output or sending inappropriate signals to the marketplace.

No. 2, funding inequities. Historically, many Farm Bill programs have not effectively addressed the needs of Pennsylvania producers. Current farm programs and policies are needed to correct inequities in farm spending, half of which now flows to just 8 states and 22 congressional districts. Although Pennsylvania has significant farm sales, our state receives a disproportionately small share of Federal farm spending that is primarily based on production of a few commodities, including corn, wheat, rice, and cotton. According to the tributary strategies developed under the Chesapeake 2000 agreement by Pennsylvania, Maryland, Virginia, New York, West Virginia, and Delaware, the Chesapeake Bay watershed needs an additional $200 million per year in Federal assistance to agriculture conservation as well as a similar amount of state funding in order to bring nitrogen and phosphorus loads back to an acceptable level. The funds are needed to support farmers in designing and implementing nitrogen and phosphorus reducing conservation practices in their farming operations.

No. 3, trade. I support a successful, multilateral round of trade talks if it helps level the very uneven playing field in dairy export subsidies, tariff protections, and domestic support programs, but I can't support any final agreement that doesn't represent a net increase in our opportunity to better compete against our more heavily subsidized and protected competitors in the European Union, Canada, and Japan as well as more balanced trading opportunities with key developing countries.

And finally, regulations. The PA dairy producers desire science-based environmental regulations that focus on encouraging compliance rather than stressing harsh penalties. Given the chance to adopt new technology that yield improved environmental performance, the PA dairy leaders will exceed expectations, given the right climate and science-based strategies.

In closing, I want to thank you for holding these hearings, and we welcome you to our state and hope you enjoy your stay.

I will be happy to answer any questions or provide you with any additional information that you request.

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

The CHAIRMAN. Thank you very much.

Dr. JURGIELEWICZ.

STATEMENT OF DR. JOE JURGIELEWICZ, PENNAG INDUSTRIES ASSOCIATION, HAMBURG, PENNSYLVANIA

Dr. JURGIELEWICZ. Good afternoon, Chairman Chambliss, and a special welcome to our own senator, Senator Santorum.

My name is Dr. Joe Jurgielewicz. I am a poultry producer and veterinarian specializing in the production of duck from Shartlesville, Pennsylvania in Berks County. We at Joe Jurgielewicz & Son are fully integrated Pekin Duck producer, producing more than three million ducks annually. Our operation includes 6 company-owned farms and 20 contract producers located throughout Pennsylvania.

I am here today representing not only the poultry industry but also the member companies of PennAg Industries. PennAg Industries represents more than 650 agribusinesses in the state of Pennsylvania.

Let me first speak as a poultry producer.

As you are well aware, the threat of AI is a high priority in Pennsylvania. The media and public have focused much attention on the Asian strain of highly pathogenic AI, or bird flu, and the Federal Government has extended major resources to prepare for potential human pandemic. I would like to commend Congress and the USDA for their efforts to use sound science to educate the public and calm the fears associated with the avian flu. Please know that the poultry industry in Pennsylvania is doing its part as well. Pennsylvania has traditionally led the industry in surveillance testing with more than 240,000 AI samples being tested every year.

Because of Pennsylvania's diverse industry and contribution to the live bird markets, we have dealt often with low-path AI. Low-path AI can be present in a flock without clinical signs. This low-pathogenic form presents no risk to human health. However, it is very important to control this so it does not have the ability to circulate and mutate to high AI. We support and encourage the proposed regulation from USDA that would provide indemnities at 100 percent of the value of any birds that would be destroyed due to low pathogenic AI.

For more than 10 years, Pennsylvania has maintained a closely held data base of industry information that has been extremely useful in situations involving the diseases of poultry. To maintain the confidentiality of this information, we have kept the information at the University of Pennsylvania's New Bolton Center. When needed for quick action, relevant portions of this data base are accessed and provided to state and Federal officials.

With the development of the National Animal Identification System, a system similar to the one that had been in place here in Pennsylvania, we understand the value of this resource. We would like to encourage the inclusion of privacy protection in the Farm Bill for information submitted by producers. Confidentiality must be a top priority in this system.

I would like to offer some comments on behalf of PennAg. PennAg membership is comprised of various sectors of Pennsylvania's agriculture. Pennsylvania's agriculture industry is unique and diverse in its makeup, and we appreciate you recognizing that. In the northeast, we have the unique opportunity and advantage to market to urban and suburban populations that are in close proximity to our production areas. This also presents great challenges. The general public is becoming further and further removed from food production, which creates an education and communication gap between producers and their neighbors, particularly when discussing environmental issues. Because of this, we wish to stress the importance that all components of the Farm Bill be science based, consistent, and realistic for producers. In saying that, funding that will help producers to implement best management practices will be crucial.

I would like to thank you for your time and efforts.

Thank you.

[The prepared statement of Dr. Jurgielewicz can be found in the appendix on page 75.]

The CHAIRMAN. Thank you.

Mr. RUTH.

STATEMENT OF MR. ROBERT M. RUTH, NATIONAL PORK PRODUCERS COUNCIL, HARRISBURG, PENNSYLVANIA

Mr. RUTH. Good afternoon, Chairman Chambliss and Senator Santorum.

I am Robert Ruth, a pork producer from Harrisburg, Pennsylvania. I am President of Country View Family Farms. Country View Family Farms is a division of Hatfield Quality Meats, a family owned pork processing facility, which has been in business since 1895. Hatfield is owned by the Clemens family, which is still actively involved in the business. Country View Family Farms is furrow-to-finish operation that markets 750,000 hogs per year. I am also responsible for the procurement of animals for Hatfield. We purchase an additional 1.2 million hogs per year from farmers in the five- state area around Pennsylvania. I am grateful to you for holding this field hearing and the opportunity to provide you with my views on what is working and what we need to improve upon as we consider that reauthorization of the 2002 Farm Bill.

I would like to submit my written testimony and request that it be included in the record.

Pork producers make an investment in the industry to maintain a competitive edge, both domestically and globally. The 2007 Farm Bill should also make an investment in competitiveness by opening access to new markets, enhancing conservation efforts, and rewarding producers for good practices. Taking these important steps will maintain a vibrant agricultural sector that provides a safe and secure food supply and innovative fuel options.

Pork producers, along with other livestock and poultry producers, are the single biggest customers for U.S. grain producers. Our single largest expense, by far, is the feed we purchase for our animals. Pork producers are strong and vital contributors to the value-added agriculture in the United States, and we are deeply committed to

the economic health and vitality of our businesses in the communities that our livelihoods help support.

Pork production has changed dramatically in this country since the early and mid–1990's. Technology advances and new business models changed operation sizes, production systems, geographic distributions, and marketing practices. The demand for meat protein is on the rise in much of the world. Global competitiveness is a function of production economics, environmental regulations, labor costs, and productivity. The United States must continue to be a leader in food production to meet the needs of increased consumer demands.

As the U.S. pork industry evaluates the reauthorization of the 2002 Farm Bill, I would like to point out three key initiatives that I would like for you to consider. One, to be a world leader, we must maintain our competitive advantage. Two, to compete in a world market, we must strengthen our competitive position. And three, we must not let outside activist groups harm our industry.

The next Farm Bill should help the United States pork industry maintain its current points of competitive advantage. These include: low-cost production, unparalleled food safety, and consumer-driven further processing. In addition to maintaining our competitive advantage, the next Farm Bill should strengthen that position by expanding and including such elements as trade assistance, science-based conservation, and environmental programs.

Finally, the next Farm Bill should not harm the competitive position of the U.S. pork industry by imposing costs on or restricting the industry from meeting consumer demands in an economical manner.

Mr. Chairman and members of the committee, we must be cautious about allowing activists groups, which do not represent the best interests for the livestock sector to push their particular agenda by adding regulations to our business practices. This will severely alter the intent of the Farm Bill, a piece of legislation that, for the last 50 years, has been aimed at maintaining the competitiveness of U.S. agriculture and the U.S. livestock sectors.

I would like to thank you, once again, for holding this hearing. I respectfully request your continued focus and attention to the matters I have brought to you today.

Thank you.

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

The CHAIRMAN. Thank you very much.

Mr. HACKENBERG.

STATEMENT OF MR. DAVID E. HACKENBERG, AMERICAN BEEKEEPING FEDERATION, LEWISBURG, PENNSYLVANIA

Mr. HACKENBERG. Thank you for this opportunity to speak on issues important to the beekeepers in the Farm Bill. My name is David Hackenberg.

From my headquarters in Lewisburg, Pennsylvania, my family and I operate 3,000 colonies of honeybees. We operate in Pennsylvania, Florida, California, New York, and Maine. We produce honey and beeswax, and provide pollination services for growers of a wide variety of crops. I have been a beekeeper for 44 years.

Over the years, I have worked with beekeeper associations in several states and allowed Federal university bee researchers to use my colonies for field trials in several projects. I am also well acquainted with beekeeping issues across the country; I have been active in the American Beekeeping Federation for over 30 years, serving as President in 1998 and 1999, and have served two stints on the National Honey Board.

My family beekeeping operation, and all of the American beekeeping industry, are facing many challenges. We are continuing to deal with three exotic pests: varroa mites, the honey bee tracheal mite, and small hive beetles. USDA and university scientists are working on a solution to these pests, but they develop a resistance to these treatments as fast as they come on line. All of these treatments are expensive, costly to purchase, and labor-intensive to apply.

Modern commercial beekeeping is a highly mobile operation. We beekeepers move our colonies from honey crop to pollination to winter nursery grounds in an attempt to maximize our efforts. Mobile means fuel-consuming, which these days can cost more every time we fill the tanks.

Honey prices have strengthened recently, but have been severely depressed for several years. Drought has taken a toll on the honey crops, as with other crops. But poor honey crops do not always mean an expected bump in the price, since honey is a world crop and is freely imported into the United States. Frequently, this imported honey is sold at prices below United States cost of production. It gives the producers in developing countries like China clear economic advantage since they are not required to adhere to our many costly requirements and realities of doing business in the United States. Relatively low labor costs for foreign producers and the lack of disincentives for adulteration or production of low-quality product are among some of the most problematic realities.

We are facing erosion in our markets from what we call the honey pretenders: products that purport to be honey but are blends of cheaper syrups labeled to confuse consumers into thinking they are buying 100 percent pure honey. I see these fraudulent products on sale everywhere I go. The honey processors who buy my honey have to compete with them, resulting in lower prices paid to me.

Many of these "honey pretenders" contain little or no honey. Sometimes their labels are legal, confusing the most acute of shoppers. Others are outright fraud that are clearly labeled as pure honey, even though they are not. We continue to seek the assistance from the Food and Drug Administration to combat fraud, but in the light of the tight budget, Food and Drug assistance is very limited. The U.S. honey industry has petitioned Food and Drug to establish a standard of identity. We ask that Congress promulgate a standard of identity of honey as soon as possible.

During the early period of honey price downturn, the honey marketing loan program of the 2001 Farm Bill served as a true safety net. It worked as intended and allowed honey producers to borrow funds while holding our honey crop for a better market. The program has been operating at a minimal cost. In periods of low prices, it is critical that beekeepers have this program available.

The industry is also working with the USDA Risk Management Agency to make affordable and effective crop insurance available. I look forward to such a crop insurance program to help stabilize my honey production during times of disaster- diminished honey crops. However, so far, RMA has not approved or piloted a crop or revenue insurance product for beekeepers. We urge the committee to encourage RMA to move forward in this area. Honey bees are known for their honey, but their value as pollinators of plants vastly exceeds the value of honey produced: about $200 million in the farm gate last year. Their pollination is a unique and irreplaceable service to the rest of agriculture, a service that enables growers to be more profitable and effective. A Cornell University study has determined that pollination by the honey bees adds $14.6 billion in value to major agriculture crops. This is not even in consideration of backyard gardens and other ornamental and environmental crops.

I have some other things in there, and we will talk about them in the questioning period, but I appreciate you coming today. And I look forward to your questions.

[The prepared statement of Mr. Hackenberg can be found in the appendix on page 85.]

The CHAIRMAN. Thank you very much, Mr. Hackenberg. I am generally familiar with a lot of the issues involved in your industry. One thing you heard me talk earlier about in our part of the world, we are a large vegetable-producing area, and a lot of our farmers are concerned about the decreasing number of honey bee colonies. What is the situation in this part of the country? How does your industry invest in that?

Mr. HACKENBERG. Well, it is the same thing all across the whole country. And actually, when you talk about the bee business, we are talking about the whole United States, because it is mobile. As I said before, our operation moves up and down the east coast and even on to California to pollinate almonds in the wintertime. And it has gotten so severe in the past year that the almond crop in California right now is using over a million hives of bees in February, which is the off season. That is when the bee numbers are down. And with the Almond Board's projections of where their numbers of acres are going, by the year 2012, they are going to need two million colonies of bees. That is more bees than are commercially managed in the United States. And we have already started importing package bees from Australia this past year, during the winter, which is bringing in some more exotic pests that we really don't need. We already have our share of them. But what we need is research and a way to keep these things alive. The mites came here in the 1980's from other parts of the world, and it has just devastated the bee industry. And one out of every three bites of food that the American people eat is dependent on the honey bee to be put on that table, along with a lot of other things, cotton and so on. Without the pollination of cotton, your crops aren't what they need to be.

The CHAIRMAN. Are we doing a good enough job, from an inspection standpoint, on making sure that bees that come into this country are pure and free of harmful insects?

Mr. HACKENBERG. Do you want my opinion or do you want APHIS opinion? No, in reality, what has happened is, We have left some things slip by. I mean, APHIS has left some things slip by. There has been pressure put on by the almond industry to open up the borders for Australia. And they got in here in a last-minute, spur-of-the-moment thing last winter. The almond people, they are part of agriculture, too, don't get me wrong, but they would like to open the Mexican border and let the Mexican bees come north. And down there we are dealing with the Africanized bee situation.

The CHAIRMAN. You raised an interesting issue on the labeling of some honey that may not be pure honey. We have a food labeling bill that I am a strong supporter of. I am going to be testifying, as a matter of fact, on that bill next week, and we are going to make sure we have honey included in there.

Mr. HACKENBERG. I just came from a National Honey Board meeting in Denver about two weeks ago, and we had people there from Food and Drug. The problem is they just don't have resources. They have been cut way back. And what we are talking about here is economic adulteration. And it is not killing anybody, except me and Bill Gamber, who is sitting in the audience some place as a honey packer. His business is going downhill because he has got to compete with these pretenders. And I can buy high fructose corn syrup for 18 cents a pound, while the price of honey right now is running about 90 cents, so you have got the bad guys making a good living.

Senator SANTORUM. Is this a matter of just prosecution, investigation? What is the——

Mr. HACKENBERG. There is just nobody going after anybody, basically. We have been fighting this thing for a number of years, and it continues to get worse, because one guy gets away with it. Several years ago, there was a case in Michigan where they put some young attorneys on this case, and they didn't really know what they were doing, and they lost it on some technicalities. And from that point forward, these bad actors have just kind of laughed at the industry and said, "Look, we got away with it." And even legitimate companies have gotten into this blending situation of blending corn syrup and other cheap sweeteners with honey. Sixty percent of the honey in the United States is consumed in food products. And then you pick up a box of Cheerios that says Honey Nut Cheerios. I don't go to the supermarket very often, but when I walk through the supermarket and I look at 39 cereals on that store shelf and 19 of them had the word "honey" on the label, that is what they are using to sell the product. But when you pick that up and look at it, out of the 19, I think it was eight of them that didn't even have honey on the label. And if honey is there, it is way down the list below sugar and corn syrup and all of that. So this is the problem we have with the labeling situation. And it is really a severe and unique situation. I ran a honey packing business for 25 years until 1994 when we had a major catastrophe and the place burnt down, and so we changed, with a lot of things that were happening in the industry with consolidations and stuff, we decided to become better beekeepers and devote our time toward pollination. But with mislabeling and stuff, we go to Food and Drug

here in Philadelphia and don't get any help, because it is not one of their priorities. It doesn't make headlines.

The CHAIRMAN. Mr. Bower, we had a hearing yesterday in the Ag Committee, an oversight hearing on the dairy program. Obviously, one of the major issues that we discussed in 2002 is going to be front and center again in 2007, the issue of forward contracting. What is your thought about whether or not forward contracting ought to be available to producers rather than just through the cooperative measures?

Mr. BOWER. Currently, it is available to producers. I have used forward contracting in the past. I am currently not using any. Forward contracting has not been a popular issue among dairymen. A few years ago, when it became available, a lot of dairymen did, and I think today they are a little bit skeptical, because the milk market is controlled by very few people and very few businesses. And I personally am a little skeptical of forward contracting.

The CHAIRMAN. So you must have been part of the pilot program.

Mr. Ruth, during the last Farm Bill debate, there was considerable discussion on the competition in the livestock marketplace. What effect would bans on packer ownership, forward contracting in your industry, and mandatory country of origin labeling have on livestock producers? Should Congress reauthorize the livestock mandatory price reporting program?

Mr. RUTH. Well, the issue of mandatory contracts, we think that it would basically hurt the industry. One of the areas that we look at is that it seems that as we progress in the livestock arena to offer more contracts to producers that are beneficial to both parties, there are groups that are against that and would like to revert back to the way that we priced hogs 25 or 50 years ago. And we think that that would be a backwards movement for the hog industry. We are in favor of mandatory price reporting. We think that is good for the transparency of the market between the processors and the producers.

The CHAIRMAN. Dr. Jurgielewicz, what is your most pressing environmental or conservation concern? Do existing conservation programs help address those concerns?

Dr. JURGIELEWICZ. Our most pressing conservation concern right now is waste management in all of the poultry industry. The constant changing of regulations and then trying to adapt to those regulations. the new regulations have hurt a lot of the smaller producers, especially since ducks were clumped together as a more waste-producing animal, which it wasn't, and that is why, in my testimony, I said we have to use more science-based facts when we are making our rules and regulations. Since the duck industry is a relatively small part of the poultry industry, we weren't represented specifically, and we got the lower end of the deal on that. More research on what to do with waste products. That could be one of our concerns for the future.

Mr. RUTH. Mr. Chairman, if I may add to that, from a waste standpoint, we are very concerned about manure being considered a hazardous waste under the super funds. And we would like your support to stop that movement. Manure has been used for fertilizer for thousands of years, and it is a very organic type of material. And to classify it as a chemical with a million half-lives, I think,

would be a great detriment, especially when you look at the cost of fuel and the cost of nitrogen, manure is gaining value back as a fertilizer in the eyes of a lot of grain farmers. So we need to be careful about how we classify it and remember that it is a resource, not a waste product.

The CHAIRMAN. Rick.

Senator SANTORUM. Thank you, Mr. Chairman.

I would just ask Mr. Bower, you laid out how you would like to see a dairy program work, and I think you said you want a program that doesn't create an advantage of big versus small, doesn't have regional impact, is a true price support when the price goes down, and does not encourage production. Wouldn't we all like to have a program like that? We have been trying to get a program like that for 50 years in dairy. My question is what is that program, because if you have that answer, you can accomplish a great many things in Washington, DC.

Mr. BOWER. That is a good question.

Senator SANTORUM. OK. Thank you. I just want to know. I thought, "Boy, that is great. He has the answer to my question I have been searching for for 15 years."

Mr. BOWER. Just to add to that, I think the way I have always looked at the situation is that this country was built on capitalism, which is free enterprise. And with free enterprise, you have winners and losers, just like in the 1983 Sugar Bowl.

Senator SANTORUM. Well put. Very well put.

The CHAIRMAN. A Penn State graduate.

Mr. BOWER. And unfortunately, I think that our society has become a society where we don't want to see losers anymore. And I believe that low milk prices will cure low milk prices. And I am a dairyman, and if I have a cow that is not pulling her weight, she goes down the road, because she is not making me money. And I think whenever you have a price support program, as we have in place right now, that you keep businesses in that hurt the industry in the long run.

Senator SANTORUM. OK. Thank you.

You mentioned that you were involved on the forward contracting pilot program, which I was the author of, and you said it didn't work for you very well.

Mr. BOWER. Well, I wasn't involved in that pilot program, but I had done some contracting. I haven't contracted in the past year, but 3 years prior to that, I had contracted.

Senator SANTORUM. And you said——

Mr. BOWER. Some years it worked, some years it didn't work. And I kind of got disgusted with the situation and decided to take the free market.

Senator SANTORUM. OK. And in talking to other producers, is that the general consensus that that program didn't work?

Mr. BOWER. There are some winners, some losers.

Senator SANTORUM. That is sort of the way the market works, right?

Mr. BOWER. That is right. I have talked to producers that have experience on both sides of the fence.

Senator SANTORUM. OK.

Mr. BOWER. I mean, I am not quite sure where you were going with that question, because I was under the assumption that contracting was always available, the tools were there. And it was just a matter of the producer educating himself or taking advantage of the opportunities to initiate the contracts.

Senator SANTORUM. Well, the staff can probably correct me if I am wrong, but we provided some support. If you are a co-op member, that is my understanding that it is available through the co-op. The question is whether it is available to independent producers, is that correct?

Mr. BOWER. Right. No, I can do forward contracting and hedging without going through my co-op.

Senator SANTORUM. OK. Well, I will check with the folks. Maybe I need to understand the program a little better.

The only other question I had, I wanted to talk to Mr. Hackenberg. And I am just curious, because I know the import issue is still a very big issue. Does that continue to be a problem in the industry or has that abated at all?

Mr. HACKENBERG. Well, that depends who you talk to in the industry. I believe in free trade. I believe it will level itself out, but when we come to Washington, we have got different segments of the industry that are still fighting Argentina and China over tariffs. If I had my way, to make the whole thing a politically level playing field, we would have a tariff on everybody that was coming in, whether it was Canada or whoever, but that is not going to work under the trade laws. And unfortunately, the way the world honey trading works, we put tariffs against Argentina and China, and you are talking about regulating or looking at stuff coming in. Well, Chinese honey that is under these rules still comes in here, but when it is on a ship, the paperwork changes hands many times over, and Chinese honey may come from some other country. The same way with Argentina. And it still gets here. We have been to customs. We have been to everybody in Washington that is handling this and they just blow us off. We are a small industry, and if this was happening to the dairy industry or the corn or soybeans, you know, somebody would get to the bottom of it. It is just like the chemicals and products we need to treat the mites. When there are only, probably 1,600 commercial beekeepers left in the United States, if there even is that many, a chemical company can't afford to spend a lot of money to make chemicals to take care of a mite problem, because it takes millions of dollars to develop this stuff. And it is the same way with the import situation. We just don't have big enough clout down there. Yes, we get the, "Oh, sure. We will look into it." And then somebody makes a couple of phone calls and that is the end of it. The same way with the adulteration and the pretender situation. If this was happening in the milk industry, everybody would step up to the plate and take care of it.

Senator SANTORUM. Thank you, Mr. Chairman.

The CHAIRMAN. Gentlemen, as with the other panelists, thank you very much for being here. I know all of you are very busy. We appreciate you taking the time out of your schedules to come and share these thoughts with us. Also, we look forward to dialoguing with you as we go through this process over the next several months.

To all of our audience today, we thank you for coming out and sharing with us and listening in on what is being heard. I encourage anyone interested in submitting a written statement for the record to visit the committee's website at Agriculture.Senate.gov for details. We can accept written statements up to five business days after this hearing.

I want to again thank the folks here in Harrisburg for hosting us, the Secretary and all of the folks here, at this facility. What a great place to have this hearing, and Rick, you have been a very gracious host. We appreciate you and your interest in agriculture for America, not just for Pennsylvania. You have been a great asset to the committee, and thanks for being here today and having us here.

Senator SANTORUM. Thank you, Mr. Chairman.

I want to thank you, again, and all of the members of your staff for their cooperation in holding this hearing here. And you have done an outstanding job, as a freshman member or a freshman in the sense it is your first term in the United States Senate to become a chairman of the full committee and to be able to go through the difficult process that you just went through with the budget reconciliation in the first year as chairman is really testament to your skills and your work ethic. And I really appreciate you coming to Pennsylvania and taking the trips around the country to listen to producers about this upcoming Farm Bill. And hopefully, you have got a little better insight on agriculture here in northeastern United States as a result of this hearing here today.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

With that, this hearing stands adjourned.

[Whereupon, at 3:41 p.m., the hearing was adjourned.]

APPENDIX

JULY 21, 2006

TESTIMONY BY
CARL T. SHAFFER
MIFFLINVILLE, PA

BEFORE THE
U.S. SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

HARRISBURG, PA
JULY 21, 2006

Good afternoon Chairman Chambliss and Senator Santorum. The price of corn in Pennsylvania is set by the price of corn in Chicago and then factored for the cost of freight shipment. In order for me to compete in the global market, I must first compete with my fellow American producers. A one-size-fits-all Farm Bill is no longer equitable for American agriculture.

My name is Carl T. Shaffer and I raise approximately 1,200 acres of corn, 400 acres of green beans for processing, and 200 acres of wheat in Mifflin Township, Columbia County. It is a pleasure to offer testimony today based upon my experience as an individual producer. I also serve as President of the Pennsylvania Farm Bureau, the Commonwealth's largest farm organization with more than 40,000 farm and rural member families.

American agriculture is quite diverse, and farming is different in some respects in the Northeast than it is in the South, Midwest or West. I respectfully suggest that Congress should avoid a cookie cutter approach to national farm policy, and recognize the regional and commodity differences that exist in today's agriculture. Due to our location, Northeast producers are closest and most able to meet the food demands of the 25% of Americans who live in the Mid-Atlantic and Northeast states. Federal farm policy should deal with the unique needs and challenges faced by Northeastern farmers. Practical approaches, user-friendly risk management tools, conservation programs (and funding) that benefit producers, and global trade are the areas where I will focus my comments today.

Crop Insurance

Recently, Pennsylvania Farmers -- myself included -- experienced a massive flood prior to the Fourth of July holiday. While most Americans were celebrating the Nation's independence, many farmers in the Commonwealth were assessing crop damage and repairing fields, waterways and streams. The nature of the business of farming is its dependence on Mother Nature, whose unpredictability can wreak havoc on a standard business model. Fortunately, risk management tools are available that enable farmers to measure and manage our risk with crops and revenue. However, some current crop insurance rules and implementation practices are impractical and inflexible to allow for meaningful coverage in the Northeast.

As you may know, Pennsylvania is classified as an underserved state by the Risk Management Agency (RMA). Currently, only 43% of eligible acres are enrolled in a crop insurance program compared with many other states where more than 80% are enrolled.

Last week I was in our Nation's capitol seeking disaster assistance for Pennsylvania producers. I said to the Pennsylvania Congressional delegation that I don't like having to ask for disaster relief. But it is necessary until we have programs that provide attractive and practical options for producers to purchase and manage their agricultural business risk. In 1980 and then again in 1994, the agricultural community made a deal with Congress to forego large and costly ad-hoc disaster payments in exchange for a viable and crop insurance program. Today, the northeast has still not received a crop insurance program that is sufficient, as indicated by the level of enrollment by Pennsylvania producers.

Congress should write a Farm Bill that enables federal agencies to treat various regions of agriculture in a different manner based upon legitimate differences. So far as crop insurance is concerned, equal treatment does not always translate into fair treatment. Rules and procedures related to crop insurance have long been intended for equal treatment of producers. However, farming in the Northeast is different in many respects than agriculture in many other areas of the nation. Many factors play a role in crop production such as terrain, weather and climate. Moreover, the Northeast sees a wide variety of crops produced. It's important to understand how these and other considerations differ from other areas of our country.

Conservation Programs

Many non-farm groups see the upcoming Farm Bill as a means to advance their interests and priorities. During the Farm Bill forum which Secretary Johanns' held last year in the Commonwealth, I heard several people talk about the importance of conservation programs. Conservation programs are important and should have a prominent place in the next Farm Bill. But it is imperative that Congress remember that it is a Farm Bill, not a Conservation Bill.

We as agricultural producers place great importance on stewardship of the land because it is the source of our livelihood. Conservation programs in the Farm Bill should be directed toward production agriculture, and be compatible with farmers' ability to use their lands for farm production. Too often conservation program funding has been directed to purposes and places that benefit neither farmers nor the environment. In other situations, funding is being used for

environmental enforcement rather than environmental improvement. Unfortunately, the number of agricultural conservation programs that are unfunded or go without cost-sharing is extremely high, yet enforcement is on the rise.

Furthermore, programs like CRP and CREP are well intentioned but can be detrimental to Pennsylvania agriculture in two ways. First, much of the CRP/CREP land in the Commonwealth does not fall in the category of "marginally productive" or "highly erodible." Farmers who need to rent land to remain viable and profitable are forced to compete with the federal government for access to quality rental acreage. But Uncle Sam is able to pay more in rent. Even worse, many of the CRP/CREP lands are not managed properly, particularly with noxious weeds control. Similarly, agricultural producers were excited about EQUIP when it first was introduced. However, non-farm interests have directed much of the EQUIP funding toward projects that keep land in degradation rather than production.

The Conservation Security Program (CSP) is quite effective, but under-funded. It provides an incentive for producers to engage in positive conservation practices and is targeted toward farmers' needs. Conservation funding should promote active land management rather than land retirement. CSP promotes active land management.

Agricultural producers are aware of the constraints of global pressures on commodity payments. Congress, however, should approach conservation programs thoughtfully to ensure that the producer is actually benefiting from these programs. Farmers need the land to be in production while conservation practices are in place.

Global Trade Agreements

American agricultural policy must reflect the fact that America's farmers are competing in a global market. To effectively serve our agricultural producers, Congress should strongly consider an extension of the current Farm Bill until the World Trade Organization comes to an agreement. To write a new Farm Bill before a WTO agreement would be putting the cart before the horse. To pass legislation which impacts the future of American agriculture, and that may end up in violation of a treaty signed during the Doha Round, would place farmers in a precarious position. It would also disarm U.S. trade negotiators during WTO discussions and remove all bargaining chips the Unites States currently has with the European Union. I am not a supporter of allowing the global community to mandate our domestic laws and programs. In this

instance, however, it makes good sense -- and is in our country's best interest -- that our domestic farm policy-making not weaken our ability to strike the best deals possible for America's farmers. Having said all that – it is my hope that the Doha Round is able to find common ground sooner rather than later.

Conclusion

I want to thank you Chairman Chambliss and Senator Santorum for conducting this hearing and for taking into account the issues that confront Pennsylvania farmers. We hope that Congress pursues an approach to the Farm Bill which recognizes differences among regions and commodities. It is also crucial that Congress enacts a Farm Bill that allows flexibility for state and local leaders to fund and implement conservation programs most beneficial to production agriculture. American producers need viable risk management tools to ensure profitability and to prevent the need for costly disaster relief programs. Lastly, it is in the best interest of American agriculture to align our farm policy with that of agreements made on our behalf at the international level.

Thank you for the opportunity to offer these thoughts.

STATEMENT BY RICHARD WILKINS
B&W AG ENTERPRISES

on behalf of the

AMERICAN SOYBEAN ASSOCIATION

before the

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
UNITED STATES SENATE

Harrisburg, Pennsylvania
July 21, 2006

Good morning, Mr. Chairman, and Members of the Committee. I am Richard Wilkins, a soybean, corn, wheat and barley farmer and cattle producer from Greenwood, Delaware. I also sell farm equipment. I very much appreciate the opportunity to appear before you today on behalf of the American Soybean Association.

Mr. Chairman, soybean producers in the mid-Atlantic states, as well as other regions of the country, support the safety net we now have under the 2002 Farm Bill. Most soybean farmers would also support extending current programs when Congress considers new farm legislation next year.

Unfortunately, the current budget baseline for farm program spending declines over the next ten years, and will probably not accommodate expected outlays based on current support levels. We would need additional funding – as was made available in 2001 for the 2002 Farm Bill – in order to extend existing programs. Given the outlook for Federal budget deficits – as opposed to surpluses – in coming years, we will be fortunate to keep the funding level we have. And after facing cuts in the agriculture budget last year, we can expect Congress to consider further reductions in spending after the elections this Fall. So budget factors alone are likely to force Congress to look at changing the current farm program in next year's farm bill.

A second reason we need to look at alternatives to the current farm program is the potential for additional WTO challenges of current programs. We are familiar with the results of Brazil's case against the U.S. cotton program last year. In order to avoid sanctions, the U.S. will need to change the Direct Payment program to eliminate the planting restriction on fruit and vegetable crops. Also, both the Marketing Loan and Counter-Cyclical Programs were found to cause "serious prejudice," and could be subject to other cases for other crops, including soybeans.

We also are watching the current negotiations on a new WTO agreement. Last October, the Administration offered to make a 60 percent reduction in outlays permitted under the

most production and trade-distorting programs, including the Marketing Loan and dairy and sugar price supports, and a 53 percent overall reduction in all trade-distorting programs. ASA and other farm organizations are insisting that importing countries make equally aggressive reductions in their tariffs, including on soybean and livestock products. If an agreement is reached and approved by Congress next year, we will need to make major changes in current farm programs.

Given these uncertainties, ASA's policy on the 2007 Farm Bill is that: 1) there be no further cuts in the CCC budget baseline for agriculture spending; 2) that farm programs not distort planting decisions between crops; and, 3) that future programs be WTO-compliant, to avoid challenges like the cotton case. To explore alternatives, ASA organized a Farm Bill Task Force last year, which has been working with other farm organizations to look at so-called Green Box programs that would be considered non-trade distorting under the WTO.

The results of this analysis indicate a variety of options that would guarantee 70 percent of historical income and still be WTO-compliant. These options include basing the guarantee on whole farm vs. specific commodity income, looking at using either net or gross income, and guaranteeing income for only program commodities, for program crops plus horticultural crops, or for all crops plus livestock. The cost of these options varies considerably, from $3.3 billion per year to guarantee 70 percent of gross income on a whole farm basis for only program crops, to over $10 billion per year to guarantee 70 percent of net income for specific commodities for all crops and livestock.

Neither ASA nor any other organization participating in this analysis has endorsed the revenue guarantee concept. Instead, we are now working with other groups to see how a revenue guarantee could be combined with one or several other farm programs to create a more effective safety net for producers. These could include crop insurance, permanent disaster assistance, and the three main components of the current farm program – the Marketing Loan, Direct Payments, and the Counter-Cyclical Program. We are working to have recommendations to put forward to the Committee sometime this Fall.

Mr. Chairman, ASA is also very supportive of proposals to strengthen the conservation, energy, research, and trade titles in the 2002 Farm Bill. We are particularly interested in looking at programs that would support soybeans as a source of renewable energy, and to promote domestic biodiesel production through the Commodity Credit Corporation (CCC). The CCC has operated a bioenergy program since 2001, providing payments to biodiesel producers who utilize domestic feedstocks such as soybean oil. This program has facilitated expansion of domestic biodiesel production, but the program sunsets after 2006. Therefore, ASA urges Congress to authorize and fund a biodiesel bioenergy program. A CCC biodiesel program is justified because imports of already- subsidized biodiesel will undermine the U.S. industry since they are eligible for the tax incentive too. A higher premium should be placed on domestic biodiesel production and expansion. The prospective cost of a biodiesel program could be offset by reduced CCC outlays under the soybean Marketing Loan and Counter-Cyclical Programs.

With regard to conservation and research, we are concerned by recent actions that have depleted funding for these programs in order to pay for disaster assistance, or to cover budget reduction commitments. ASA supports increased funding for conservation payments to producers on working lands such as through the Conservation Security Program. We also believe that a significant number of acres currently locked up in the Conservation Reserve Program could be farmed in an environmentally sustainable manner, given the enormous increase in no-till farming practices that have been implemented over the past 10 to 15 years. Finally, we strongly support maintaining funding for trade promotion activities under the Foreign Market Development and Market Access Programs, and for international food aid.

Thank you again, Mr. Chairman, for the opportunity to appear today.

TESTIMONY

BY

KEITH W. ECKEL

CLARKS SUMMIT, PA

BEFORE THE

U.S. SENATE COMMITTEE ON AGRICULTURE,

NUTRITION AND FORESTRY

HARRISBURG, PA

JULY 21, 2006

Good afternoon, Chairman Chambliss and Senator Santorum. Thank you for the opportunity to testify today on an important sector of the Pennsylvania agricultural economy – specialty crops. My name is Keith W. Eckel and I am a producer in Lackawanna County, growing 325 acres of fresh market tomatoes, 90 acres of sweet corn, 50 acres of pumpkins and 550 acres of field corn. I believe that the provisions in the next Farm Bill should include substantial re-thinking of how commodities are dealt with in our domestic and global economy.

Specialty Crop Impact on the Agricultural Economy

It is important to note that specialty crop farmers produce nearly one-half of the monetary value of all crops produced in the nation. Pennsylvania agriculture generates more than $609 million of production value in specialty crops alone. Yet, our national farm policy has long overlooked the needs of fresh fruit, vegetable, mushroom and other specialty crop producers. The next Farm Bill must develop and sustain specialty crop programs and align them with the agreements made at the World Trade Organization (WTO). The allocation of federal resources must be aimed at addressing the issues of concern to specialty crop growers, given the extensive impact we have on the agricultural economy both locally and nationally. Specialty crop growers do not want direct payments; rather we seek opportunities to participate more fully in other Farm Bill programs.

You are likely aware that the Commonwealth is the number one producer of mushrooms, shipping fresh mushrooms all around the nation and globe. Tremendous numbers of roadside stands and farmers' markets dot the landscape across the Commonwealth, providing citizens a safe and fresh supply of nutritious and affordable food. Adams County, just a few miles to our south-west, has the fifth-largest acreage of apple orchards among all counties in the nation.

I look at Pennsylvania agriculture and see diversity and vibrancy. However, there are fewer farms and farmers today than there were when I first entered this business. The programs of the next Farm Bill must help ensure that a safe, affordable and nutritious supply of fresh fruits and vegetables is available for future generations. Time is overdue to include provisions for specialty crops. Along those lines, I would like to applaud Secretary Johanns for his commitment to the future of America's specialty crop producers in his research and data collection for the next Farm Bill.

Regional and Commodity Differences

The most densely populated areas of America are the mid-Atlantic and Northeastern states. The fresh fruit and vegetable growers of the Northeast are best suited to provide a safe and affordable food supply to meet the demand of these nutrition-minded consumers. Recognizing this, Congress must take into consideration the regional and commodity differences that exist, and the next Farm Bill should reflect the unique needs and limitations of Northeast farmers. The climate, topography and nature of agriculture is vastly different here than in many other areas of our nation.

World Trade Organization Negotiations

I have been closely watching the progress of negotiations, or lack thereof, at the Doha Round of trade talks. I am hopeful that the WTO will come to an agreement before the President's Trade Provisional Authority expires. Having said that, it does not take a scholar to conclude that the talks are not going very well. The simple question I pose to the Committee is "what happens if we pass a new Farm Bill and later learn that the WTO has a very different approach to agriculture than what the writers of the Farm Bill anticipated?" Historically, Congress has written a Farm Bill and not re-visited the issue for five to seven years. I believe it is poor public policy to pass into law a new Farm Bill without having the WTO agreement in hand.

Risk Management Tools

While there are about twenty different ways to obtain crop insurance for corn production through seven different crop insurance programs, very few specialty crops are even eligible for crop insurance coverage. The needs of specialty crop producers have largely been ignored. I urge Congress to pass legislation in the next Farm Bill to make risk management tools available that work for producers. A few weeks ago my farm was flooded by more than a foot of rain in three days. In many places my crops were a total loss. Due to the inflexibilities within the current structure of crop insurance programs, my real losses far exceed the insurable losses. My situation is not unique and it is why Pennsylvania producers have been seeking disaster assistance. I am sure that both of you know what damaged crops look like. Imagine looking at those crops through the eyes of the producer who planted the crops and is unable to use a viable and effective risk management tool.

More disheartening is the disconnection between the federal agency writing the rules, the insurance agent selling the policy and the adjuster assessing the claim. Quite a few years ago, I had been paying premiums on crop insurance policies for one of my crops, only to learn that this specific crop was not eligible for crop insurance coverage in the first place. Much more emphasis needs to be placed on education and outreach within the Risk Management Agency. I applaud the Pennsylvania General Assembly for including $3 million in the FY-07 Budget to subsidize the crop insurance premiums of producers. States underserved by crop insurance need a similar commitment from the federal level.

Conservation

Conservation programs, and the funding of these programs, must be approached carefully. I would caution your Committee and Congress that not all conservation programs reach the producer. Moreover, some of the conservation programs unfairly compete with producers who are seeking land to rent. In writing the next Farm Bill, I encourage Congress to ensure that the beneficiaries of the programs provided for in the conservation title are agricultural producers -- not absentee landowners or non-farm interests. I also call for a more common sense approach to CREP and CRP programs. These programs were never intended for enrollment of entire farm tracts. However, that seems to be common practice in the Northeast. Agriculture and the environment will benefit the greatest from increased technical assistance and cost-sharing for implementation of best practices on farms. Government should work with the producers for environmental stewardship rather that create programs which can work against us.

Research

Each year budgets get tighter and it seems that agricultural research is receiving less and less funding. The constant evolution of technology in agriculture is promising. However, without the adequate research to implement and manage new technologies, producers are ill-equipped. I urge a commitment by your Committee to fully fund agricultural research and Cooperative Extension initiatives. It is imperative that we continue to invest valuable resources in Extension initiatives, particularly for specialty crop producers. It was through Extension and research that the specialty crop producers were able to cut costs by fifty percent through improvements to fertilizer and pesticide application practices – benefiting producers, consumers and the environment.

Labor Needs

I would be remiss if I failed to mention the labor needs of the specialty crop industry. No matter if one is growing tomatoes, plums, apples, pears, cantaloupes, potatoes or mushrooms, producers need a viable and effective guest worker program to ensure the crops are planted and harvested. Any approach to immigration reform must be comprehensive. Closing down the border will not make our nation safer, if we are then forced to rely on foreign countries for our daily supply of fresh fruits and vegetables. My farm and hundreds of others in the Commonwealth will be out of business without these workers. It is not a matter of inexpensive labor – it is a matter of reliable and skilled labor. Agricultural work is backbreaking, brow-sweating labor. I need reliability in my work force and without it crops will rot in the field.

Agricultural producers are very patriotic people. We want a secure border. We do not support amnesty. We do, however, need a guest worker labor force that is legal and readily available. Producers are not able to tell the apple tree to stop producing nor can we postpone the ripening of the tomato on the vine. The cyclical nature of farming will go on with or without a labor force to harvest our crops. We ask Congress to provide a transition period for a legal and viable guest worker labor force.

Conclusion

I want to thank you for convening this hearing and considering the issues that confront our agricultural industry. My comments today stem from two basic premises. The first is that regional and commodity differences must be taken into account; the second is that the Farm Bill should reflect a common sense approach to public policymaking. Specialty crop producers in Pennsylvania and across the nation deserve and will appreciate a more balanced Farm Bill.

Thank You.

ORGANIC FARMING RESEARCH FOUNDATION

July 11, 2006

Testimony of Klaas Martens
On behalf of the Organic Farming Research Foundation (OFRF)

Submitted to the Full Senate committee on Agriculture for the July 21st
Farm Bill field hearing in Harrisburg, PA.

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Dear Chairman Chambliss, Ranking Member Harkin, and Members of the Senate Committee on Agriculture;

I am an organic farmer from Penn Yan, New York. I have been farming organically for 14 years. I currently farm 1400 acres and an array of crops including corn, soybeans, wheat, barley, oats, spelt, dry edible beans, grass seed, hay, cabbage, and other processing vegetables.

I am testifying on behalf of the Organic Farming Research Foundation (OFRF). OFRF is a non-profit, charitable organization dedicated to the improvement and widespread adoption of organic farming practices.

Ours is one of 9 neighboring farms in area that have converted land to organic production. Organic farming has given farmers in our region a chance to make a better living and has strongly stimulated our local economy. In Penn Yan, where an abandoned old feed mill once stood that belonged to a bankrupt farmer's cooperative, Lakeview Organic Grain now provides full time employment for 10 people. Today, only six years after it opened, Lakeview does many times the amount of business than the feed mill did at its peak.

Lakeview Organic Grain was started with the help of a $20,000 Value Added Producer Grant. This is a good example of how much economic activity can be stimulated with very small but well directed grants; from this one grant we created 10 jobs and millions of dollars worth of annual business

In addition to Lakeview, our community now has two metal fabricating shops that build specialized equipment for organic farmers, a new business that sells weeding machine and Cultivators, and several new businesses who sell organic fertilizers, seeds, and other inputs. The multiplier effect that this new economic activity has had on our community has reached far beyond the agricultural sector and is making the whole area more prosperous.

Organic farming greatly reduces our dependence on fossil energy. One third of the energy that goes into growing a bushel of corn is in the nitrogen fertilizer it uses. Fertilizers require large amounts of energy to process and transport, as do the pesticides used in conventional farming. In an organic system, most of these inputs are either not needed or are generated internally or locally. Cover crops and sound rotations greatly reduce the loss of fertility from organic farms generating further savings.

Money invested in organic agriculture produces strong returns for our country including benefits to local communities and the economy in general. Even though organic farming is the fastest growing segment of agriculture in America today, it receives a disproportionately small share of USDA funding. Organic should receive a share of USDA resources that reflects the growth and opportunities of the organic sector.

USDA programs that support research, extension, education for the organic sector are particularly important. Programs in other areas (market promotion, natural resources, risk management, etc.) should be established that provide support for the continued growth of organic production. Specific recommendations are detailed below.

Research and Extension: Many producers of organic crops find few information resources available to them to address production or marketing issues specific to organic. For example, data on crop yield response to conventional fertilizers is readily available and well understood but there is no such data available for organic farmers who use compost or manure. Organic farmers need this basic research in order to make wise use of resources and to produce profitable high yielding crops.

Federal agricultural research dollars dedicated to organic food and farming are low in relation to the size of the organic industry. In 2004, only about 0.4% of USDA $2.5 billion expenditures on research and extension went to organic projects. In 2004, USDA- Agricultural Research Service (ARS) spent about $3.5 million on organic-specific projects, or about 0.35% of ARS annual expenditures. A framework of "fair share" funding of organic agricultural research, based on the organic share of U.S. retail food sales, calls for at least a 5-fold increase in USDA-ARS resources explicitly allocated to organic. When we consider the ongoing very strong growth in organic agriculture, Even a five fold increase in funding will be far below a 'fair' proportion within just a few years,

We also believe that ARS needs to strengthen efforts to disseminate organic research results through the National Agriculture Library's Alternative Farming Systems Information Center (AFSIC). For example, funding should be provided to the USDA National Agriculture Library's Alternative Farming Systems Information Center (AFSIC) to manage the www.OrganicAgInfo.org <http //www organicaginfo.org/> <http://www.organicaginfo.org/> website as a publicly available online database of organic research and extension information available to organic producers and others.

At the USDA Cooperative State Research Education and Extension Service (CSREES), the Integrated Organic Program, has been extremely successful. Because of the high number of proposals to this program, only about 10% of qualified applicants have been able to receive funding (compared to 19%-29% of qualified applicants that receive funding in comparable grants programs at the USDA CSREES). Interest in this program is likely to grow. Accordingly, funding for this program should be increased. Several improvements to the program should also be made: expansion of this program should focus on a higher number of smaller grants; the extension component of this program should be strengthened; and an additional call for proposals on marketing and economic issues should be made. The National Program Leader for Organic Agriculture (that oversees this grant program) must be made into a permanent position. Organic plant and animal breeding should become a priority area within existing National Research Initiative (NRI) germplasm programs.

Data Collection: Expanded data on the organic sector is essential to better understanding the organic industry's growth and trends. Specifically, within the USDA Agricultural Marketing Service (AMS) we would like to see Fruit and Vegetable Market News provide regular nationwide reporting of organic prices. Currently, such information is only gathered regularly at the San Francisco and Boston wholesale markets. Specific surveys and data sets for the organic sector, including census (or census-type) data and farm gate price reporting are needed from the USDA National Agriculture Statistics Service. The USDA Economic Research Service (ERS) has done

an impressive job of collecting data on the organic sector (including farm financial indicators and market trends among handlers and processors of organic products,) and we hope these efforts are continued and expanded.

Conservation: The USDA Natural Resources Conservation Service (NRCS) does not have information on participation of organic growers in conservation programs. Stronger leadership and oversight of how conservation programs serve organic specialty crop producers is essential. Specific improvements to conservation programs are needed to ensure these programs serve organic producers.

The Conservation Security Program is important to many organic producers, but basic organic practices such as cover cropping and crop rotations should be prioritized. Also, organic farm plans submitted to accredited organic certifiers should be accepted as proof of compliance with the highest tier (III) of conservation.

Some states have used the Environmental Quality Incentives Program (EQIP) to provide organic transition incentive payments to conventional growers This use of EQIP funds should be made a national priority. Technical assistance providers trained in organic practices must be made a central component of this program.

Organic Certification Cost Share: The 2002 Farm bill recognized the costs to farmers and handlers associated with the organic certification, and created the National Organic Certification Cost Share program. Under this program, producers and processors can be reimbursed for 75 percent of their certification costs, up to a maximum of $500. While the program is available to producers and processors of all scales, it is particularly important to the small and medium sized producers and handlers, who often cite annual costs and burden of maintaining organic as one of the frustrations with the National Organic Program An on-going cost-share program to help defray these costs for initial certification as well as annual re-certification is crucial to assuring the continued diversity in scale of organic farms and handling operations.

This program should receive a mandatory $3 M per year. Additionally, standardized reporting should be required for both allocations to states and actual disbursement to producers and handlers.

Risk Management: Farming is an inherently risky business. The Federal Crop Insurance Corporation has provided a safely net for participants, mitigating the effects of crop loss caused by circumstances beyond their control. Yet not all producers have been treated equally under federal crop insurance programs; organic growers face several unfair competitive disadvantages to their conventional counterparts when participating in the program. The 2002 Farm Bill made some effort to remedy these issues, but problems remain.

Organic farmers should not have to pay the 5% additional fee surcharge they currently must pay to be covered by the Multi-Peril Crop Insurance Program. This surcharge is based on the mistaken assumption that there is more risk of yield variability in organic production.

When an organic producer incurs a loss they should be reimbursed at the price their organic product would have received. Currently, organic farmers are reimbursed for crop loss at a rate based on average conventional prices, generally far below the value of the organic crops.

Organic producers are further discriminated against in that they also face unique risks which are not covered by federal crop insurance: chemical and GMO contamination. Both chemicals and

pollen of genetically engineered crops (GMOs) can travel by wind, jeopardizing organic producers' ability to sell their crops on the organic market.

Whole Farm Revenue insurance must be offered to all producers in all parts of the country. Many organic farmers rely on the diversity of their operations to improve nutrient cycling, biological control of pests, increase resource efficiency, and to create sustainable and stable agro-ecological systems. Currently, there are two whole farm revenue options that address the needs of diversified organic producers- these are the Adjusted Gross Revenue and the Adjusted Gross Revenue Lite program, both of which rely on a producers historical revenue (rather than county averages for particular commodities). These two programs however are only available in limited parts of the country.

Supporting the organic industry by providing needed support provides critical, cost-effective benefits for U.S. producers and consumers. Thank you the opportunity to provide testimony. I appreciate your consideration of these comments.

Sincerely,

Klaas Martens

Testimony
Of
James A. Shirk
Silver Valley Farm
1645 Silver Valley
East Earl, PA 17519
717-445-6520

Before
Senate Agriculture Committee on Agriculture, Nutrition, and Forestry
Pennsylvania Farm Show Building
July 21, 2006

Chairman Chambliss, Senator Santorum, and distinguished members of the Senate Ag Committee. Good afternoon and thank you for taking time to conduct a Farm Bill hearing here in Pennsylvania . My name is Jim Shirk and I am here this afternoon wearing two hats – one representing our family farm in Lancaster County and one as an employee of Wenger Feeds, a family agribusiness based in the Mid Atlantic region.

My wife and I are the 9th generation to live on our family's farm and are committed to continuing to be a part of agriculture. This is becoming more and more difficult in the United States today.

It is my belief that the purpose of the Farm Bill is to provide the framework for ensuring the long term viability of agriculture for the United States in the interests of national security and quality of life for all Americans. My comments this morning will focus on a theme of long term viability and will cover three general areas: 1) the critical need for full funding of agriculture research and extension at land grant universities, 2) long term impact of preservation and conservation investments, and 3) greater parity in the distribution of farm program dollars.

Nearly 150 years ago, the federal government entered into a partnership with state and local entities to facilitate the development and distribution of knowledge to improve agriculture production and increase the quality of life for all our citizens. Penn State and the land grant institutions across the United States continue to have a critical role in the long term viability of our industry thru the generation and distribution of relevant knowledge and in providing an educated workforce for generations to come, be it producers and agri-business people, educators, research scientists, or extension professionals.

One specific area in PA that the land grants played a significant role in protecting the ag industry is their assistance in combating Avian Influenza. PA is a very large and diverse poultry state, the third largest egg producer for example, and almost 25 years ago we faced an outbreak of AI that cost our industry $60 million and destroyed 17 million birds.

In fact, at that time the industry was credited with jump-starting the federal response by organizing bird owners, creating production location maps. We learned the hard and expensive lesson that timing is critical for controlling disease and missed days and poor bird disposal practices increase the risk of spread exponentially.

Five years ago we again faced an outbreak of AI but thru industry partnerships with universities and the Department of Agriculture, the impact was greatly reduced to $400,000 and a loss of only 180,000 birds. Two significant components of the success came from the universities thru the development of a faster test for the presence of the virus and better understanding of composting techniques which minimized the risk of spreading disease.

Unfortunately, the federal component of research and extension funding that allows for success stories like this has been flat for land grants for many, many years and the time has come to initiate change in the system. The place to accomplish this is the next Farm Bill.

The next Farm Bill should establish a new institute under USDA reporting directly to the Secretary of Agriculture that would consolidate agencies, programs, and activities. Individual national programs and areas of interest in CSREES, ARS, and ERS would be maintained and the funding would be grown thru greater integration.

An important component of this institute would be to maintain funding for local priorities that may not reach a high enough level for national competitive funding. The mushroom industry in PA is a perfect example of a vibrant industry in PA that benefits from working with the university but would likely never become a national priority.

One final reason for investing in research and extension is the potential for significant changes in our farm subsidies as a result of international trade policies. If commodity programs see reductions, it will amplify the importance of research to increase yields, drought resistance, and other areas to minimize the loss of farm income.

The second area I would like to address on the long term viability of agriculture is the value of farmland preservation programs. Preservation programs are an economic stimulus for long term capital investment, re-capitalization of farm equipment, and provide an economic background for expansion and sustainability.

In 2000, my father entered into an agreement with the Lancaster County Ag Preserve Board to sell the development rights from our farm. One of the reasons for participating was to have access to enough capital to purchase the farm and keep it in our family. Generation transfer is a very common reason for preserving land and thus providing the opportunity for farms to remain in families for multiple generations and produce food for our country.

Producers who accept preservation dollars have a fiduciary responsibility to invest in the long term sustainability of their land in agricultural production to provide public assurance that their investment in food production and agriculture are being used responsibly. Farmers are considered by many to be the first environmentalists but with shrinking margins there is a temptation to bring marginal land into production regardless of potential impacts. Conservation and good stewardship must continue to be a strong component of preservation programs.

My final comments for the long term viability of agriculture revolve around our region and the disparity in distribution of federal funds in the Farm Bill. Pennsylvania ranks 22nd in the market value of agricultural sales and yet is 41st in the amount of government payments received for agriculture. The nature of our diverse farms does not allow significant participation in existing programs.

The advantage we do have in production is our proximity to major populations and thus consumers. The next Farm Bill can invest in our advantages by providing incentives for specialty crops, value added production, and expanding regional supply chains. This can be accomplished thru Value Added Grant programs and Rural Business Enterprise Grants for farms and also thru investing in access to processing, packing, and shipping facilities to serve regional markets.

Our region would also benefit from federal investment in energy production that utilizes base resources we have in excess. In PA, we could take advantage of manure, soybean, and cellulose based ethanol production to provide a locally grown energy source for consumers.

Chairman Chambliss, I thank you for the opportunity to share my thoughts with you this afternoon and look forward to any questions you would have.

Testimony by Christine Hetz Phillips
Chief Executive Officer
Fairview Evergreen Nurseries, Inc.
On the Subject of the 2007 Farm Bill
Before the United States Senate Agriculture, Nutrition and Forestry Committee
Senator Saxby Chambliss, Chairman
In Harrisburg

July 21, 2006

Mr. Chairman and distinguished Senators, thank you for coming to Pennsylvania and for your interest in the concerns of Pennsylvania agriculture.

My name is Christine Hetz Phillips, and I am the CEO of Fairview Evergreen Nurseries, a 3500 acre agricultural operation located near Erie, Pennsylvania. I also serve on the Board of the Pennsylvania Landscape and Nursery Association (PLNA). PLNA represents predominantly family-owned businesses in Pennsylvania's $5.6 billion landscape, nursery and retail garden center industry; known as the green industry. The green industry employs over 100,000 Pennsylvanians, is Pennsylvania's largest cash crop and is the fastest growing segment of agriculture in Pennsylvania. Nationally, nursery and greenhouse production represents 11% of commodity agriculture. I also serve on the Erie County Co-operative Extension's Board.

Our green industry has not played a major role in previous farm bills because we are a non-subsidized component of agriculture. The green industry is not seeking subsidies, but stands in need of research and development funding. Penn State's College of Agricultural Sciences has provided such research and development, supported by farm bill grant funding. PLNA asks that this funding continue, as the partnership between the College and the green industry has been immensely beneficial to Pennsylvania nurseries, landscape contractors, and garden centers.

With new challenges such as the Asian Longhorn Beetle, Emerald Ash Borer and *Phytophthera Ramorum,* (Sudden Oak Death) the green industry must be equipped to respond to these diseases or pest crisis. Farm Bill funding can help bridge the widening gap between current resources and these needs. Historically, the Commodity Credit Corporation has been a strong funding source for quarantine and eradication efforts, but Congress has been scaling back access to the program. More funding is needed to ensure the short and long-term safety and stability of our nursery and greenhouse crops.

7463 WEST RIDGE ROAD P.O. BOX E FAIRVIEW PA 16415 0805 FAIRVIEW EVERGREEN NURSERIES, INC 800.458.2234 814.474.5712 FAX 800.343.6819

The challenge of invasive species is another area in our industry that suffers for lack of strong scientific research. Research in this relatively new field is desperately needed, but funding is scarce and difficult to find. The 2007 Farm Bill could provide additional grant dollars for the issue of invasive species so the industry can better understand the implications of certain plants in both our landscapes and forest lands. (Euonymus Alatus Compacta, or 'Burning Bush' is one plant that is on the invasive list in Connecticut. We have sold approximately 10,000 yearly adding over $200,000 to our budget. They are truly not invasive and it would be a travesty to allow this kind of legislation to continue.)

Finally, I want to direct your attention to the most vexing problem in the green industry. Our industry's greatest need is access to sufficient labor. Pennsylvania's own Senator Arlen Specter has helped to author excellent legislation, and the Senate has passed this good bill which will begin to solve our nation's labor and immigration crisis. I want to thank the Senators here today for their hard work to achieve a bi-partisan and balanced bill that will achieve a real solution for our farms, communities, and agri-businesses. I call upon the House to tone down the rhetoric, come to the conference table, and help pass meaningful Comprehensive Immigration Reform. Thank you.

Introduction

Good afternoon, my name is Donald Cotner. It's a pleasure to speak with you today and I appreciate the opportunity to talk to you about the status of Pennsylvania agriculture and the potential implications of the upcoming Farm Bill. Pennsylvania has a dynamic, vibrant, and robust agricultural industry – it has its share of challenges and obstacles – but the future of Pennsylvania agriculture is bright if we plan and prepare properly.

First off, I'd like to provide a very brief background of myself. I grew up on a family dairy farm in the central part of the state – where I still live today. In my early twenties, my family decided to sell the cows and we began an egg production business that we have grown over the years and are still operating today. Throughout this time frame we have also annually grown about 1300 acres of corn, soybeans, and wheat. Recently, we began a commodity trading and soybean processing business serving the northeastern US feed industry and the emerging biofuels industry. Additionally, I serve as a director for AgChoice Farm Credit and for PennAg Industries Association. AgChoice Farm Credit, as part of the Farm Credit System, provides financing and financial services to rural Pennsylvania. PennAg Industries is a trade association which provides political and operational services in support of agriculture and related industry in the state.

These experiences have provided me with a comprehensive understanding of Pennsylvania agriculture. I tell you these things to let you know that I am qualified to make some suggestions as to the future of Pennsylvania agriculture, the direction we should be headed, and the goals we should set.

Background/Opportunity

Agriculture represents the largest industry in Pennsylvania – generating nearly 5 billion dollars in revenue annually between crop production, fruit and vegetable production, and livestock and poultry production[1]. Rural Pennsylvania, the T as it is often called,

representing the area of the state outside of Pittsburg and Pennsylvania, is directly dependent upon this revenue and the jobs the industry maintains. Furthermore, the entire state, as well as much of the northeast and the country as a whole, is dependent upon the food produced in Pennsylvania as a result of its agricultural industry. The importance of Pennsylvania agriculture can not be underestimated. It is vital that the upcoming Farm Bill gives consideration to the farmers and related ag-businesses within our region.

Recently, the Farm Credit System completed a comprehensive study of rural America called "Horizons". The Horizons Report indicates that the dynamics of today's farms and farming lifestyles are rapidly changing. The study found that farm families must become more entrepreneurial and/or seek additional off-farm income to remain viable and afford to continue farming. It is critical that the new Farm Bill considers these changes.

One of the main goals of previous farm bills has been to preserve rural America, to preserve family farms, and to preserve a standard of living for smaller agricultural operations that are finding themselves increasingly competing against much larger conglomerates. I think the new Farm Bill should strive to do the same – to focus on sustaining and strengthening rural America. However, the policies put in place in previous Farm Bills have not been effective towards this goal.

The current income support programs have become unjustifiable and politically, legally and economically unsustainable.

Rather than use subsidies and emergency payments to maintain rural agricultural economies, I believe it is necessary to promote growth through economic incentives. Direct payments, counter-cyclical payments, and loan guarantees do not stimulate entrepreneurial thinking. They don't create progressive alternative markets and they mask true economic conditions by bailing out outdated and inefficient operations. This is especially true of crop production in the Northeast. However, the emerging bio-energy markets present a tremendous opportunity to reverse the current conditions of agriculture in our region.

In order to energize our local agricultural economy we must stimulate local corn and soybean prices. Rather than reduce supply to achieve this goal – as is the target of federal crop reduction plans that in effect discourage agricultural growth and progress – we need to spark corn and soybean demand. The present fuel crisis presents a great opportunity to do just that. Ethanol and biodiesel production within our region would eliminate any locally produced annual surplus, would create buyer competition for our farmers' corn and soybeans, and put profits into the farmer's pockets.

For each 5 cent increase in corn basis, an increase of $8.25 million in revenue would be realized[1]. For each 5 cent increase in local soybean basis, an increase of nearly $1 million in revenue would be realized[1]. A five cent increase in either commodity is an extremely conservative assumption given the demand that could be generated by the bioenergy markets. It is not an unrealistic assumption that upwards of $50 million could be pumped into the Pennsylvania agricultural economy annually with the local introduction of ethanol and biodiesel.

Why send that money to the Middle East when it can remain here and help to strengthen our own economy?

Goal

These are the opportunities available. Without question, government assistance will be required to overcome the establishment and startup costs inherent in the biofuels industry. Government assistance will be required to not only sustain but strengthen our local agricultural economy. The programs that are put into place in the new Farm Bill must promote growth and increased market competition – not simply maintain the depressed agricultural economies as previous policies have done.

The new farm bill needs to promote the agricultural community to get involved in ethanol

and biodiesel from the beginning to the end of the cycle, from farmers to consumers.

PA agriculture needs to see incentives that encourage involvement from farmers to plant more acres of beans to be sold into biodiesel plants and more acres of corn to be sold into ethanol plants. I would encourage programs for farmers that commit to produce for the biofuel industry.

PA agriculture needs government support for ethanol and biodiesel startups. I would encourage continuing grant programs and tax credit programs for bio-based fuel producers and blenders. These programs would help the startup businesses to overcome the initial high capital costs and inventory requirements.

PA agriculture needs a Farm Bill that encourages the community to use biofuels. Actively promote it. Reward the farm community to use it. Consider reducing taxes on bio-based fuels. Set reasonable, yet progressive biofuel usage mandates in public transportation and the railroad industry. Possibly tag funding for public awareness programs on the merits of ethanol and biodiesel.

1. – Pennsylvania 'Ag Snaphot' 2005, Pennsylvania Agricultural Statistics, 2005-2006, USDA National Agricultural Statistics Service – PA Office.

Statement of ***Logan Bower***

before the
Senate Committee on Agriculture

July 21, 2006

PA Farmshow – VIP Room

Harrisburg, PA

I appreciate the Committee's invitation for me to come here today and present my views on dairy in regards to 2007 Farm Bill. I am Logan Bower.

About Logan's Dairy Farm and family:

We currently milk 600 cows and farm 650 acres in the western end of Perry County, located in South Central Pennsylvania. I have been in business for the past thirteen years and I am the third generation to own and operate the farm our dairy is currently located on.

About Logan's Organizations

I am presently serving as the President of the Professional Dairy Mangers of Pennsylvania. I also serve as a board member for The Center of Dairy of Excellence, The Pennsylvania State Beef Council, The Perry County Planning Commission, and the Blain Lions Club.

Honorable Members of the United States Senate

I will address very briefly each of the following issues:

- I. Safety Net for the US Dairy Industry (MILC / Federal Orders)
- II. Farm Bill Funding – inequities in PA
- III. Trade (WTO)
- IV. Regulations
- V. Immigration Issues
- VI. Dairy Check-off
- VII. Conservation Programs
- VIII. Ag Research
- IX. TSP

I.) Safety Net

Reform Farm Safety Net – Preserve and expand the best features of existing farm safety net, including a trade-compliant income stabilization program for dairy producers. Develop new risk management, savings, and investment tools, such as farmer saving accounts linked to sales and stewardship, to gradually replace direct and other trade-distorting subsidy payments. Reform existing crop

insurance programs to aid the development of alternative farm enterprises, including organic and other "certified" crops and products. In general, ensure that all future income support and insurance programs are reformed to set clear, meaningful environmental standards, and to eliminate incentives to convert pasture and rangeland to cropland.

- The safety net should not discriminate between farmers of differing sizes;
- The safety net should not discriminate between farmers in different regions of the country;

The safety net should not result in price enhancement, meaning that it should not be an inducement to produce additional milk. The government's safety net should be just that: a device that prevents a collapse of producer prices, without stimulating milk output or sending inappropriate signals to the marketplace.

II.) Funding Inequities

Historically, many Farm Bill programs have not effectively addressed the needs of Pennsylvania's producers. Current farm programs and policies are needed to correct inequities in farm spending – half of which now flows to just eight states and 22 congressional districts. Although Pennsylvania has significant farm sales, our state receives a disproportionately small share of federal farm spending that is primarily based on production of a few commodities, including corn, wheat, rice and cotton. ***While states receive an average of seven cents from the USDA for every dollar in farm sales, North Dakota receives 19 cents and Pennsylvania receives just two cents from USDA for every dollar in farm sales.***

According to the tributary strategies developed under the Chesapeake 2000 agreement by Pennsylvania, Maryland, Virginia, New York, West Virginia and Delaware, the Bay watershed needs an additional $200 million per year in federal assistance to agricultural conservation, as well as a similar amount of state funding, in order to bring nitrogen and phosphorous loads back to an acceptable level. The funds are needed to support farmers in designing and implementing nitrogen and phosphorus reducing conservation practices in their farming operations.

Conservation programs should be reformed to link payments to rising levels of environmental performance, and to encourage the adoption and transfer of innovative conservation practices and technologies. The best, most cost-effective, measurable and time-tested conservation practices, such as riparian buffers, cover crops, barnyard management and no-till best management practices, should be emphasized. Increased funding should be directed to implementing these widely applicable and cost-effective measures, on land that will provide the greatest environmental benefits.

A portion of all USDA conservation spending should be allocated to multi-producer, multi-stakeholder projects on local, state, and regional scales that address a specific resource concern or set of resource concerns, where state or private funding allocated. This would leverage non-federal resources, address regional or national priorities, have clear and achievable objectives, and prioritize projects that enjoy broad local support.

Preserve Regional Equity Provision – Preserve and expand the regional equity provision of the 2002 Farm Bill by increasing the annual floor and/or linking the annual floor to a percentage of state farm sales (e.g. 1.5% of farm sales).

III.) Trade / WTO

I support a successful multilateral round of trade talks if it helps level the very uneven playing field in dairy export subsidies, tariff protections, and domestic support programs. But I can't support any final agreement that doesn't represent a net increase in our opportunity to better compete against our more heavily-subsidized and protected competitors in the EU, Canada and Japan, as well as more balanced trading opportunities with key developing countries.

IV.) Regulations

The PA Dairy Producers desire Science-based environmental regulations that focus on encouraging compliance rather than stressing harsh penalties. Given the chance to adopt new technoligies that yield improved

environmental performance – the PA Dairy Leaders will exceed expectations given the right climate and science-based strategies.

V.) Immigration Reform

Comprehensive immigration reform like that contained in Senate Bill 2611, particularly its plan for agriculture, AgJOBS 2006. PA Dairy Producers ensure that workers provide documentation including a SS Card and Green Card. We also withhold all appropriate taxes from our workers pay, regardless of their origin of birth. Our Industry desires a long term viable solution to the immigration issue now before the US Congress.

VI. Dairy Check-off

The 15 cent national dairy checkoff was created by Congress in 1983. 10 cents of that money goes to a qualified promotion program at the state or regional level and the other 5 cents goes to the National Dairy Board. The checkoff dollars are invested in research, promotion and in partnership with cooperatives, processors and other industry leaders to overcome the barriers to increased sales and consumption of dairy products.

To ensure that all that benefit from this greater demand for dairy products in the U.S. help to pay for it, Congress included in the 2002 Farm Bill a provision allowing collection of the dairy checkoff on dairy products imported to the U. S. Here we are four years later, and there still has not been any collection of the dairy checkoff on imported products. Our understanding is that until the checkoff assessment is applied to farmers in all 50 states, our trade negotiators feel that applying it to importers represents a potential trade violation. So, we need legislation to provide for the collection of the checkoff from dairy farmers in Alaska, Hawaii, and Puerto Rico – before the checkoff can be collected on imported dairy products.

Mr. Chairman, we need this additional legislation even now, before the 2007 Farm Bill. Other commodities that have checkoff programs assess imports, so this is a matter of basic fairness. We are seeing more dairy imports in our market, and they should not enjoy the benefits of our $270 million promotion program, and our enormous consumer market, without contributing to that effort.

Conservation Programs:

Expand and Reform Conservation Assistance Programs – Expand conservation assistance programs, including the Environmental Quality Incentives Program, Agricultural Management Assistance Program, Ground and Surface Water Conservation Program, and the Wildlife Habitat Incentives Program, and reform these programs to reward innovation, cost-effectiveness, and collaboration among producers. In particular, policymakers should reform EQIP to make the implementation of innovative new manure technologies that address and air, odor and water quality a priority for future spending, and to provide a sub-program for small, privately owned forests. In addition, policymakers should reform state allocations to encourage states to meet goals such as encouraging innovation and collaboration, and should use "hold back" provisions to reward states that meet these goals. Policymakers should also renew other forestry programs, including the Forest Land Enhancement Program, and should create new programs to promote urban and suburban forestry. In general, policymakers should permit producers to receive carbon storage credits that are linked to a farmer's contribution to the project or practice.

Expand and Reform Conservation Performance Programs – Preserve and expand the best aspects of the Conservation Security Program to provide more farmers the opportunity to be rewarded for high levels of environmental stewardship. Ensure that any future green payment program, whether CSP or a successor program, includes clear performance indexes related to air quality and wildlife as well as soil and water quality.

Expand and Reform Conservation Easement Programs – Expand conservation easement programs and place greater focus on marginal, environmentally-sensitive lands, such as riverside buffers, floodplains, wetlands, and other rare habitats. But, ensure that USDA strikes an appropriate balance between easement, rental and working lands programs. Expand programs that purchase development rights in the path of sprawl, such as the Farm and Ranchland Protection Program, and provide states with more flexibility in the administration of FRPP.

Reserve Funds for "cooperative conservation" projects -- Reserve 20 percent of all USDA conservation spending for competitive grants for multi-producer, multi-stakeholder projects on local, state, and regional scales that address a specific resource concern or set of resource concerns. Require

proposals to USDA to leverage federal and non-federal funds, and explicitly permit other federal agencies to contribute funds to "cooperative conservation" projects. Give priority consideration to proposals that enjoy broad local support, leverage non-federal resources, address regional or national priorities, have clear and achievable objectives, and that provide technical assistance.

VIII. Ag Research

Expand and Reform Research Programs – Expand funding for agricultural research and allocate research funds on a competitive basis.

IX. TSP

Expand Technical Assistance – Expand technical assistance by expanding federal and non-federal experts working with producers to develop business and conservation plans and to implement projects. Reform the Technical Service Provider program to train and certify more private consultants to provide a wider range of services to producers.

In closing, I want to thank you for holding these hearings. We welcome you to our state and hope your short time here was enjoyable. I will be happy to answer any questions, or provide any additional information that you might want.

Testimony of
Dr. Joe Jurgielewicz
P.O. Box 257
Shartlesville, PA 19554
610-562-3825

Before
Senate Agriculture Committee on Agriculture, Nutrition, and Forestry
Pennsylvania Farm Show Building
July 21, 2006

Good Afternoon Chairman Chambliss, Ranking Member Harkin and members of the Committee. Also, a special welcome to our own Senator, Senator Santorum. My name is Dr. Joe Jurgielewicz. I am a poultry producer, specializing in the production of duck, from Hamburg Pennsylvania, in Berks County.

Currently, I am the President & CEO of Joe Jurgielewicz & Son, Ltd. We are a fully integrated Pekin Duck producer, producing more than three million ducks yearly. Our operation includes six company owned farms and 20 contract producers located throughout Pennsylvania.

I am here representing today to represent not only the poultry industry but also the member companies of PennAg Industries Association. PennAg Industries Association represents more than 650 agribusinesses in the state of Pennsylvania, primarily from the support and service sector.

Let me first speak as a Pennsylvania Poultry producer.

As you are well aware, the threat of avian influenza is a high priority in Pennsylvania. The media and the public have focused much attention on the Asian H5N1 strain of highly pathogenic avian influenza (HPAI) or bird flu, and the federal government has expended major resources to prepare for a potential human pandemic. I would like to commend Congress and USDA for their efforts to use sound science to educate the public and calm the fears associated with Avian Flu. Please know that the poultry industry in Pennsylvania is doing its part as well. Pennsylvania has traditionally led the industry in surveillance testing with more than 240,000 Avian Influenza samples being tested every year.

Because of Pennsylvania's diverse industry and contribution to the live bird markets of the Northeast, we have dealt often with low pathogenic avian influenza (LPAI). Low-path AI can be present in a flock without clinical signs. This low pathogenic form presents no risk to human health. However, it is very important to control LPAI so it does not have the ability to circulate and mutate into HPAI. We support and encourage a proposed regulation from USDA that would provide indemnities at 100% of the value of any birds that must be destroyed due to LPAI.

For nearly 10 years, Pennsylvania has maintained a closely held database of industry information that has been extremely useful in situations involving the disease of poultry. To maintain the confidentially of this information, we have kept the information at the University of Pennsylvania's New Bolton. When needed for quick action, relevant portions of the database are accessed and provided to state and federal officials.

With the development of the National Animal Identification System (NAIS), a system similar to the on that has been in place in Pennsylvania poultry industry for a decade, we understand the value of this resource. We would like to encourage the inclusion of privacy protection in the farm bill for information submitted by producers under the NAIS. Confidentiality must be a top priority in the system.

I'd like to offer some comments on behalf of PennAg Industries as well. PennAg's membership is comprised of various sectors of Pennsylvania agriculture. Pennsylvania's agricultural industry is unique and diverse in its makeup and we appreciate you recognizing that.

Historically, the farm bill support programs, with the exception of dairy programs, are generally favorable to the Midwest. We recognize this history and understand the importance of the Midwest states. We do, however, respectfully request that you keep the needs of the Northeast are proportionally represented in the 2007 Farm Bill.

In the Northeast, we have the unique opportunity and advantage to market to urban and suburban populations that are in close proximity to our production areas. This also presents great challenges. The general public is becoming further and further removed from food production, which creates an education and communication gap between producers and their neighbors, particularly when discussing environmental quality. Because of this, we wish to stress the importance that all components of the Farm Bill be science-based; consistent; and realistic for producers. In saying that, funding that will help producers to implement 'best management practices' will be crucial here in our state.

In my final comments, I want to stress the importance of agricultural research to our state. We ask for your support in maintaining and enhancing agricultural research. These efforts have a profound effect on citizens as it enables us to provide quality products safely and efficiently. In addition, strong research programs will allow us to explore the potential of value added products. Alternative Fuels research is just one example of the potential in the Northeast. We certainly encourage federal support of programs that would allow the Pennsylvania to maximize on various value added products. The continued support of research will help us to maintain the diversity of Northeast agriculture and will help our region to be competitive and profitable.

Chairman Chambliss, I thank you for your time and efforts here in our Commonwealth. We appreciate your recognition and attention to the Northeast.

Testimony of

Mr. Robert M. Ruth

Pork Producer

Harrisburg, Pennsylvania

Before the

Senate Committee on Agriculture, Nutrition and Forestry

July 21, 2006

INTRODUCTION

Good morning, Chairman Chambliss, Ranking Member Harkin and Members of the Committee. I am Robert Ruth, a pork producer from Harrisburg, Pennsylvania. I work for a Company called Country View Family Farms. It is a Division of Hatfield Quality Meats, a pork processor. Hatfield Quality Meats is a Family owned business that has been in operation since 1895. The Clemens Family, who is still actively involved in the business, owns it. Country View Family Farms is a Farrow to Finish operation that produces about 750,000 market hogs per year. I am also responsible for the procurement of all the animals that Hatfield harvests on a daily basis. Hatfield buys an addition 1,200,000 hogs per year from farmers in a five state area around Pennsylvania. I am very grateful to you for holding this field hearing and for this opportunity to provide you with my views on what is working and what we need to improve upon as we consider the reauthorization of the 2002 Farm Bill.

Pork producers are keenly aware of the importance that the 2007 Farm Bill will have on our ability to maintain the world leadership we have enjoyed.

Pork producers make an investment in the industry to maintain a competitive edge domestically and globally. The 2007 Farm Bill should also make an investment in competitiveness, opening access to new markets, enhancing conservation efforts and rewarding producers for good practices. Taking these important steps will maintain a vibrant agriculture sector that provides a safe and secure food supply, innovative fuel options using our natural resources and continued abundant feed for our animals.

I want to thank you Mr. Chairman and Members of this Committee for the opportunity to address you today.

As your committee evaluates the reauthorization of the 2002 Farm Bill, I have points that I would like for Congress to consider. One: to remain a world leader in agricultural production, we must maintain our competitive advantage. Two: to keep up with

globalization of world trade, we must strengthen our competitiveness. Three: we must not let activist groups do harm to our industry.

MAINTAIN OUR COMPETITIVE ADVANTAGE

The next Farm Bill should help the U.S. pork industry maintain its current points of competitive advantage. These include low production costs, unparalleled food safety, and consumer-driven further processing.

Low Production Costs

Low production costs are the result of affordable feed ingredients and efficient production units. The Farm Bill can help the U.S. industry on both counts by maintaining and enhancing programs that keep feed ingredient prices competitive with the rest of the world. I am concerned about the impact on our industry of the increased use – sometimes through mandates – of corn-based (ethanol) fuels.

I fully agree that our country needs a strong renewable energy policy for our security. The current focus on renewable fuels is laudable, but markets must be neither distorted by subsidies and taxes nor constrained by mandates to the point where they cannot send effective price signals. There appears to be much more competitive alternatives for our Country to use for renewable fuels, such as using animal manure and fat and biomass, including switchgrass and corn stover. I would encourage more research dollars be invested in those areas. We certainly do not want to exchange an energy dependency into a food dependency. I want to emphasize that the right balance is needed to meet the needs of fuel *and* feed security.

Unparalleled Food Safety

U.S. pork producers and processors have made unparalleled food safety their highest priority. The pork industry has been very responsive to the issue of residues in the food

supply and will continue to be vigilant in these efforts. Residues are found in less than .02 percent of all animals marketed. Success in reaching this small percentage is due in part to industry-sponsored producer education programs that help producers understand how and why we need to reach these goals. I believe that adequate funding for the Agricultural Research Service (ARS) and Food Safety Inspection Service (FSIS) is needed to allow those agencies to do what it takes to continue their work in keeping the U.S. pork supply safe and wholesome. Unlike what is portrayed in the media or by activist groups the U.S. food system is the envy of the world and we should continue to invest dollars to improve and upgrade our system.

Consumer-Driven Further Processing

The pork industry must continue to meet the demands of our consumers. Therefore, we should allow the structure of the production and packing sectors to change with the demands of the marketplace. This includes allowing producers and packers to change to adopt new technologies and capture economies of size and scope. The U.S. pork-packing sector is the envy of the world in terms of efficiency, and Congress must be careful not to take away or hamper this source of international advantage. In all other sectors of our economy we view technology and advancement as progress, however in Agribusiness these advancements have been viewed negatively. What other business in our Country still adapts business practices that were used 10/15/20 years ago? Allowing producers and packers the freedom to develop new ways of doing business will only enhance the value of U.S. pork products, home and abroad, and reduce costs and risks.

STRENGTHEN OUR COMPETITIVENESS

In addition to maintaining our competitive advantage, the next Farm Bill should strengthen that position by expanding and including such elements as trade assistance, and science-based conservation and environmental programs.

Trade

Although my company is relatively small and we do not do a sizable export business, we realize that a "rising tide lifts all ships". It is very important that our Country maintains and strengthens the progress we have made in exporting pork abroad.

Here are some revealing statistics about U.S. pork trade and the important role of trade agreements:

- U.S. exports of pork and pork products have increased by more than 332 percent in volume terms and by more than 289 percent in value terms since the implementation of NAFTA in 1994 and the Uruguay Round Agreement in 1995.
- The U.S. has exported a new record amount of pork each year for the last 15 years and now exports over 15 percent of its total production.
- Exports to Mexico, our number one volume market and number two value market, have increased by 279 percent in volume terms and by 406 percent in value terms since NAFTA.
- China, a recent entrant to the WTO, has become, due to diverse cultural preferences and tastes, a huge marketplace for U.S. pork variety meats that have very little value at home. Shipments of pork variety meats to China exploded by 690 percent in volume and 750 percent in value in 2004 before growing by 27 percent and 33 percent, respectively, in 2005.
- The Center for Agriculture and Rural Development at Iowa State University estimates that U.S. pork prices were $33.60 per hog higher in 2005 than they would have been in the absence of exports.

U.S. pork producers have been and continue to be strong supporters of trade agreements. We support open markets. We support the Market Access Program (MAP) and the Foreign Market Development Program (FMD), which help expand opportunities for U.S. pork, and we urge continued funding for these programs that have long-term market benefits. It is important to emphasize the need to strengthen the ability of U.S. agriculture to compete in the global marketplace.

American agriculture is among the most competitive industries in the world, but it should not be expected to compete alone in the export markets against foreign governments. Reductions of MAP and FMD funding would put American farmers at a substantial competitive disadvantage.

Regardless of the discussions of timing in writing the new Farm Bill, Congress should extend Trade Promotion Authority or TPA. TPA is very important to U.S. agriculture and the U.S. livestock sector – it provides new avenues for trade and sends the following message to our trading partners that the U.S. is a willing and open trading partner. As pork producers, we should emphasize the need to strengthen the ability of U.S. agriculture to compete efficiently in the global and domestic marketplace.

Conservation and the Environment

Conservation and natural resource stewardship is an area that is very important to our company. Nationally and in Pennsylvania pork producers are committed to running productive pork operations while they meet and exceed environmental regulations. We have fought hard for science-based, affordable and effective regulatory policies that meet the goals of today's environmental statutes. In order for us to meet these costly demands while maintaining production, we believe that the federal government must provide cost-share support to help us defray some of the costs of compliance through conservation programs of the Farm Bill, namely through the Environmental Quality Incentives Program (EQIP) of the 2002 Farm Bill.

PREVENT HARM TO OUR INDUSTRY

The next Farm Bill should not harm the competitive position of the U.S. pork industry by imposing costs on and restricting the industry from meeting consumer demands in an economical manner. Government intervention must not stand in the way of market-based demands. We must work against efforts to ban marketing contracts, activists' positions on animal care and housing and other efforts that will harm the agriculture sector.

Marketing Practices

I understand that the issue of banning packer ownership of livestock or eliminating forward contracting continues to be discussed. However, I do not believe that U.S. pork industry is being well served by having Congress eliminate certain types of contracting mechanisms. This only forces the livestock markets to revert back to an inefficient system used more than half a century ago in which livestock was traded in small lots and at prices determined in an open-market bid system. This system was inefficient and makes no economic sense in today's economy—it died out in the '70s and '80s because it was inefficient. Today, the U.S. pork industry has developed a wider variety of marketing and pricing methods, including contracts, to meet the changing needs of a diverse marketplace.

Industry Structure

We should allow economics to determine the structure of production and processing, including the ownership of both. We are the envy of the world with our production systems and we should not let a vocal minority dictate that we reverse the progress we have made. What other sector of our economy is reverting to the way they did business 25 or 50 years ago?

Miscellaneous

Mr. Chairman and Members of the Committee, it is not news to you or the U.S. livestock sector that activist groups and special interest groups will be watching this 2007 Farm Bill debate and will attempt to push their particular agenda by adding regulations to our business practices, be it a social or animal rights or welfare or obesity agenda. We must be cautious about allowing these issues and alternative agendas to be added to the 2007 Farm Bill – a piece of legislation that has been aimed for the past 50 years at maintaining the competitiveness of U.S. agriculture and the U.S. livestock sectors.

The U.S. pork industry has developed and implemented strict animal care practices and judicious use guidelines for animal drugs. These programs are now part of the industry's pork quality assurance and trucker quality assurance programs. These programs require

producers and handlers to be trained and certified to care and transport our animals with the utmost concern. We do not believe that Congress should legislate on these issues as part of the 2007 Farm Bill.

CONCLUSION

In conclusion, Mr. Chairman and Members of this Committee, I want to again thank you for the time you have taken to listen as you craft the next Farm Bill. Together, I believe we can craft a Farm Bill in 2007 that keeps our industry competitive in both domestic and world meat markets. We look forward to working with you and believe your leadership will allow the U.S. agriculture sector to continue to prosper for many years to come.

TESTIMONY OF DAVID E. HACKENBERG
HACKENBERG APIARIES
LEWISBURG, PENNSYLVANIA

FOR THE REGIONAL FARM BILL HEARING
UNITED STATES SENATE
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
HARRISBURG, PENNSYLVANIA
JULY 21, 2006

Mr. Chairman and Members of the Committee:

Thank you for this opportunity to speak on issues important to beekeepers for the 2007 Farm Bill.

My name is David E. Hackenberg. From my headquarters in Lewisburg, Penn., my family and I operate 3,000 colonies of honey bees. We operate in Pennsylvania, Florida, California, New York, and Maine. We produce honey and beeswax and provide pollination services for growers of a wide variety of crops. I have been a beekeeper for 44 years.

Over the years I have worked with beekeepers associations in several states and have allowed federal and university bee researchers to use my colonies for field trials in several projects. I am also well acquainted with beekeeping issues across the country, having been active in the American Beekeeping Federation for 25 years; I was ABF president in 1998 and 1999 and have served two stints on the National Honey Board.

My family beekeeping operation and all of the American beekeeping industry are facing many challenges. We are continuing to deal with three exotic pests: varroa mites, honey bee tracheal mites, and small hive beetles. USDA and University scientists and working on solutions to these pests, but they develop resistance to the treatments about as fast as they come on line. All these treatments are expensive — costly to purchase and labor-intensive to apply.

Modern commercial beekeeping is a highly mobile operation, as we beekeepers move our colonies from honey crop to pollination contract to winter nursery grounds in an attempt to maximize our revenues. Mobile means fuel-consuming which these days translates into more dollars for every tank full.

Honey prices have strengthened recently, but they have been severely depressed for several years. Drought has taken a toll on honey crops, as it has on other crops, but poor honey crops don't always see the expected bump in prices, since honey is a world crop that is freely imported into the United States.

Frequently, this imported honey is sold at prices below the U.S. cost of production. This gives producers in developing countries like China a clear economic advantage since they are not required to adhere to many of the costly requirements or realities of doing business in the U.S. Relatively low labor costs for foreign producers, and the lack of disincentives for adulteration or production of low-quality product are among the most problematic.

We are also facing an erosion in our markets from what we call "honey pretenders" – products that purport to be honey but are blends of cheaper sweeteners labeled to confuse consumers into thinking they are buying 100% pure honey. I see these fraudulent products on sale everywhere I go. The honey processors who buy my honey have to complete with them, resulting in lower prices paid to me.

Many of these "honey pretenders" contain little of no honey. Sometimes their labels are legal, if confusing to all but the most astute shoppers. Others are outright frauds that are clearly labeled as Pure Honey, even though they are not. We continue to seek assistance of the Food and Drug Administration to combat the frauds, but in this day of tight budgets, FDA assistance is very limited. The U.S. honey industry has petitioned the FDA to establish a Standard of Identity for Honey that we see as one means of dealing with "honey pretenders." We ask the committee to identify this as priority for FDA and recommend that FDA devote sufficient staff and resources to this effort to promulgate a Standard of Identity for Honey as soon as possible.

HONEY MARKETING LOAN – OUR SAFETY NET

During the earlier period of honey price downturn, the honey marketing loan program of the 2001 Farm Bill served as a true safety net. It worked as intended, allowing honey producers to borrow funds while holding their honey crop for a better market – and the program has operated a minimal cost. In periods of low prices, it is critical that we beekeepers have this program available.

The industry is also working with USDA's Risk Management Agency to make affordable and effective honey crop insurance available. I look forward to have such a crop insurance program to help stabilize my honey production income during times of disaster-diminished honey crops. However, so far RMA has not approved or piloted any crop or revenue insurance products for beekeepers. We urge the Committee to encourage RMA to move forward in this area.

POLLINATION – SWEETER THAN HONEY

Honey bees are known for their honey, but their value as pollinators of plants vastly exceeds the value of the honey produced [about $200 million at the farm gate in the U.S. last year]. Through pollination our bees provide a unique and irreplaceable service to the rest of agriculture — a service that enables those growers to be more productive and efficient. A Cornell University study has determined that pollination by honey bees adds $14.6 billion in value major crops. And this total does not take into consideration the pollination of backyard gardens, ornamental plantings, and environmental plants.

In my own operation, we pollinate almonds, oranges, pumpkins, cherries, cucumbers, cantaloupes, watermelons, and apples. The growers of these crops, which are dependent on pollination, pay me for that service. However, even as heavily involved in pollination as I am, I depend on honey production to round out my income. Honey crops also give my bees a chance to rejuvenate and build up for the next pollination crop, since many crops we pollinate produce little or no honey.

Honey bees play a vital role in their pollinating of plants that are important to the environment and conservation. It is important that beekeepers continue to be allowed to place their colonies on conservation acreages and that beekeepers be eligible for participation in conservation best practices programs.

U.S. beekeepers, especially those who operate in the Northeast as I do, are facing a shortage of natural habitat due to increasing suburban encroachment and land use changes have converted much prime bee habitat to other non-bee-friendly uses.

I have been told that the European Union has included an explicit economic incentive for farmers to set aside habitat for native species, especially pollinators like bees, in their Common Agricultural Policy (CAP). The CAP aims to implement coherent and integrated agricultural and environmental policies. I encourage the Committee to study the EU model closely as it may represent a non-trade-distorting green box agricultural policy that achieves multiple aims – decoupling most direct payments from production, encouraging preservation and enhancement of conservations buffers in agricultural areas, providing wildlife habitat and refuge for keystone species, especially pollinators, and compensate farmers and land-owners for lost revenues with economic incentives to maintain and implement good environmental practices, such as growing plant communities that sustain and foster biodiversity and reduce pesticide and herbicide applications.

HONEY – TRULY A SPECIALTY CROP

Beekeepers want to be included in any specialty crop provisions of the new Farm Bill. Not only is honey itself a specialty crop, but, through pollination, honey bees contribute to the value of most other specialty crops.

While it might not lie within the Committee's jurisdiction, I want to bring one issue to your attention that is having an adverse impact upon the number and health of honey bee colonies available for crop pollination. Beekeepers depend on the ready availability of new queen honey bees to produce healthy colonies. We have traditionally depended on the U.S. Postal Service to deliver them from the queen-rearing areas of the South, California, and Hawaii. However, USPS is not requiring the airlines to accept live animals such as queen bees and baby chicks. As a result many queen producers and their customers are finding it almost impossible to obtain queens in a timely fashion. Here in the Northeast, our beekeepers must have queens delivered by air mail to assure their supply. This issue deserves Congress' attention too.

As the Committee begins to craft the new Farm Bill, I encourage you to work closely with national trade associations, such as the American Beekeeping Federation, in an effort to see that the Farm Bill ensures a safe and abundant food supply for consumers, protects producers from market disruptions and price/revenue volatility, and honors our commitments to free and fair trade, while enhancing environmental quality and biodiversity, wildlife habitat and preservation of open spaces.

Thank you for this opportunity to provide testimony on farm policy. I would be pleased to attempt to answer any questions you might have.

Sincerely,

David Hackenberg
Hackenberg Apiaries
Lewisburg, Penn.

DOCUMENTS SUBMITTED FOR THE RECORD

JULY 21, 2006

Statement of Senator Arlen Specter

Senate Agriculture Committee Field Hearing on the 2007 Farm Bill; Harrisburg, PA

July 21, 2006

Mr. Chairman: Agriculture is Pennsylvania's number one industry. According to 2004 U.S. Department of Agriculture (USDA) statistics, the market value of all agriculture production in PA was approximately $7,026,739,000. Since taking office in 1981, I have fought for all of our agriculture producers, ranging from those who produce milk, apples, peaches, or mushrooms. In the United States, Pennsylvania alone is the number one producer of mushrooms and the fourth largest producer of milk, apples, freestone peaches, and eggs.

With this in mind, I commend the Senate Agriculture Committee for holding a series of field hearings across the United States, including one in Pennsylvania, in order to gather input from those who the 2007 Farm Bill will directly affect: farmers. Farmers and rural America are the backbone of our great country. Everyday, they work the fields, milk the cows, herd the cattle, and pick the produce. I myself grew up in rural Kansas and in the summer of 1944 at the age of fourteen, I worked for Clyde Mills, father of my close friend and high school classmate Steve, driving a tractor in the wheat fields. The tractor pulled a combine, which cut the wheat, extracted the grain, and collected it in a large bin. From sunup to sundown I drove around fields of fifteen to twenty acres, cutting fourteen feet of wheat in a square, then driving in another square, cutting down fourteen more feet of wheat, and so on until the entire field was cut. Farming was a great incentive to become a lawyer. In any case, I learned a most poignant lesson

on the difficulties of working on a farm. This is why we need to ensure that our farmers are not left behind as the next Farm Bill is crafted.

Dairy is Pennsylvania's number one sector of the agriculture industry. In 2005, the Commonwealth of Pennsylvania produced 10.5 billion pounds of milk from 558,000 cows on approximately 9,000 dairy farms. Even though milk production had a market value of $7,026,739,000 in 2004, dairy farmers across PA and the nation have seen a downward trend of milk prices since November of 2005. This is why I worked hard with Senators Chambliss, Santorum, Kohl, and Leahy to get the Milk Income Loss Contract (MILC) extended until September 2007. The MILC program was created as part of the 2002 Farm Bill to provide supplemental payments to dairy farmers when the market price falls below a statutory trigger. The safety-net program has provided timely and crucial payments to producers, particularly when prices were low in 2002 and 2003. More recently, the drop in the price of milk below the statutory price of $16.94 per hundredweight has triggered the program to make payments to dairy farmers. Farmers across the nation should not be receiving decreased milk prices, especially with the increased costs of production, such as energy, fuel, and fertilizer. As a Co-Chair of the newly formed Congressional Dairy Farmer Caucus, I look forward to working with my colleagues to ensure a more stable dairy pricing system.

Specialty crops, including fruits and vegetables, are also major products of PA's agriculture producers. Pennsylvania's largest cash crop is the agaric mushroom and PA leads the nation in the crop's production in supplying 45 percent of the country's total production. Additionally, PA is the fourth largest producer of apples and freestone peaches in the United

States. Ensuring that these, and all specialty crop, producers have USDA programs to assist them should they experience market losses is crucial to Pennsylvania.

Organic farming was one of the fastest growing sectors of America's agriculture in the 1990's, and remains so today, with an estimated annual growth rate of about 15 percent. Consumers are demanding organic products and farmers in Pennsylvania have been switching to organic farming production in order to fill this market need. The 2007 Farm Bill needs to reflect this fast growing sector by further encouraging organic farming production.

Conservation funding, emphasized under the 2002 Farm Bill, has provided assistance to farmers to meet various environmental challenges relating to America's working land, including farmland protection, soil erosion, wetlands, and wildlife habitat. In PA alone, farms comprise about one quarter of the Commonwealth's land at 7,745,336 acres out of a total 28,684,800 land acres. I hope we can continue to emphasize the importance of conservation programs in the 2007 Farm Bill and further include existing conservation programs.

Finally, rural development is an important mission of the USDA and crucial to sustaining rural America. USDA's Rural Development programs offer financial assistance to rural communities to support essential public facilities and services, including housing, emergency service facilities, electric and telephone service, and water and sewer systems. Technical assistance and information is available for local communities to undertake community empowerment programs allowing these communities to create a local self-sustaining, long-term

economic development program. Also, the Department's loan programs provide local economic development by making loans available to businesses within the community.

Agriculture is important to Pennsylvania and to the entire nation. We need to ensure that the next Farm Bill provides our farmers with the assistance they need to overcome hardships, as well as providing our rural communities the financial and technical assistance they need to assure a vibrant and stable rural economy. Even though I voted against final passage of the 2002 Farm Bill because it disproportionately provided more federal funds to other states and regions in the United States, I look forward to working with the Senate Committee on Agriculture and my colleagues in the full Senate to ensure farmers across America are equitably treated when it comes to federal agricultural programs and assistance.

Written Comments
of the American Mushroom Institute, Washington, DC
and U.S. Apple Association, Vienna, VA

U.S. Senate Committee on Agriculture, Nutrition and Forestry
2007 Farm Bill Field Hearing
Harrisburg, PA
July 21, 2006

Mr. Chairman and members of the Committee, we appreciate the opportunity to provide written comments regarding the 2007 Farm Bill on behalf of the mushroom and apples industries, both of which have long played a valuable role in Pennsylvania agriculture and to the State's economy. Many producers are third or fourth generation and the majority of the operations are family owned.

Though apple producers are scattered throughout the state, the vast majority of production occurs in Adams and Franklin counties in the South-Central region of the state. With production averaging over 10 million bushels per year PA is ranked fifth nationally. Home to the largest processor in the country, about 75% of Pennsylvania's apples go to processing while the remainder are destined for the fresh market. The apple processing industry in turn helps support a number an ancillary industries such as packaging, trucking, and equipment manufacturers.

The 76 mushroom farms in Pennsylvania produce 60 percent of the nation's mushrooms, approximately 500 million pounds, with a crop value of more than $420 million. Total employment, including growing, packing, processing and shipping operations, is estimated at 8,500 workers.

Our organizations and others who represent specialty crop producers have been working over the past several years to develop policy proposals for inclusion in the upcoming Farm Bill. These proposals take into account the unique opportunities and challenges that specialty crop producers face.

State Block Grant Program

We support expansion of the State Block Grant Program for Specialty Crops that was authorized in the 2004 Specialty Crops Competitiveness Act. This program allows states to invest in programs and projects that support production-related research, commodity promotion, food safety and other programs that enhance the competitiveness of specialty crop producers. Due to the variety of crop production among states, the "state grant" nature of the program is essential to the success of the program in providing benefits tailored to the needs of local producers.

The 2001 state block grant program provided Pennsylvania's mushroom, apple, potato and Christmas tree growers with additional support for marketing and production

programs. Funding for the state's "Simply Delicious" program increased awareness of all Pennsylvania-grown fruits and vegetables.

Nutrition

Our commodities have the good fortune to offer consumers healthy and nutritious products that are recognized for contributing to overall good health. The Dietary Guidelines for Americans call for the consumption of 5-13 servings a day of fruits and vegetables as a cornerstone of good health. Yet, on a given day, 45 percent of children eat no fruit at all, and 20 percent eat less than one serving of vegetables. While nutrition policy is not solely a Farm Bill issue, you have a unique opportunity to enact policies to encourage full implementation of the Dietary Guidelines.

Future farm policy should not only support American agriculture; it should support and encourage the health and well-being of all Americans. Boosting domestic consumption of our perishable commodities will benefit the entire fruit and vegetable sector, resulting in stronger prices for producers across the country. As evidenced in Pennsylvania, the Fresh Fruit and Vegetable Program is an effective and popular nutrition intervention program proven to increase fresh fruit and vegetable consumption among children in participating schools. This program allows children to experience the great taste of fruits and vegetables, and has the potential to build lifelong healthy eating habits. Started in the 2002 Farm Bill and subsequently expanded during the reauthorization of the Child Nutrition Act in 2004, this program should be significantly expanded in the 2007 Farm Bill in order for all states to participate.

Conservation Policy

As a leader in farmland preservation, the Commonwealth of Pennsylvania is in a unique position to address urban encroachment and other issues that challenge the landscape of rural America. Similarly, fruit and vegetable producers have historically utilized techniques that preserve and protect the environment, such as recycling of waste products, judicious use of water resources, and implementation of land management plans.

We strongly urge the Committee to explore expanding cost share and incentive programs such as the Environmental Quality Incentives Program and the Conservation Security Program that encourage producers to invest in natural resource protection measures. There is also a need for targeted assistance to help fruit and vegetable producers access conservation programs, from education on available programs to technical assistance in preparing the necessary documentation and farm assessments.

International Trade Policy

U.S. fruit and vegetable growers face significant obstacles in the development of export markets and unique challenges due to the perishable nature of our products. Farm Bill programs that have worked well to increase access of domestic products to foreign markets are the Technical Assistance Program for Specialty Crops program and the Market Access Program. These should be continued and expanded in the next Farm Bill.

Research Policy

Fruit and vegetable crops have wide-ranging and critical research needs. These crops are usually characterized by high production costs and unique marketing challenges, but provide a significant source of essential nutrients required for good health. Research and development must address both aspects. Growers must have the tools to produce more efficiently, whereas nutrition research can provide significant return on investment through better health in the U.S. population.

Planting Restrictions

Fruit and vegetable producers strongly support maintaining and strengthening the current U.S. planting policy which restricts producers from growing fruits and vegetables on acres receiving program payments. This is an issue of fairness and equity. Any change could result in a severe, negative economic impact to various sectors of the fruit and vegetable industry.

We look forward to working with the Committee on the development of the next Farm Bill. Many of the pressures that fruit and vegetable producers face are similar to those of producers of all commodities – increased regulation, higher energy, transportation and input costs – but the perishability of our crops results in different marketing strategies, logistics and cost structures. We believe these unique characteristics must be addressed through agricultural policies that drive domestic consumption and expand foreign market access while investing in research, food safety and conservation policies that benefit the members of the produce industry.

Comments on Renewal of the Farm Bill
Submitted by Mr. Burleigh Anderson, VMD, Landisburg, PA
on Behalf of R-CALF USA
To the Senate Committee on Agriculture, Nutrition & Forestry
Regional Farm Bill Hearing
Harrisburg, PA

July 21st, 2006

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

I. Introduction

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

[1] Dr. Anderson can be contacted at 331 Ernest Road, Landisburg, PA 17040.
[2] U.S. Department of Agriculture, National Agricultural Statistics Service Agricultural Statistics Database, *U.S. and All States Data – Cattle and Calves*, 1994 – 2005.
[3] *Id.*

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

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

II. Ensure Genuine Competition in the Domestic Cattle Market

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

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

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

[5] McDonald at 7.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

III. Safeguard Health and Safety

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

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

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

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

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

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

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

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

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

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

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

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

[19] USDA PSD Database.

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

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

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

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

IV. Provide Information to Beef Consumers

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

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

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

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

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

V. Address Global Distortions in Cattle and Beef Trade

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VII. Conclusion

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

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

TESTIMONY TO
SENATE AGRICULTURE, NUTRITION & FORESTRY COMMITTEE
ON ISSUES RELATED TO THE 2007 FARM BILL

JULY 28, 2006
by
DENNIS McGRATH
PRESIDENT
WESTERN PENNSYLVANIA CONSERVANCY
209 FOURTH AVENUE, PITTSBURGH PA 15222

Mr. Chairman, Senator Chambliss, and distinguished members of this Committee, I am grateful for the opportunity to register comments and testimony on behalf of the board of directors, staff, and members of the Western Pennsylvania Conservancy.

The Western Pennsylvania Conservancy is Pennsylvania's oldest regional not-for-profit 501(c)3 conservation organization. During the past 74 years, we have partnered with hundreds of community groups, conservation organizations, government agencies and individuals in more than 45 counties stretching from Pennsylvania's borders with Ohio, West Virginia and New York, and east across the state to Harrisburg and beyond. We are proud to represent approximately 12,000 members and involve more than 5,000 volunteers every year in community conservation initiatives.

Since 2002, Farm Bill objectives of promoting stewardship of land and water resources through conservation and forestry provisions have been enormously successful in advancing conservation of wildlife habitat and improved water quality across the nation. In fact, the programs have been so successful that farmers' interest in enrollment has exceeded availability. In Farm Bill programs with funding caps, a $3 billion backlog of demand currently exists according to the Natural Resource Conservation Service.

In Pennsylvania, farming is a leading industry with over 7.7 million acres in farm production, and it accounts for $4 billion in cash receipts annually. Furthermore, Pennsylvania has a $5 billion forest products industry supported by nearly 17 million acres of forestland, of which 12 million acres (60%) are privately held. The impact that federal farm policy can have on our state is significant.

It is essential that the 2007 Farm Bill adequately addresses the demand placed on the conservation programs to maintain the high level of incentive for enrollment that will keep working farmland in production, while at the same time sustaining a healthier environment for present and future generations.

The Western Pennsylvania Conservancy is primarily focused on the conservation of lands and waters in western Pennsylvania and the diversity of life they support. For many years, we have monitored and assisted in on-the-ground Farm Bill conservation programs. We have witnessed how these programs have successfully helped to advance the protection of the rich biological resources of western Pennsylvania. The Upper Ohio River watershed is home to more than 15 federally-listed species of fish, mussels, plants and mammals, including 12 species of global significance. In addition, 16 of Pennsylvania's 20 state threatened or endangered fish occur within the upper Ohio River basin. Tributaries with outstanding diversity include French Creek and the upper Allegheny River, two areas of priority focus for WPC. Agriculture impacts these waterways.

Also at risk in western Pennsylvania is the small private family farm. Over 5,000 farms comprising over 500,000 acres of farmland have been lost to development in western Pennsylvania since 1970. Eastern Pennsylvania farmland is under even more pressure. Farm Bill

conservation programs provide important incentives to farmers to employ responsible farming practices that will help to sustain the economic viability of their farms while greatly improving the quality of our water and the protection of our wildlife habitats.

To summarize WPC's recommendations for the 2007 Farm Bill, we offer the following eight points based on our on-the-ground experience in working closely with farmers across western Pennsylvania.

1. Reauthorize all existing conservation title programs for a period of at least five years or until the next farm bill, whichever is longer.

The existing slate of Conservation Title programs provides a menu of choices for the conservation-minded farmer to select the one which is the best fit for their farm and its unique circumstances. Some programs have had a wide applicability while others are still effectively new and require broader deployment to meet their full potential.

For example: the Conservation Security Program's watershed implementation limits should be lifted, and it should receive adequate funding to make it a viable option for qualifying farmers.

2. **Increase the share of funding (as a percentage of total Farm Bill spending) for conservation programs.**

Given the demand for conservation programs, it is clear that farmers, including small farmers, value the opportunities provided by the Farm Bill to employ practices important to the long-term economic viability of their farms. Increased Farm Bill dollars for Conservation Title programs would help to address the high demand for these programs.

3. **Raise enrollment caps for acreage-capped programs by 15%.**

Successful programs such as Conservation Reserve Program and Conservation Reserve Enhancement Program need limits which can accommodate the demand that exists for these popular options.

4. **Support state flexibility to determine program design and eligibility criteria, technical service delivery and more efficient administration of conservation title programs.**

This will enable states to determine enrollment eligibility criteria for CRP/CREP which reflects the agricultural industry of that particular state; higher enrollments, better oversight and streamlined program administration through the expanded use of technical service providers; and prioritization of the most environmentally at-risk areas, which is most effectively done at the state level.

For example: Focus CREP on partial field and farm enrollments to avoid ineffective and counter-productive 'whole farm' enrollments.

5. **Emphasize the best, most cost-effective, measurable and time-tested conservation practices.**

Encourage, across all Farm Bill conservation programs, the use of proven practices, such as riparian buffers, cover crops, barnyard management and no-till best management practices and

other BMPs. Increased funding should be directed to implementing these widely applicable and cost-effective measures.

For example: Sensible reforms such as correlating riparian buffer size to stream size and waiving the restoration requirement of Wetlands Reserve Program will improve program design and implementation.

6. **Provide Pennsylvania and other states with an appropriate share of Farm Bill dollars to achieve geographic equity in conservation spending.**

In Pennsylvania farming is a leading industry with 59,000 farming families working over 7.7 million acres and accounts annually for $4 billion in cash receipts. However Pennsylvania's portion of Farm Bill funding is less than the national average. While commodity payments primarily benefit only a handful of states, nearly every state has conservation needs related to agricultural production. Therefore, Farm Bill funding for conservation should be structured to ensure that all states receive adequate funding to address their agriculture conservation needs.

7. **Elevate the role of forestland conservation across all conservation programs.**

- **Support and reward good forest management** by providing technical assistance and incentives for improved management practices on private forests that maintain forest health and ecosystem services while meeting landowner objectives.
- **Increase funding for forest conservation** to reduce parcelization and conversion of forestland and restore critical forest systems and protect these funds from being appropriated for other uses.
- **Enable increased cooperation and improved conservation performance** by enhancing communication, coordination, and prioritization across forest programs and between the agencies responsible for their delivery and landowners. These objectives are in keeping with the original goals of the Forestry Title of promoting sustainable forestland management and protection.

For example: Increase technical assistance and cost-share incentive funding through a combination of existing or revised programs, such as the Forest Stewardship Program, Environmental Quality Incentives Program, and Wildlife Habitat Incentives Program. Develop an ecosystem services pilot program for forest landowners that would provide federal dollars to be matched with private, municipal, state, or other funds.

8. **Sustain incentives for farmers and producers.**

Funding for conservation programs ultimately helps make farmers' operations economically viable. While conservation practices improve the environment, including protecting wildlife habitat, the improved practices can at the same time provide for overall better management and a greater economic return.

For example: Increasing the length of CRP contract renewals and offering increased federal dollars for cost-shared conservation practices are two examples of how programs can assist in keeping both family farms and wildlife habitat sustainable for future generations.

ARMPPA
American Raw Milk Producers Pricing Association
P.O. Box 134
Waunakee, WI 53597

Robert Strum, Chief Clerk
US Senate Committee on Agriculture, Nutrition and Forestry
Room 328-A Russell Senate Office Building
Washington, DC 20510-6000

Comments Concerning Dairy Policy in the Upcoming Farm Bill

My name is Gerald Carlin. My wife, children, and I own and operate a dairy farm in Susquehanna County, Pennsylvania. I am the Secretary of American Raw Milk Producers Pricing Association (ARMPPA) based in Waunakee, Wisconsin. ARMPPA has about 1600 members across the United States. I am commenting on their behalf.

As work progresses on the new Farm Bill, it is imperative that the Senate Agriculture Committee focus on the true needs of real farmers whose blood, sweat, and tears make agriculture work.

I am a dairy farmer. I have talked with many dairy farmers across the country, and many concerns surface over and over again. Most dairy farmers recognize that severe injustice has been dealt upon us both by globalization and by lack of protection for farmers in the marketplace. It is these injustices that have had a profoundly adverse impact on farm milk prices. Farmers whom I have talked to are generally too stressed out physically and financially to have any impact in the public debate on agriculture. Most are struggling just to hang on, having lost all hope that any disconnected politician in Washington really cares whether or not farmers receive a just reward for their labor.

One major area of concern is the failure of today's dairy co-ops to fight for fair farm milk prices. In 1922, Congress passed the Capper-Volstead Act which allowed farmers to form co-ops for the purpose of bargaining in the marketplace for a fair price. This gave small farmers with little economic power the chance to join together and have power.

The vast majority of co-ops have long since abandoned their original mission and mandate, having become, for all practical purposes, ruthless corporations that exploit their members, especially smaller producers. Co-op members have been bullied and blackmailed. Moreover, dairy co-ops have joined dairy processors in seeking higher "make allowances" which would further lower farm milk prices. Co-ops have sought ways to take more money away from already pathetically low milk checks. In light of this failure, it is essential that the new Farm Bill address milk pricing issues in a positive way. With rapidly increasing production costs, and continuous weather challenges and disasters,

farm milk prices lower than 25 years ago are obscene.

Retail prices for dairy products have increased over 80% during the same time. Dairy farmers have no power in the marketplace against huge multi-national food processors and retailers who essentially dictate low prices to dairy farmers. It seems abundantly clear that the lack of connection between farm prices and retail prices signals a collapse in the way in which free markets should operate. There is no retail price signal related to farm price. It is vital that there be some connection between farm milk price and retail dairy prices.

Another area of concern is the globalization of agriculture which has led to farmers' being treated as a commodity and not as people. Farmers are just pawns to be manipulated in such a way as to obscenely enhance the fortunes of a few. National food sovereignty, the right and responsibility of our nation to maintain agricultural and food policy that best meets our farmers' needs and ultimately the best interest of our people, is critically important. We must not allow multi-national agri-business and foreign concerns that have no public accountability dictate to us what we can and cannot do in the Farm Bill. A nation that cannot or will not look after its own food producers is a nation at risk.

Another area of concern is the self-regulated and highly suspect Chicago Mercantile Exchange (CME) which determines the farm price of milk for the whole country on an extremely small percentage of our nation's cheese and butter being traded with very few players. The NASS survey, shrouded in secrecy as to who the participants even are, parrots the results of "trading" on the CME. This system of pricing milk must change.

The 1937 Agricultural Marketing Agreement Act (AMAA), which is still quoted by USDA officials when it serves their interest to do so, mandated the US Secretary of Agriculture to consider regional production cost in the milk pricing formula.

7 USC 608 c (18)

MILK PRICES

The Secretary of Agriculture, prior to prescribing any term in any marketing agreement or order, or amendment thereto, relating to milk or its products, if such term is to fix minimum prices to be paid to producers or associations of producers, or prior to modifying the price fixed in any such term, shall ascertain the parity prices of such commodities. The prices which it is declared to be the policy of Congress to establish in section 602 title shall, for the purposes of such agreement, order or amendment, be adjusted to reflect the prices of feeds, the available supplies of feeds, and other economic conditions which affect market supply and demand for milk or its products in the marketing area to which the contemplated marketing agreement, order, or amendment relates. Whenever the Secretary finds, upon the basis of the evidence adduced at the hearing required by section 608b of this title or this section, as the case may be, that the parity prices of such commodities are not reasonable in view of the price of feeds, the available supplies of feeds, and other economic conditions

which affect market supply and demand for milk and its products in the marketing area to which the contemplated agreement, order, or amendment relates, he shall fix such prices as he finds will reflect such factors, insure a sufficient quantity of pure and wholesome milk to meet current needs and further to assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs, and be in the public interest. Thereafter, as the Secretary finds necessary on account of changed circumstances, he shall, after due notice and opportunity for hearing, make adjustments in such prices.

This is not just a good idea. This is the law. Act on it.

In the St. Albans Cooperative Creamery, Inc. et al Plaintiffs versus Dan Glickman, Secretary of Agriculture, Defendant case, US District Judge William Sessions III had cited Dan Glickman for failure to consider dairy farmers' cost of production in the milk pricing formula. Judge Sessions made clear in his "Opinions and Order" that " . . . this court looks to the direct language of the statute to determine the sufficiency of the Secretary's consideration, which makes no mention of indirect consideration being adequate in meeting the requirements of 608 c (18). The record shows no direct consideration of regional costs in feed, feed availability, or other region specific economic factors." Judge Sessions also stated that ". . . the court finds the Secretary's Final Order and Decision violates Congress' mandate under the 1937 Agricultural Marketing Agreement Act (AMAA). . ."

Congress must renew the mandate for Federal Milk Marketing Orders to print cash cost of production and total economic cost of production data in their monthly bulletins.

In summary, the milk pricing formula should factor in the market price from an accountable marketplace, regional average total economic cost of production, and a consumer price index factor for dairy products. This would establish a realistic farm price for milk based on current economic realities. Production controls may be necessary at some point. This would be far more desirable than the current policy of economic strangulation of dairy farmers. In a world where 800 million or more people go to bed hungry every night, the United States has the capacity to make a positive difference. It would be far more productive to offer food aide from surplus food than to become dependent on foreign food as our own country's farmers disappear. If the United States expects its farmers to continue to produce enough food to meet our needs, we must see to it that there is financial reward in doing so.

Testimony of Heritage Conservancy submitted to the Senate Committee on Agriculture
2007 Farm Bill Field Hearing
Harrisburg, Pennsylvania
July 21, 2006

Dear Chairman Chambliss, Ranking Member Harkin, and Members of the Senate Committee on Agriculture:

As a respected non-profit organization with nearly 50 years experience in land conservation, Heritage Conservancy is pleased to offer this testimony for the field hearing on the reauthorization of the 2002 Farm Bill. Our work is based on the establishment and preservation of sustainable, working landscapes, and the various conservation programs contained in the Farm Bill are a critical tool to achieving this goal. Heritage Conservancy's Lasting Landscapes® approach to conservation epitomizes the conservation community's evolving emphasis on working landscapes. By treating the environment, agriculture, economic revitalization, recreation and tourism as intimately linked issues, we work diligently to make connections among disparate partners and stakeholders in finding solutions that are specific to a particular landscape.

Agriculture is a deeply embedded aspect of life in Pennsylvania. It is essential to the way of life for many residents of the Commonwealth, whether they live in traditional, rural communities, or in growing suburban areas. In the greater Philadelphia region, for example, farmers continue to play an integral role in the community fabric and the conservancy's efforts at land preservation focus on both ensuring a sustainable way of life for farmers, as well as working with them to better integrate farming practices as the landscape changes around them. In fact, 86% of fruits and vegetables and 63% of dairy products are produced in urban-influenced areas.[i] Connecting people to the land and their food is an important goal of the conservancy. Working closely with the region's agricultural extension offices and conservation districts, we offer educational and outreach programs to engage farmers and offer information about land preservation and best management practices. Though the current Farm Bill does an admirable job of offering tools for conservation, we feel the 2007 reauthorization process offers a unique opportunity to improve and enhance those conservation programs.

Pennsylvania's agriculture is unique, and includes specialty produce such as grapes and peaches. Livestock production is also a significant portion of agricultural production consisting of chicken, hogs, cattle, ewes and sheep. Nationwide, the state ranks as harboring the third largest corn-for-silage-acreage in the country. When it comes to conservation, the state leads the nation in the purchase of development rights through the Federal farmland preservation program, leading to 240,000 acres preserved as of June 2002.[ii] However, in total, the Northeastern states received just 3.4% of all conservation payments from the 2002 Farm Bill.[iii]

In general, we believe that the conservation programs should be greatly expanded; that in fact funding for these programs under the Farm Bill ought to be doubled. Changes to farming and trade policy under other titles of the Farm Bill should provide enough funding to accomplish this, and we can think of no better reallocation than to remove unnecessary subsidies, and bolster support for conservation of our critical natural resources.

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President
Clifford C. David Jr.

Directors Emeritus
Robert L. Byers
William F. Heefner, Esq.
Joseph R. Kempter, C.P.A.

85 Old Dublin Pike
Doylestown, PA
18901-2489

(215) 345-7020
(215) 345-4328 Fax

www.heritageconservancy.org

The next Farm Bill should serve to increase rewards for better stewardship of our natural communities. It should support local farmers at least as much as it supports large farmers. The Farm Bill should expand conservation payments to cover more crops and activities as too much remains ineligible under the current statute. Finally, Pennsylvania receives one of the smallest allocations of funding for conservation programs among all states. And while there is overwhelming interest, that need is not being met with enough funding here in Pennsylvania.

Of vital importance to the conservancy is support of small farmers. In Pennsylvania, the average farm size is 158 acres. We believe there is significant disconnect with urban and suburban populations and their environment – wildlife, water, land, and food. However, the Kellogg Foundation completed a study and found great support for local production of food. Importantly, the study found that 70% of those surveyed want local food available. Additionally, 81% would pay more for food grown with sound environmental practices. To the conservancy, these two aspects must be fully addressed as the Farm Bill is reformed.

Conservation

Most importantly, the easement programs should be expanded. The Farmland and Ranchland Protection Program (FRPP), the Wetlands Reserve Program (WRP), and the Grasslands Reserve Program (GRP), as well as the Forest Legacy program are all critical tools for conservation organizations to find solutions for individual landowners. While land trusts typically prefer donations, this is an increasingly limited option for many landowners with substantial financial needs. Easement programs such as those within the Farm Bill provide additional options for landowners. Most farmers would prefer to see their lands continue to be farmed, and at the least, prefer conservation. The combination of these programs allows landowners to either preserve agricultural uses or retire them through an easement.

Additionally, there are a number of conservation programs – "green payment" programs – that could be improved in our region. For example, the Conservation Reserve Program (CRP) has been incredibly popular in other parts of Pennsylvania. Unfortunately, its geographic scope does not cover the Delaware River watershed, one of the fastest growing areas in the Northeast United States. Indeed, Pennsylvania has one of the nation's highest rates of land consumption over the past twenty years. Inefficient land use is at the root of the problem, and the conservancy works with federal, state and local officials to improve land planning, land use and zoning, including agriculture. Expanding coverage of the CRP program to the Delaware is critically important, as is increasing the amount of funding allocated to Pennsylvania to cover this expansion of the program.

Forestry

We also advocate for the inclusion of the *Suburban and Community Forestry Bill*, as proposed by Senator Collins, Senator Santorum and Congressman Fitzpatrick, under the Forestry title of the new Farm Bill. By doing so, Congress could expand support for preservation of forestlands in suburbanized landscapes. In places like Pennsylvania forest cover was dramatically reduced at the beginning of the 20th century. Forests are coming back, but we are unfortunately again experiencing a decline in forest cover in suburban areas as land conversion for homes and businesses either eliminate forest cover, or replace standing forests with incomparable landscaping. Including this bill would offer $50 million annually for communities to preserve forestlands in regions where development pressures are great and land prices are high. Forest Legacy, a highly successful conservation program which was started as part of the 1990 Farm Bill, focuses on working forestlands and the timbering industry. However, the *Suburban and Community Forestry* Bill would complement and augment this program by focusing on preserving community forests within the suburban geographies of the nation. We would anticipate another highly successful program, popular with both farmer and conservationists alike, if the *Suburban and Community Forestry Bill* were included in the next Farm Bill.

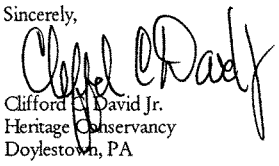
Organic Farming

Heritage Organics™ is a venture of Heritage Conservancy with purpose of enhancing the economic viability of farming in suburban areas. It aims to do this through support of organic farming, specialty

produce and native species landscaping sales. By teaching and consulting to farmers threatened with development pressures or depressed traditional agricultural prices, the conservancy works to provide lessons on transitioning to organic farming, and development of coordinated marketing and distribution avenues. On many farms in the areas we work, development has caused land prices to far outstrip the economic returns of traditional farming. In order to help preserve the way of life for farmers, we help them find new market opportunities, information, partners, and funding. We encourage the committee to continue to support and improve organic farming under the Farm Bill.

We sincerely appreciate the opportunity to offer our testimony as the committee undertakes reauthorization of the Farm Bill.

Sincerely,



Clifford C. David Jr.
Heritage Conservancy
Doylestown, PA

Cc: Senator Arlen Specter
Senator Rick Santorum

About Heritage Conservancy
Founded in 1958 as the Bucks County Park Foundation, Heritage Conservancy has grown to be a respected leader in protecting the natural and historic resources of our region and beyond. Our mission is *Preserving our Natural and Historic Heritage.* Today, our 25+ staff organization partners with a wide range of conservation groups, serves as consultants to community planning boards, provides expertise in land use planning, and offers authoritative evaluations of historic architecture. The conservancy was recently rated 4-star, and ranked # 1 among environmental organizations nationwide by Charity Navigator. Headquartered in Doylestown, PA, it has an annual budget of $2.5 million, owns or holds easements on over 5,000 acres of land in Pennsylvania.

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[i] American Farmland Trust
[ii] Ibid
[iii] Pennsylvania State University Agriculture Extension

Testimony of State Senator Mike Waugh, Chairman
Pennsylvania Delegation of the Chesapeake Bay Commission
Harrisburg, Pennsylvania
submitted to
U.S. Senate Committee on Agriculture, Nutrition, and Forestry
Field Hearing
July 21, 2006
Harrisburg, Pennsylvania

On behalf of the legislative and public members of the Pennsylvania Delegation of the Chesapeake Bay Commission, I would like to thank the Committee for the opportunity to provide testimony regarding the expected reauthorization of the Farm Bill in 2007. With this reauthorization comes an historic opportunity to provide for the future of agriculture in our region, as well as the future of the Chesapeake Bay and its thousands of tributaries throughout the watershed.

Within the Chesapeake region, states including Pennsylvania have developed "tributary strategies" to address the impairment of the Bay by the year 2010 per the federal Clean Water Act. This impairment is the result of excess nitrogen, phosphorus, and sediment loadings to the Bay. These strategies, although inclusive of all sources of nutrients and sediment, rely heavily on agriculture to achieve our water quality goals. Some if this reliance is due to the scale at which agriculture is a dominant land use in the watershed. Another factor is the extent to which agricultural best management practices are some of the most cost-effective at reducing loadings to the Bay[1]. In Pennsylvania, agriculture is expected to contribute 70% of the nitrogen, 72% of the phosphorus, and 92% of the sediment reductions.

These reductions are needed in spite of the significant measures already being taken by our farmers in Pennsylvania. We have the leading farmland preservation program in the nation, were a leader in implementing a state-wide nutrient management program, which has recently been expanded, and provide approximately $20 million annually for implementation of best management practices by farmers in our portion of the Bay watershed, a figure approximately equal to the federal support for these practices.

Additionally, I and my colleagues in the Delegation have introduced several pieces of state legislation to support additional farmland preservation, new markets for Pennsylvania agricultural products, and new mechanisms for funding best management practices. However, as a state we are not able to meet our federal obligations on our own.

On behalf of the Chesapeake Executive Council, the Commission has been actively engaged in discussions with agricultural, conservation, academic, and governmental leaders about the role of Farm Bill conservation and conservation-related programs in our efforts to

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[1] *Cost-Effective Strategies for the Bay*, Chesapeake Bay Commission, 2004, http://www.chesbay.state.va.us/cost%20effective.pdf

improve water quality. Throughout these discussions it became clear that without a healthy agricultural economy we cannot achieve our goals. As a result, our guiding principle throughout the process was as follows:

> *Support the successful attainment of the Chesapeake Bay nutrient and sediment reduction goals while strengthening the economic viability of agriculture in the watershed.*

This principle recognizes the role of farmers as stewards of the land and acknowledges the challenges they face.

With this principle in mind, our continued outreach resulted in a list of five priority recommendations for the 2007 Farm Bill, as well as several program-specific recommendations. The top five priorities are[2]:

1. Establish a Regional Stewardship Fund to increase flexibility in the delivery of Federal funds.
2. Implement the Conservation Security Program as a nationwide entitlement program.
3. Target funds to maximize environmental benefits and ecological services.
4. Provide increased support for the economic viability of agriculture.
5. Increase funding and technical assistance for conservation-related programs.

Regional Stewardship Fund

Throughout our discussions, the need for flexibility among states in the use of federal funds was a recurring theme. Additionally, mechanisms to coordinate and leverage federal, state, local, and private funding are limited. As a result, the concept of a Regional Stewardship Fund was developed.

The focus of a Regional Stewardship Fund would be to concentrate additional funds within a priority region with established goals and specific objectives. Eligible projects should be those that specifically address water quality and land stewardship needs States and other non-federal partners willing to provide at least 25% of project costs, both cash and in-kind, should be given priority. Tracking and monitoring of implemented practices should be required.

Conservation Security Program

The Conservation Security Program was repeatedly cited as a program that can achieve two major goals: 1) widespread adoption of conservation measures on working lands; and 2) higher levels of environmental performance that go beyond the minimum regulatory requirements.

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[2] *2007 Federal Farm Bill: Concepts for Conservation Reform in the Chesapeake Bay Region*, Chesapeake Executive Council, 2005, http://www.chesbay.state.va.us/Farm%20Bill%20Report.pdf

As a result, our recommendation is to increase funding and expand the Conservation Security Program to all watersheds. The program should be offered on a continuous sign-up basis and incorporate performance-based payments.

Maximize Environmental Benefits

Given the scope of the challenges facing Bay restoration, maximizing the cost-effectiveness and environmental outcomes of conservation programs is critical. Incentive-based programs that target funds to local and regional needs and that measure and document results will be key.

Agricultural Viability

Without well-managed working farms in our watershed we will not be able to achieve our goals. A major obstacle to implementation of conservation practices is the financial ability of the farmer to provide cost-share. Additionally, the loss of farm viability results in continued conversion of farmland to development.

Support for value-added market development, renewable energy projects, and risk management tools highlight the value of Farm Bill programs that are not within the Conservation Title but still provide significant conservation benefits.

Financial and Technical Assistance

Several of the above recommendations discuss how current programs can work better. However, the scope of our restoration effort requires that the programs also be available to more farmers. This is only achievable through increased funding for best management practices and for the technical assistance professionals who facilitate practice implementation.

The need for technical assistance is especially important as new and innovative practices are developed to improve cost-effectiveness and achieve nutrient and sediment reductions on a larger scale. In many cases, these new practices may have initial start-up costs or learning curves that must be overcome but can be self-sustainable over the long term.

For additional information on our priority recommendations and several program-specific recommendations, please refer to the report cited in footnote #2. It should be noted that these recommendations, which are beneficial to Pennsylvania and the Bay region, can also be beneficial to other states and regions throughout the country facing similar water quality challenges.

Again, the Delegation appreciates the opportunity to testify regarding the 2007 Farm Bill and looks forward to participating in the ongoing dialogue. If you have any questions, please contact our Pennsylvania Director, Marel Raub, at 717-772-3651 or marelraub@covad.net.

SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY
FARM BILL REGIONAL HEARING
HARRISBURG, PA
JULY 21, 2006

STATEMENT OF PENNSYLVANIA DIETETIC ASSOCIATION

My name is Susan Gargano and I am the Federal Legislation Chairperson of the Pennsylvania Dietetic Association (PADA). I am representing the 3,500 members of the PADA and the 65,000 members of the American Dietetic Association (ADA). PADA and ADA commend the United States Senate for conducting a series of hearings as part of Farm Bill 2007 development. In addition, to the regional hearings, we ask the you hold a hearing on nutrition – in particular nutrition research, education and extension efforts – as part of the Farm Bill reauthorization process.

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

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

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

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

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

Improving the nutritional status of Americans needs to rise in priority in food assistance programs, other food programs, and truly, for all Americans. A USDA study found a lack of several key nutrients in American diets, with nearly 93 percent of Americans having deficiencies in vitamin E. Americans also are not getting enough vitamin A, vitamin C or magnesium, according to the study. At the same time, consumers are eating too much of other dietary components. Almost 60 percent of the population consumes more than 10 percent of calories from saturated fat.[2] Approximately 95 percent of adult men and 75 percent of adult women exceed 2,300 mg of sodium per day.[3]

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

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

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

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

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

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[2] Briefel RR, Johnson CL. Secular trends in dietary intake in the United States. *Annu Rev Nutr.* 2004;24:401-431.

[3] Institute of Medicine. Dietary Reference Intakes for Water, Potassium, Sodium, Chloride, and Sulfate. Washington, DC: The National Academies Press; 2004.

[4] U.S. Department of Agriculture, Economic Research Service and Center for Nutrition Policy and Promotion. *USDA's Healthy Eating Index and Nutrition Information.* Technical Bulletin No. 1866, by Jayachandran N.Variyam, James Blaylock, David Smallwood, Peter Basiotis. Alexandria, VA; 1998.

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

Conclusion

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

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

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

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

Susan Gargano, MS, RD, LDN
820 North 38th Street
Allentown, PA 18104

July 28, 2006

NATIONAL CAMPAIGN FOR SUSTAINABLE AGRICULTURE
PO Box 396 PINE BUSH, NY 12566

National Campaign for Sustainable Agriculture
Competition and Concentration Committee Comments
submitted for Farm Bill Hearing July 21, 2006

Today, a small handful of corporations overwhelmingly dominate the nation's food supply. The market control of the top four firms in food retailing, grain processing, red meat processing, poultry processing, milk processing, and nearly every category of food manufacturing is at an all time high. Corporate mergers and buyouts have concentrated the power of these firms and increased their ability to unfairly manipulate market conditions in their favor. This unprecedented level of horizontal market consolidation effectively eliminates free market competition to the detriment of independent family farmers and consumers.

Compounding the problem associated with horizontal consolidation is the rapid trend toward vertical integration. Manufacturers, processors, and packers increasingly control all stages of production and inventory through commodity ownership and one-sided contracts. This corporate control of production unnecessarily eliminates market transparency, creating an environment ripe for price manipulation and discrimination. It replaces farm-level decision making with centralized corporate planning and leaves farmers trapped in long-term debts tied to short-term, non-negotiable production contracts. In addition, top retailers and packers increasingly engage in relationships with dominant suppliers that exclude smaller competitors and minimize price competition. Because both supply and demand are controlled by the same players in the market, the basic principles of supply and demand cannot function.

The role of government should be to facilitate properly operating markets and to bring balance to the economic relationships among farmers/ranchers, consumers and food companies. Instead, inadequate federal legislation and the lack of enforcement of anti-trust policies have allowed a handful of corporations to continue to consolidate market power, manipulate prices, and create anti-competitive market structures. Government inaction has a dramatic, negative impact on not only farmers and ranchers, but also on rural communities, the environment, food quality, food safety, and consumer prices. It undermines sustainable production practices and state and local laws that support family-scale, sustainable farm and ranch operations.

Policy makers often state policy goals of maintaining a diverse, farm-and-ranch-based production sector and providing consumers with a nutritious, affordable food supply. However, government failure to redress industry concentration -- both vertical and horizontal --is thwarting these policy goals and driving farmers' earnings down and consumer prices up.

Phone: 845 361-5201 **Fax**: 845 361-5204 **Email**:campaign@sustainableagriculture.net www.sustainableagriculture.net

To address these problems, the following legislation should be enacted:

1. **Prohibition on Packer-Owned Livestock:** Packer-owned livestock is a major market power tool for meat packers such as Tyson, Cargill, and Smithfield Foods. This practice fosters industrial livestock production and freezes independent farmers out of the markets. Packer-owned livestock has been proven to artificially lower farm prices while consumer food prices continue rising. A packer ban -- prohibiting direct ownership of livestock by major meatpackers -- addresses the problem of captive supply which packers use to manipulate markets. A packer ban would help increase market access for America's independent producers who currently experience great restrictions in market access due in part to packer ownership of livestock.

2. Producer Protection Act: This proposal is designed to set minimum standards for contract fairness in agriculture. It addresses the worst abuses contained in processor-drafted boilerplate contracts. It includes:
(1) Clear disclosure of producer risks;
(2) Prohibition on confidentiality clauses;
(3) Prohibition on binding arbitration in contracts of adhesion;
(4) Recapture of capital investment (so that contracts that require a significant capital investment by the producer cannot be capriciously canceled without compensation); and
(5) A ban on unfair trade practices including "tournament" or "ranking system" payment.

3. Transparency/Minimum Open Market Bill: In the absence of a mandatory minimum open market volume, all producers will be forced into unfair contracts with specific packers. This bill will require meat packers to purchase at least 25% of their daily hog and cattle needs from the open market and will limit the ability of packers to use their owned and contracted livestock to manipulate prices down artificially.

4. Captive Supply Reform Act: This legislation will bring secret, long-term contracts between packers and producers into the open and create a market for these contracts. The Captive Supply Reform Act would restore competition by making packers (and livestock producers) bid against each other to win contracts. Currently, forward contracts and marketing agreements are negotiated in secret, in a transaction where packers have all the information and power, with the result that these contracts and agreements depress prices and shut small and independent producers out of markets. The Captive Supply Reform Act would require such contracts to be traded in open, public markets to which all buyers and sellers have access.

5. Clarification of "Undue Preferences" in the Packers & Stockyards Act: Packers commonly make unjustified, preferential deals that provide unfair economic advantages to large-scale agriculture production over smaller family owned and sustainable farms. Courts have found current undue preference legal standards virtually impossible to enforce. Additional legislative language is needed to strengthen the law and clarify that preferential pricing structures (those that provide different prices to different producers) are justified only for real differences in product value or actual and quantifiable differences in acquisition and transaction costs.

6. Closing Poultry Loopholes in the Packers & Stockyards (P&S) Act: USDA does not have the authority to bring enforcement actions against poultry dealers. The P&S Act oddly omits this authority even as USDA can enforce the law against packers and livestock dealers. We seek to clarify that USDA's authority over poultry applies not only to broiler operations, but also to growers raising pullets or breeder hens. These loopholes should be closed.

7. Bargaining Rights for Contract Farmers: Loopholes should be closed in the Agricultural Fair Practices Act of 1967 (AFPA), and processors should be required to bargain in good faith with producer organizations. The AFPA was enacted to ensure that producers could join associations and market their products collectively without fear of retribution by processors. These goals have not been attained due to loopholes in that Act. Retaliation by processors is commonplace in some sectors. This legislation should be passed to promote bargaining rights and prevent processor retaliation.

8. Mandatory Country of Origin Labeling: Country of origin labeling (COOL) was passed as a provision of the 2002 Farm Bill. This popular measure allows consumers to determine where their food is produced while allowing producers to showcase their products for quality and safety. It also limits the ability of global food companies to source farm products from any country while passing them off as U.S. in origin. The meat packers and retailers have successfully stymied the effort to implement this law. Congress should immediately implement COOL to benefit producers and consumers as intended in the law.

Our country's farmers, ranchers, and consumers— both rural and urban— are asking for nothing more than a fair market and a competitive share for family farmers of the $900 billion dollars that consumers insert into the food and agriculture economy annually. Market reforms remain a key ingredient for rural revitalization and meaningful consumer choice. Laws to promote fairness and healthy competition, such as those outlined above, are key to achieving the goal of promoting an economically healthy and diverse agricultural production sector and providing consumers with healthy, affordable food.

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