S. HRG. 109–821

FIELD HEARING ON 2007 FARM BILL

HEARING

BEFORE THE

SUBCOMMITTEE ON FORESTRY, CONSERVATION, AND RURAL REVITALIZATION

OF THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

AUGUST 11, 2006

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FIELD HEARING ON 2007 FARM BILL

AUGUST 11, 2006

U.S. SENATE,
SUBCOMMITTEE ON FORESTRY, CONSERVATION AND RURAL REVITALIZATION,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Moscow, ID

The subcommittee met, pursuant to notice, at 9 a.m. at the University of Idaho, Hon. Mike Crapo, chairman of the subcommittee, presiding.

Present: Senator Crapo.

OPENING STATEMENT OF SENATOR CRAPO, A U.S. SENATOR FROM IDAHO

Senator CRAPO. Before I get into my opening statement, let me gavel this hearing open. This is a hearing, a formal hearing of the Senate Subcommittee on Forestry, Conservation and Rural Revitalization relating to the Federal farm policy.

Idaho is very fortunate. Not every state is going to be able to have a hearing. In fact, I believe most states are not going to be able to have hearings, and we are fortunate to be able to be one of the states that is going to be able to have a hearing in terms of providing input to the next Farm Bill.

I want to thank all the witnesses for the time and effort that they have put in to preparing their testimony and traveling here to participate in today's hearing.

As Congress prepares to write the next Farm Bill, there is really nothing more important than getting input from farmers and ranchers in rural communities and others who are most affected by the Federal farm policy.

Hearings such as this, which is the eighth Senate Agricultural Committee field hearing held across the nation, and the 11 field hearings that are being held by the House Agriculture Committee are essential in that process.

The world trade negotiations increased energy and other farm input costs and the far different Federal budget situation than the projected budget surplus that we had when the 2002 Farm Bill was written add significant changes to crafting the next Farm Bill.

However, it remains clear that producers must have a proper safety net, broader foreign market access and assistance with meeting the increased demands of our natural resources.

Through strong leadership the Senate Agriculture Committee, Chairman Saxby Chambliss, we are going to be working to write

a Farm Bill that meets these challenges while enabling success for U.S. agriculture.

The bottom line is that we need to ensure the Federal farm policy addresses the needs and complexes of agriculture, while continuing to enable farmers and ranchers to provide a safe and abundant food supply. Also helping them strengthen our rural communities, our businesses and supporting the stewardship of our rural communities.

This is not a small task. With more than 25,000 farmers and ranchers in Idaho producing more than 140 commodities, Idaho has an important voice to lend in writing the next Farm Bill.

Today we are going to hear from witnesses representing various Idaho agriculture sectors, and we are also going to hear testimony from conservation, rural development and nutrition groups and the Nez Perce Tribe.

There is ample opportunity beyond today to provide input for the next Farm Bill as well. The record for this hearing is going to remain open for five business days, and formal comments can be submitted during that time. Or anyone who's interested can submit informal views through the Senate Agriculture Committee website or through my own website, or by simply contacting me or my staff.

I look forward to our discussion today and to valuable input that we are going to receive from Idahoans as we craft this next bill.

Now, as we move forward with the witnesses, I want to remind all of the witnesses that as you were invited, the letter told you to prepare your testimony to last 5 minutes. Your written statements and testimony will be included as a part of the record. But I ask you to pay very close attention to the 5 minute limitation on your oral presentation, because we want to get engaged in some give and take on the questions and answers, and we do have a lot of witnesses to testify.

And if you are like me, your 5 minutes is going to be done before you are. I never seem to get everything I want said, said in the time limits that I have when I'm giving a speech or make a presentation.

So, what I would encourage you to do, Andree Duvarney is sitting right over here, she has some little time cards to help you remember where your time is. Andree, what do your cards say?

Ms. DUVARNEY. And I have 2 minutes warning, a 1–minute warning, and then a time up.

Senator CRAPO. OK. And I encourage you as the time is up, to please just kind of wrap up whatever thought you are on at that point.

Understand that you will have an opportunity to make the rest of your points or to present other information in a question and answer period or to supplement the record, but we do want to have you—we do want to try to keep everybody on time so that we can get everybody through in terms of their testimony, and have an opportunity for dialog.

So, I would encourage you to do that. And if you go too far over, I will likely rap the gavel here to remind you to wrap up so that we can keep ourselves on pace. I hate to do that and I hate to run such a tight ship, but we have learned that we have to do that, or

we won't get everybody's testimony concluded and have the opportunity for some give and take and questions and answers.

Now, I also want to announce one other change. As you may have noticed—if you picked up a schedule, we had originally scheduled three panels to take place. I note, though, that we have Ms. Rebecca Miles here with us, who is the Chairman of the Nez Perce Tribe, and I have asked Rebecca to speak first in the first panel.

So what we will do is proceed with the panels as they have been listed on the schedule, with the exception that we will have Rebecca speak first and represent the interests of the Nez Perce Tribe.

And, Rebecca, you are free to proceed.

STATEMENT OF REBECCA MILES, CHAIRMAN, NEZ PERCE TRIBE, LAPWAI, IDAHO

Ms. MILES. Thank you, Senator Crapo. Good morning. Taac Maywee. I appreciate the time to be moved ahead.

For the record, my name is Rebecca Miles, and I currently serve as the Chairman of the Nez Perce Tribal Executive Committee, and I would like to present the Tribe's testimony in support of the reauthorization of the Farm Bill.

I would like to thank the Senator for this important opportunity to work toward a unified vision for the Nez Perce Tribe and the U.S. Forest Service.

In May of 2005 the Intertribal Timber Council, of which the Nez Perce are a proud member of, assisted in strengthening and crafting a way for tribes and the U.S. Forest Service to work toward a government to government relationship that respected each Tribe's unique treaty with the United States.

The result was draft legislation developed by the ITC referred to as the Tribal Forest Service Cooperative Relations Act. The draft legislation authorizes the Forest Service assistance for tribal government, similar to the way the U.S. Forest Service provides assistance to state government.

In addition to addressing this issue of parity among the tribes and the state, I would also strongly urge the reauthorization specifically for tribal access to Forest Service lands for certain cultural and traditional purposes.

There are seven sections that assist in achieving that endeavor, and are as follows:

Section 101 would allow tribal governments to participate directly in the conservation easements provided in the Forest Legacy Program.

Section 102 would authorize assistance to tribal governments for tribal consultation and coordination with the Forest Service, conservation education and awareness activities, and technical assistance for forest resource planning, management and conservation.

Section 202 would authorize reburial of tribal remains on National Forest Service lands.

Section 203 would authorize Forest Service provision of forest products from National Forest Service lands to tribes, subject to a Forest Service-tribal agreement.

Section 204 would authorize temporary closure of the National Forest Service land for tribal traditional cultural and customary purposes.

Section 205 would prohibit the Secretary of Agriculture from disclosing to the public any confidential information learned from an Indian tribe or a member of an Indian tribe when the tribe or member requests that confidentiality be preserved.

Section 206 provides severability and a savings language for the trust responsibility, in existing agreements, and reserved for other rights.

The Forest Legacy and tribal assistance programs in Section 101 and 102 are from the 2002 Farm Bill conference deliberations. Section 102, tribal assistance programs, is in the same form developed by the conferees and accepted by the Forest Service just before the provisions were drafted from the Conference Bill when an unrelated difference of opinion caused all Senate-side forestry provisions to be eliminated.

The assistance authorities are based on provisions for state governments in the Cooperative Forestry Assistance Act, which also includes a Forest Legacy Program.

The Title II provisions dealing with protecting tribal traditional and cultural activities on National Forest Service lands are based on legislative suggestions developed and presented in the U.S. Forest Service's June 2003 Report of the National Tribal Relations Program Implementation Team.

The ITC also played a major role in identifying the shortcoming of the Forest Service in relation to these traditional and cultural resources and activities essential to each Tribe's way of life.

The ITC has been diligent in working with Congress but also the National Association of State Forester's organization to seek support under the State and Private Forestry Office. The NASF has met with the ITC on several occasions, and it was the intent of the ITC to clearly delineate the Tribes' efforts from the states, by communicating early on that the ITC seeking the establishment of new funding and a program to handle tribal affairs.

With this stated, it is important to recognize and inform you of the ongoing dialog between the two groups that has fostered a great working relationship between the two organizations, the ITC and the NASF. Also personal friendships between each of the respective Board members, and mutual understanding of the ongoing forest health and Federal forest management issues have strengthened this relationship.

Our hope is that the Nez Perce will be afforded funding and other resource opportunities under the reauthorized Farm Bill, in a larger effort to truly assist fish, wildlife, and vegetative resources management for our original 7.5 million acre Reservation that was ceded to the United States, which the U.S. Forest Service and BLM currently manage.

Much of the Nez Perce Tribe's territory is managed by the Forest Service, and as such, the Forest Service holds a trust responsibility to ensure the protection, enhancement, mitigation, restoration and of course utilization and access to these important resources.

At this time, Senator Crapo, I'd like to thank you for your consideration of my presentation to you today. We look forward to the successful outcome of the Farm Bill reauthorization.

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

Ms. MILES. I have with me Mr. Aaron Miles, who is also the natural resource manager for the Nez Perce Tribe, if you should have any questions for us.

Senator CRAPO. Thank you very much, Rebecca. I truly appreciate the attitude and the opportunities that we have in working closely with the Nez Perce Tribe under your leadership.

I can tell you that as I have been working on multiple issues throughout the region here in the last few days, and frankly over the last months, and the time period since you have become Chairman, it is a constant comment is made to me by many of the people throughout the region, that they appreciate the good working relationship that we have with the tribe and the opportunity that we have to develop collaborative opportunities to improve the circumstances.

So, I just first of all want to publicly thank you and the tribe for your approach to being a good partner with all of us on these issues.

In your testimony you indicated your support for tribal access to forest lands. Could you please explain a little bit more the importance of this and what you have in mind there?

Ms. MILES. Sure. I can explain briefly, and then Mr. Miles can continue.

Senator CRAPO. Certainly.

Ms. MILES. Access to those lands are vital to our tribal members who go and practice our cultural rights to gather berries, roots, hunting, those types of activities. Those are the types of activities that are important that our tribal members bring to us when they don't have access to these areas that they may have had access to previously.

Mr. Miles?

Mr. MILES. Yes. Senator Crapo. Yeah, that is exactly right. There are times when the tribe needs to work more collaboratively, and I think the provisions in this hopefully that will be in addition to the reauthorization of the Farm Bill will assist in us achieving that with the Forest Service.

Their examples, specific examples, were their closures where the tribes are not allowed to be in but they should be for cultural and traditional purposes that are very—lead right into the religious way of life, too.

Senator CRAPO. Well, thank you. And, again, I noted in your testimony, Rebecca, that Sections 101 and 102 that were in the 2002 Farm Bill conference, and then were dropped during the conference, those are Sections 101 and 102 of the Inter-Tribal Timber Council's agreement.

Is that what you are referring to?

Ms. MILES. Yes.

Mr. MILES. Yes.

Senator CRAPO. And those are still today not law, is that correct?

Mr. MILES. Yeah. That's what we understand. We are hoping to get those back in through this reauthorization.

Senator CRAPO. And I apologize that I am unfamiliar with the circumstances that took place at that time. But the reason they were dropped from the conference was because of the Senate side forestry provisions that were omitted from the conference?

Mr. MILES. Yeah.

Senator CRAPO. Well, I will take this information back as we develop the next Farm Bill and try to determine why those provisions were dropped by encouraging you to work closely with me and make sure I understand all of the background that you can provide to me on that as we move forward.

Mr. MILES. Senator, also, one other comment, the Inter-Tribal Timber Council has been fighting really hard also to change the name to state tribal and private forestry, in addition. And we've worked with NASF quite a few times. We've met with them several times to address all of this.

And originally they were kind of against this whole notion of tribes as governments getting involved with Forest Service management. And so we worked to dispel all of that, and I think they are very supportive of even the name change that we had requested, as well.

Senator CRAPO. Good. Well, as I indicated, I have had a lot of conversations about management issues in which the tribe is involved, and the Forest Service officials in the area are certainly I think pleased with the relationship they have and looking forward to developing an extended relationships between the two. So, I would encourage that.

I have no further questions. I want to just thank you again for presenting your testimony and for your working in partnerships with us.

Ms. MILES. Thank you, Senator Crapo. Enjoy your time here in Idaho.

Senator CRAPO. I will do that.

All right. At this time we will call up panel number 1, which is, as I think for those of you who know you are on the panel, start coming up please, panel number 1 is Mr. Tim Dillin, the Vice-President of Idaho Grain Producers of Idaho, from Porthill; Mr. Jim Evans, the Chairman of the USA Dry Pea and Lentil Council from Genesee, and the Idaho Dry Pea and Lentil Commission; and a slight change from the schedule, we have Mr. John VanderWoude, who is here representing the Idaho Dairymen's Association, from Twin Falls. No. Not Twin Falls.

Mr. VANDERWOUDE. I'm from Nampa.

Senator CRAPO. From Nampa. That is what I was going to say. And then Mr. Keith Esplin, who is the Executive Director of the Potato Growers of Idaho from Blackfoot.

We welcome all of you here with us. And, again, I remind you to watch out for Andree. She will be monitoring you closely. But we look forward to your testimony. And we will go in the order I introduced you.

Mr. Dillin, you may proceed.

STATEMENT OF TIM DILLIN, VICE-PRESIDENT, IDAHO GRAIN PRODUCERS OF IDAHO, PORTHILL, IDAHO

Mr. DILLIN. Thank you, Senator. On behalf of the Idaho Grain Producers Association, I'm pleased to be here and I am pleased to have been invited.

My name is Tim Dillin. I raise wheat, barley, and canola in Boundary County, Idaho. Just a stone's throw away from the Canadian border.

I currently serve all wheat and barley growers of Idaho as Vice-President of the Idaho Grain Producers Association.

On behalf of the IGPA, National Association of Wheat Growers, National Barley Growers Association, I would like to thank you personally for your help in requesting the FAPRI analysis for both the wheat and barley industries. The analysis is and will help us draft a better Farm Bill proposal.

Let me start by saying that the Idaho Grain Producers Association believes that we should write a new Farm Bill in 2007. A new Farm Bill and the support it provides to agriculture is far more important to Idaho growers immediately than waiting for a possible restart or eventual conclusions to the WTO talks.

We must never negotiate away our ability to sustain America's agricultural producers.

Now for commodity programs. The 2002 Farm Bill has many strong points. The wheat and barley growers that I represent here today believe that the next Farm Bill should build on these strengths. But, while wheat and barley growers generally support current policy, much of the safety net provided by the 2002 Farm Bill has not been effective for wheat farmers.

Since 2002, wheat growers have received little or no benefit from two key components of the current bill; the counter cyclical program and loan deficiency payment program, for two main reasons. The loan program and LDP program have not worked well for wheat growers. The target price on the counter cyclical program for wheat was set considerably lower than market conditions indicated.

In the final hours of negotiations of the 2002 Farm Bill, the target price for wheat was reduced when other crops were not. That reduction reduces the safety net for wheat growers.

For Idaho's wheat growers, IGPA recommends that Congress increase the direct payment rate for wheat growers and improve the price and safety net by increasing the target price for wheat.

Idaho's barley growers also need more from the next Farm Bill. Over the next 20 years—Over the past 20 years U.S. barley acreage has declined by 73 percent and production has declined by 65 percent. 2005 harvested acres of 3.3 million acres were the lowest since USDA began collecting statistics in 1890.

IGPA and the National Barley Growers Association believe that the U.S. barley has lost significant competitiveness in its traditional Northern Tier growing region due, in large part, to distortions in the Federal farm programs. And there's a chart in my written statements.

For Idaho's barley growers, IGPA recommends that the 2007 Farm Bill focus on equity for barley growers by ensuring that direct payments, loan rates and target prices provide a reliable safety

net and preventative planning distortions that jeopardize the competitiveness of barley production.

Idaho wheat and barley growers also understand that other cropping groups want to be included in the 2007 Farm Bill. IGPA does not oppose this request but we will remain steadfast in our position that adding new crops will require additional money to be authorized or appropriated for the 2007 Farm Bill. Distributing what we have now among more crops is unacceptable.

On conservation. Idaho wheat and barley growers are some of the best environmental stewards in the world. IGPA believes that conservation programs must continue to be an important component of all Farm Bills.

Conservation programs, however, must continue to be designed to encourage conservation and not become the distribution system for the farm safety net. Conservation compliance regulations, CPR, CSP and EQIP, and all other conservation programs, have improved our environment. They have been successful because they provide cost sharing and incentives to put conservation on the ground.

Idaho wheat and barley growers support continued funding for the conservation programs that are currently in the 2002 Farm Bill. IGPA recommends that each program be funded at a level that will allow the program to succeed and accomplishing its purpose.

IGPA will oppose any attempt to shift money from commodity title to the conservation title.

We would also recommend to your subcommittee that the administration of all conservation programs be provided by the Farm Service Agency and that the 2007 Farm Bill authorize and adequately fund NRCS to provide technical service for conservation programs.

We believe that the focus of conservation programs must be to continue providing incentive to agriculture to adapt conservation practices and never be authorized to distribute commodities for payments.

And just one final note. I talked to Steve Johnson yesterday, and it's about energy. And we would continue to support alternative energies, and also anything that we could do to alleviate our current energy situation, especially with the upcoming planting season.

And on that note, Senator, I would like to thank you for holding hearings in Idaho and we will continue to do anything we can to help you in writing the next Farm Bill.

[The prepared statement of Mr. Dillin can be found on page 70 in the appendix.]

Senator CRAPO. Thank you very much, Mr. Dillin.

Mr. Evans.

STATEMENT OF JIM EVANS, CHAIRMAN, USA DRY PEA AND LENTIL COUNCIL, IDAHO DRY PEA AND LENTIL COMMISSION, GENESEE, IDAHO

Mr. EVANS. My name is Jim Evans. I am a farmer of dry peas, lentils, chickpeas, wheat and barley near Genesee, Idaho. I am the Chairman of the USA Dry Pea and Lentil Council, a national organization representing producers, processors, and exporters of dry

peas, lentils and chickpeas across the northern tier of the United States. I also serve as the Chairman of the Idaho Pea and Lentil Commission, an organization representing Idaho pulse producers for over 40 years. And usually every Tuesday I take out the trash.

Idaho farmers would like to thank you for serving on the Senate Ag Committee as we approach the 2007 Farm Bill. Since you are Chairman of the Ag Subcommittee on Forestry, Conservation and Rural Revitalization, I would like to begin my comments with the conservation title of the Farm Bill.

The Council believes that our farm policy should reward producers for managing soil based on a long-term environmental sustainability on working lands.

First topic. CRP. Conservation Reserve Program has had many environmental benefits, but the way it has been managed has been devastating to rural communities. It puts fertilizer companies out of business. It puts implement companies out of business. It takes out rural jobs. Most of the landlords move to Arizona or California. It doesn't really bring money back to Idaho.

In the next Farm Bill, CPR should be limited to only the most fragile lands and whole farm bids should be difficult to obtain.

CSP. In order to achieve environmental and conservation goals of this great country, we need to fully fund the Conservation Program. I personally can't qualify for CSP, even though I am in the Clearwater drainage, because I have another farm that's bigger that's in the Snake River drainage. So I don't qualify.

Sign up for the current CSP program is time consuming, complicated, and it often fails to recognize accepted conservation practices in a local area. The program should reward producers for achieving conservation goals based on systems that are economically sustainable and result in significantly improved soil, air and water quality.

The CSP should be modified to reward producers for addressing conservation goals in their local watersheds and should encourage farmers to diversify their crop portfolios.

Research. To compete successfully in a global economy we need to increase our investment in agricultural research. The USDA Agriculture Research Service and our land-grant Universities have faced decreasing budgets for years. We support increasing agriculture research budgets in the next Farm Bill.

Energy. We fully support programs in the next Farm Bill to enhance the development of biodiesel fuels. But we also believe that crops like lagumes which do not take energy and actually put energy back into the soil should be rewarded for that benefit. We should be able to get a payment of some kind for that renewable energy source.

The Marketing Loan Program, the LDP program. I can't say enough how much this has helped our industry along. It gives us a safety net. I could go to my banker and get a loan now and I have a little bit of cushion there to know what's going on.

We support the counter cyclical, direct and counter cyclical payment. Pulse crops are the only crop who do not get a payment. We would like to be included in that program because we are excluded from Cuba and a lot of different countries that are right 90 miles off our shore.

Planting flexibility. Specifically, the 1996 Farm Bill, we were allowed to plant on all our acres. Chickpeas especially are a vegetable crop, and we cannot plant those crops on program acres. We would like to be able to do that.

WTO. We support the WTO if it is on an equal playing field. We have other barriers that we need to address with the WTO program. We have a file sanitary issue with India and China. Every time they want to put on a trade barrier, they put on some kind of sanitary rules and regulations, and they kick us off. Cuba is one country that we want to get into. A year ago we shipped 50,000 million—50,000 metric tons of peas into Cuba. With the administration's new red tape and guidelines, we're down to about less than 7,000 metric tons. It is a 200,000 metric ton market, and Canada gets it all.

In conclusion, I would like to say good farm policy should encourage farmers to take advantage of market opportunities and reward them for crop diversity and management practices that help the environment.

Every country protects their agricultural base in some form or fashion. The recently failed WTO negotiations proved that most countries are unwilling to leave their farmers unprotected.

If U.S. farmers are to compete against subsidized competition, high tariffs and phyto-sanitary barriers, we must maintain a strong farm program and protect our agricultural producers and their precious natural resource base.

And I want to thank you for coming to Idaho, and I will answer any questions that you have at this time.

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

Senator CRAPO. Thank you very much, Mr. Evans.

Mr. VanderWoude.

STATEMENT OF JOHN VANDERWOUDE, BOARD MEMBER, UNITED DAIRYMEN OF IDAHO, NAMPA, IDAHO

Mr. VANDERWOUDE. Senator Crapo, my name is John VanderWoude. I am a dairy producer out of Nampa, and a United Dairymen of Idaho board member, and presently a Republican candidate for the Idaho House of Representatives, District 21–A.

I'm hoping as a politician now I am allotted a little more time because I know politicians never stick to their time. Also I have a problem that this speech was written, so I haven't practiced it, and so I'm proceed on.

The Idaho Dairymen's Association was formed as a dairy producer advocacy group in 1944 as a dairy producer Board of Directors that are elected by their peers.

All dairy producers in Idaho are members of IDA and pay a 0.1 cent per hundred weight assessment to cover the cost of the organization.

A little bit about myself. I'm a son of an immigrant, so if you want to do work on the immigration bill, we can debate that.

My parents immigrated to California after World War II, with four children. They decided to have six more after that. And fortunately I was one of those. I dairied in California for a while, milking cows for my dad.

In 1976 I bought my own cows and started dairying down there. Seeing the change in land values in California in 1980, I moved to Idaho, started milking cows in Idaho for 6 years.

And then went on one of the government's favorite programs, the buyout program to quit milking cows. That idled the dairy for 5 years. At that time I bought a milk testing lab. I ran that with my son for a while. And then I sent my son off to college, and unfortunately I sent him off to Iowa to go to college. He roomed with some dairymen's sons and come back and decided he wanted to milk cows again. So, we bought some cows and I'm back in the dairy business. The education didn't do him any good.

Some people asked, "Why did you sent your kids to Iowa?" I said, "So they'd come back." And they all did. As you can see, my oldest son works in the milk testing lab with me, and my daughter has moved to Boise with her husband.

The upcoming Farm Bill debate should be utilized as a time to review the determined long-term effectiveness of the agricultural programs.

Since the 1930's the government has attempted to assist agricultural producers by replacing the signals of the market that would impact price by keeping supply and demand in check with government signals. If the intent of the government's support program is to provide an adequate return on time and investment, then the outcome shows that the programs have failed.

In 1981 the Class III price, which is the basis for all milk pricing and presently the high water mark for pricing in Idaho, averaged 12.57. In 2002 it averaged 9.74. And in 2004, it averaged 15.39.

Of the 48 months representing 2000 to 2003, 40 percent of the time the monthly Class III price was below the 9.90 support price with November of 2000 dipping all the way down to 8.57.

This extreme volatility in pricing that is lower than the prices producers received over 30 years ago is a direct result of failed government programs that do not allow the market system to work.

The same results can be seen in the corn market. The average price per bushel in 1981 was 2.92. Today that same bushel sells for 2.40. I can also give you a personal example—I am down to 2 minutes. I am not even done with the first page.

Senator CRAPO. We're going to hold you to your 5 minutes, but we will get into this in the question and answer.

Mr. VANDERWOUDE. A personal example of that, I have a brother that dairies in California, and the government pays him $65,000 not to grow rice. He grows corn and alfalfa just like I do for his dairy. That's what he wants to grow.

Why is the government paying him $65,000 to not grow rice? That's part of the failed policy of the program.

Another example of that is the Milk Income Loss Contract. I believe that it interferes with the free market system by sending false market signals. It also interferes with other government dairy price support programs. This discriminates against producers and their operations based on size.

In 2004 the United States Department of Agriculture economic effect of U.S. dairy policy and alternate approaches to the milk pricing report to Congress stated that there is basically an incom-

patibility between the MILC and preexisting dairy subsidy program.

The milk price supporting program, which dates to the depression era, Agricultural Adjustment Act, should also be reviewed to determine if it is fulfilling its purpose as intended or inhibiting the market system to function.

Under that program, the government steps in and buys dairy products when the price falls below a certain level. If that support price is set low enough, it provides some income security to farmers while allowing the market to slowly clear and production to fall to the point where prices can rise again.

It is our belief that that program no longer serves its stated purpose and allows the price of milk to stay low for an extended period of time, longer than if the market system were allowed to function without government interference.

As I stated above, many times since 2000, the Class III price dropped below the support price. When this occurs, the pay price for Idaho producers, both when we are in the Federal marketing order, or now that we are no longer in the Federal marketing order, drops below support.

Another sample I can give you, a personal example, I have no time left, a personal example is that I received a letter from my processor this past week saying that the government make allowance for cheese was 25 cents higher because of their cost of producing cheese, and so now my price was 25 cents lower. Where is the make allowance for the dairy producer that allows him to make.

Last, I would like to comment on what we would like to see in the Farm Bill.

Another suggestion we would like to see considered in the Farm Bill would be the addition of the Cooperative Dairy Research Center in Magic Valley. It would be a huge help to the industry to mitigate its effect on the environment and be a productive way to bring together schools, government agencies and others to work together toward helping dairymen in Idaho be great stewards of the state land and resources.

We already have huge interest and cooperation between the Idaho Dairymen's Association, the University of Idaho College of Agricultural Sciences, the College of Southern Idaho, the Department of Agriculture, the Department of Energy through Idaho National Lab, and the USDA Agricultural Research Service, and we are hoping it won't be long before funds can be allocated and further plans can be made toward making this dream a reality.

Thank you for your time.

[The prepared statement of Mr. VanderWoude can be found on page 130 in the appendix.]

Senator CRAPO. Thank you, Mr. VanderWoude.

Mr. Esplin.

STATEMENT OF KEITH ESPLIN, EXECUTIVE DIRECTOR, POTATO GROWERS OF IDAHO, BLACKFOOT, IDAHO

Mr. ESPLIN. I appreciate the opportunity to be here today. I might tell Mr. Dillin that the reason I am here is because all of the potatoes growers are home harvesting their wheat.

I am Executive Director of the Potato Growers of Idaho, and prior to taking this job in 2001, I was a full-time potato grower, and my family continues to do that. I also have a brother that's a dairyman.

Before I begin my specific comments on Farm Bill titles, I feel compelled to raise an issue, that if not resolved soon, will affect specialty crops more than all the titles of the Farm Bill combined. I refer to the rapidly developing shortage of immigrant farm workers. It is imperative that comprehensive immigration reform that includes the ag jobs provision for agriculture be passed as quickly as possible.

We applaud the vision of the Senate in passing this comprehensive reform and request that everything possible be done to maintain the important provisions for agriculture in the House-Senate conference committee.

Current efforts to tighten the border are contributing to an already critical shortage of farm workers. Many of our resident farm workers are being enticed with much higher paying jobs in the Wyoming gas and coal fields.

One of Idaho's premier potato seed farmers told me that he couldn't get enough workers to sort seed potatoes last spring at any price. And we are hearing of shortages on the harvest workers coming up already. They are quite severe.

Other specialty crops have even higher labor needs than potatoes. Irreparable harm will be done to the suppliers of our nation's fruits and vegetables if a workable guest worker program is not enacted soon.

Now to the Farm Bill. Potato growers currently do not receive and do not want to receive direct payments of any kind from the next Farm Bill.

We do believe, however, that there are many things that Congress can do to improve the competitiveness of our industry by investing in infrastructure, expand the use of the conservation programs for specialty crop producers, improve our export possibilities, provide protection from invasive pests, expand research, and help to increase the consumption of fruits and vegetables as targeted USDA's nutritional guidelines.

Farm programs shouldn't put any sector of the ag economy at a disadvantage. Perhaps the greatest priority in the 2007 Farm Bill is to maintain the prohibition of planting fruits and vegetables on the land where growers receive direct payments derived from having a base in a program crop.

Because of the urgency in addressing the matters I am discussing here today, the Potato Growers of Idaho believe that a new Farm Bill should be adopted as scheduled, rather than extend the current Farm Bill as has been suggested.

We support the broad principles of the specialty crop coalition of which the National Potato Council has helped co-chair.

We believe that it is in the best interests of America to support a strong specialty crop industry.

Agricultural areas where specialty crops are grown support a much larger economy. Additionally, many specialty crops also support a large value-added processing industry.

Some of the specific Farm Bill titles, I have some comments on. The conservation programs—EQIP. As a member of Idaho's State NRCS technical committee, I have worked hard to make conservation programs more available to specialty crop producers.

We have achieved some success, with NRCS beginning to fund some innovative IPM programs through the Environmental Quality Improvement Program, EQIP. But much more can be done.

We believe that a mandatory allotment of EQIP funds for specialty crop producers, similar to what currently exists for livestock, should be adopted. Environmental benefits are reduced pesticide applications can be achieved by helping growers adopt new practices, including IPM and organic production.

Also under conservation, the Conservation Security Program envisioned by writers of the last Farm Bill truly included some innovative concepts. However, the program was not designed to work for specialty crop producers.

Some potato growers have been able to adapt practices that allowed them to participate in CSP, but it would be very difficult for most. Producers of other specialty crops that require more soil cultivation, such as sugar beets, dry edible beans, and onions, will most likely find it impossible to qualify for CSP.

The biggest problem with CSP, however, is the slow and completely unfair way in which it is being implemented. It is absolutely unfair and improper that one grower may be receiving payments of 40,000 a year, while a competing producer, in a different watershed, has not even had an opportunity to sign up; and at the current rate, may never get that chance.

The CSP program either needs to be revised and adequately funded or canceled. And if it is canceled, we recommend that EQIP funds should—or if it is funded, then EQIP funds should be used to help growers qualify for CSP, or if it is canceled, then perhaps that money could go into EQIP.

Under risk management. Multi-peril crop insurance continues to be unaffordable for many potato growers and specialty crop producers. The current program does not adequately protect seed potato producers.

We suggest a pilot project that would redirect subsidies used for crop insurance into a disaster saving account program that would help producers buildup a savings account to use in times of crop disaster.

We would also like a pilot program to develop a workable seed potato insurance product. We offer our assistance in developing these kinds of programs, which would also reduce the need for ad hoc disaster assistance.

We also have serious concerns about the pilot adjusted gross revenue program. We believe that despite efforts to make the program work, it is still too subject to fraud and is still marketing distorting. It also doesn't work for producers that are consolidating and expanding their operations.

Also the AGR Lite program will not work for most potato and specialty crop producers due to the gross revenue limit.

Just real fast. We also support the energy—anything we can do to produce our own energy and we believe that could have a great impact on us. We believe that transportation needs are great. We

need help in those areas. We would also like to see research expanded, including a significant research into organic production and conversation to organic systems.

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

Senator CRAPO. Thank you very much, Mr. Esplin.

And I want to thank each member of the panel for being concise and watching the clock there. I told you you'd run out of time before you would run out of things to say. But please be aware, I have personally read your testimony, and not only have I, but our staff has, and the Senate committee staff will also review it very carefully. So, the points that you may not have been able to get to in terms of what you were able to say in your oral testimony are not lost. And we will have an opportunity to get into them a little bit more here in the suggestion.

There is a tremendous amount of wise input in the testimony that you have provided. I won't myself in this discussion here be able to get into everything that we would like to. So please don't hesitate, and I'm speaking not only to you, but to everyone here, please don't hesitate to contact me or my office and discuss the concerns that you have as we move forward in developing the Farm Bill.

Mr. Dillin, the question that I had for you is, how would you prioritize in terms of the importance, in your opinion, the various farm programs that we generally have in the commodity title, and really what I am asking is, can you, if you can, rank the relative importance of the direct payment program versus the Marketing Loan Program and the counter cyclical payment program.

Mr. DILLIN. Senator, I would say for wheat, about the only thing we've really gotten out of it for wheat are the direct payments. Like I say, we really haven't been able to capitalize on the counter cyclical or the LDP's, because of the loan rate.

Barley, we have gotten a counter cyclical payment. We received another one this year. And that's good news and bad, I guess, because that means the price of barley was low enough to trigger the counter cyclical payment, which isn't necessarily a good thing.

I know that NOG has gotten their Farm Bill proposal pretty much wrapped up, and I think barley, I think they've got the FABRI study back, or will be getting it back, so they will be coming up with their Farm Bill proposal for that.

Senator CRAPO. And you don't have any objections to including, say, the pulse crops in the programs, as long as we expand the funding so we increase the pie, if we increase the size of the program?

Mr. DILLIN. Correct.

Senator CRAPO. Mr. Evans, would you like to comment on that whole issue any further, the relative importance of these programs? I know that you were seeking to have the direct and counter cyclical payments expanded to pulse crops.

Mr. EVANS. Yes. We would like to have a direct or counter cyclical payment program. We support everything—I mean, the loan LDT program for our industry is probably the key thing.

As we do the WTO negotiations and we are moving toward so-called green payments, or different ways of rewarding farmers for

good soil practices, I don't want to move away from the loan program until we know what we're jumping into. I don't want to jump into—I don't want to high drive into an empty swimming pool, is what I'm looking at.

Senator CRAPO. I think that's a very good way of putting it. In fact, let me interrupt you for a moment. I would of like to just toss this question out to anybody on the panel that would like to further discuss it.

But it seems to me, as you all know, there's a lot of pressure in the world trade negotiations for the United States to modify its farm programs, sort of as an incentive for other countries to come to an agreement with us in terms of the WTO negotiations.

My position on that is, as you have expressed, Mr. Evans, and that is that I believe that we in the United States would be very willing to modify our national farm policies and programs to fit a WTO agreement that we could reach with other nations, but that would be after the agreement is reached and after all nations were bound to the same terms.

And at that point I think we would be willing to discuss what types of modifications should be made.

But I think it would be a very serious mistake for the United States to unilaterally adjust its farm programs in contemplation that other nations just might then think it's a good idea to follow suit, with no binding agreement.

Anybody want to jump in on that general issue? Do you agree or disagree with what I am saying, or how do you feel we should deal with the WTO? Mr. Dillin?

Mr. DILLIN. Senator, I believe that the American farmer, we can out compete and probably play on the world stage just as well as anyone can, if we have a level playing field.

If we can send our products into other countries, living right on the Canadian border, it seems strange that they have vital sanitary rules that I can't ship barley to a dairy producer that wants to buy it seven miles away. But yet they can bring everything into the U.S. We need—if we have a level playing field, we can compete.

Senator CRAPO. Well, and you have raised another aspect of this, one which I am very aggressively working with our U.S. trade representatives on, and that is that we see nontariff barriers, like the phyto-sanitary barriers and others, utilized regularly against U.S. commodities, in what are in my opinion unfair ways, unjustified ways.

The solution to that has to be a very effective enforcement mechanism, I guess, where we force ourselves and other nations to stay with the rules that we can all agree to, which has to be another part of all of this. It won't be necessarily in the Farm Bill. It will be in the trade negotiations. But it is critical, and that's one of the reasons why I say, I think we should develop our farm policy based on the current status quo, of world trade negotiations and economic circumstances, and then be prepared to adjust it if and at such time we get a trade agreement that is binding on all nations.

Any other comment on that general issue?

Let me go on, then, and move to you, Mr. VanderWoude. Milk policy in this country has been a challenge, to say the least, for decades, and we still face it.

I appreciated your testimony about the difficulties that you and the Idaho dairymen see with the general milk policies that we have today, the milk programs, as well as the milk income loss contract, the MILC program.

As you may be aware, I have been one of the leading opponents of that program in Congress. And we continue to see it sort of limp along and maintain, although sometimes we think it is on life support, it continues to be maintained. And partly that's because of national politics.

And it's my hope that at some point we will be able to get a rationale milk policy.

But could you just discuss with me a little bit more, if we can get to the point in Congress, where we are able to adjust the milk programs, we've got the votes to change what we have now, and to move to something more sensible, what should that be?

Mr. VANDERWOUDE. I think we should move to basically a market system where the market takes care of itself.

The system we have now, is, you know, when the government buys up the surplus, every time the government reports what it has in inventory, affects the price we're getting. So they are really not removing the surplus, they are just storing it and suppressing the price.

Senator CRAPO. Right.

Mr. VANDERWOUDE. We need to get to the point where the market clears itself and there's not that interference with the inventory pricing on milk. You know, we need to make the adjustments, then, in the milk industry.

We have, you know, in the testimony that's written we have the CWT, which is cooperates working together.

The dairymen are assessing themselves and removing cows off the market.

If we can continue with that program, we will control the supply and be able to control the prices and monitor that without the government inference.

But if we put in our ten cents to get rid of cows and the government gives back the ten cents to the guy who doesn't get rid of cows, one of them is defeating the other one, and the status is staying the same.

We need to have the government get out of trying to falsely support the price of milk, and let us do it on a market system. And even Idaho is no longer in the Federal milk marketing order.

Like I said in my testimony, we're still getting an adjustment of 25 cents down, because the Federal marketing order says there's a make allowance on cheese.

Senator CRAPO. Right. Boy, I appreciate that. Because I see it the same way you do. And one way or another, we've got to get the national milk programs, whether it be the Federal marketing order system or whether it be the MLIC program, or others, we've got to get them eliminated and moved to a system that would allow a true market to operate.

It seems to me that the governmental management of the milk market nationally has worked to the detriment of consumers and producers. And somehow—and to the Federal budget. So some how

we've got a lose, lose and lose proposition right now, in terms of the way it's working.

Mr. VANDERWOUDE. Yeah. You know, as it shows there, we spent two billion dollars on the MILC, and yet everybody is talking about, well, we need to cut government spending. Well, we've got a good idea of how you can cut two billion of it out.

Senator CRAPO. And say two billion right there.

Mr. VANDERWOUDE. Two billion right off the top.

Senator CRAPO. And the producers would be better of, as well as the consumers.

Mr. VANDERWOUDE. Yeah. The thing you look at, and I look at it, you know, 30 years ago when I bought my first car, it was 3,000, and gas was 30 cents.

The government doesn't control cars or gas.

Now the car is 30,000 and the gas is three bucks. Almost like three bucks.

But the price of milk is about the same, what the farmer gets paid.

The government's I think interfering with what would have been a free market, would have allowed us to be a little more reasonable priced on our milk.

Senator CRAPO. Thank you. And I appreciate that. I also want to let you know I appreciate your testimony on the Collaborative Dairy Research Center in Magic Valley. I think that's a very good idea. We're trying to figure out a way to boost that idea.

Mr. VANDERWOUDE. One of the things that we as a dairy industry have found in the last couple years, we've had lawsuits from the environmentalists, and there isn't solid research to document what the problems are, or solve the problems.

We've got dairies that have spent hundreds of thousands of dollars trying to solve a problem that didn't solve a problem.

We need to get some research dollars behind the environmental issues in the dairy industry, especially in Idaho where we're like the fourth largest state in the union with the number of cows we have, and we need to get some solid research behind that so we can solve the problems that are created.

Senator CRAPO. I definitely agree.

Mr. Esplin, again, thank you for your friendship and for being here today and for your testimony as well. I want to talk to you on several issues that you raised.

The first of course being immigration. I agree with you, that we need a comprehensive bill. There are some who are saying that we just need to move ahead with border enforcement now.

But what your testimony illustrates, is that the border enforcement, which is needed and which is a necessary part of any comprehensive bill, is already happening, as a matter of fact, and we need to do it better.

But what it's doing is, it's showing that without the other piece with it, that it reduces the availability of workers.

And we need to have a system, as I see it, in which those who desire, foreign workers who desire to work here, and have a legal status and be able to travel freely back and forth between their country and ours, and to have the various aspects of worker status clearly spelled out.

What I am talking about there is the wage and the labor policies and the other aspects of it, the health care issues, the pension issues, and so forth, all worked out and understood.

It seems to me, it's hard to predict what Congress' will is on this, because, as you know, there is a difference between the Senate and the House. But I believe that there is a majority that would agree to a comprehensive bill if that comprehensive bill involved a legal status other than citizenship.

The question I think comes down to whether those who are here and who have come here illegally should be granted a track toward citizenship or should they be granted a track toward legal status for employment.

Would you like to comment on how critical the citizenship piece of the proposal is to the ultimate solution?

Mr. ESPLIN. That's a good question.

Senator CRAPO. It's a difficult one to ask.

Mr. ESPLIN. We believe we've got to have more than just a guest worker program, because I think the H2A program, takes in about 2 percent of our workers, and even as it is, it's overwhelmed right now. And even if we did everything we can to streamline it, it would create—we'd have to create almost overnight a huge bureaucracy to handle the size program we'd need.

And that's because we've let the problem go on so long and the needs have gotten so great.

As far as the legalization part, that's a difficult one to say. My personal concern would be about, you know, creating a second class level of people in the United States.

I was in a Caribbean country once, with the British empire, and no one could get citizenship there, even after being born there, and it was down to the point where even 20 or 30 percent of the people were all that could vote or do anything.

And I think we have got to be real careful we don't get long term trends that would be bad for the country. But if they could have the same path as anyone else, while they are working——

Senator CRAPO. To apply for citizenship.

Mr. ESPLIN [continuing]. While they are still working, I think that would be a workable program.

Senator CRAPO. All right. Thank you. I kind of think so, too. And I agree, I should have mentioned that.

I don't think there is an objection to allowing anyone who is not a citizen to apply for citizenship, in the same track that everyone else who wants to apply for citizenship here has to follow. And if we could establish something like that, maybe it would work out.

I wish I could tell you how that is going to play itself out in the Congress. It is probably—I won't say "probably." It is one of the most contentious and most significant issues that we have before us in Congress right now.

I do believe that it will be engaged. It's not one of those issues that I think will be put on the back burner. It is hard to know right now where that consensus will ultimately come out.

Mr. ESPLIN. Thank you.

Senator CRAPO. With regard to, a number of you raised a question of energy, and again, that's another one of those issues that

is not just in the context of the Farm Bill, but in many contexts, is one of those that is critical.

And I'm glad there is an energy title in the Farm Bill where we can try to do those types of things where our food and fiber policy of the Nation can help us to address long term, energy policies that we need to address.

I have found it is interesting, several, I can't remember which one of you suggested, that their—was it you, Mr. Evans, about the crops that are able to conserve energy.

Mr. EVANS. Yes.

Senator CRAPO. That we should focus on the conservation as well as on the assumption side of the energy equation.

I think that's a very wise suggestion, which I will take up.

I don't know that I have a specific question for any of you, other than maybe a request, and that is that you either today or in the future continue to give us your suggests as to what we can do in the context of farm policy, to address and strengthen our energy situation in the country.

I'll just make a quick statement, and that is we are still somewhat constrained in the Congress because of different approaches between—different parties and different regions, with regard to what our energy policy should be.

Some of us, and I'm on this side, believe that we need to significantly diversify our energy portfolio. Meaning, that we should not be so dependent on petroleum. We should move into many other types of energy, whether it be biobased energies, the renewable fuels, the things like, you know, ethenol and so forth, nuclear power, wind and solar, and increase the research on the hydrogen potential. And really be very broad and diverse in our approach to becoming less dependent on petroleum.

But we also realize what while we do that, there will still be probably several decades, assuming we could successfully make that transition, it will take several decades to do so, and during that time we will still be very dependent on a proper petroleum policy in this country, and we will need to be as expansive as we can be in an environmentally safe way to developing our own resources.

But in any event there is a big battle over that, and I would just encourage all of you to keep us posted on your thoughts as to how we could address it. Anybody want to jump in right now with anything, or——

Mr. ESPLIN. Senator, one thing I read, it was a study done by, I don't know which university, it pointed out that prior to World War II, about half of the U.S. farm land was producing energy. It was energy to feed the horses that produced the rest of it.

Senator CRAPO. That's right.

Mr. ESPLIN. And after the war, we've been basically in surplus commodities ever since we've put everything under production of actual food crops. So, I think it's totally natural and fitting that we put part of our land back to producing energy again.

Senator CRAPO. That's a very good suggest. We have tremendous resources and the inventive creativity of the American people can solve this problem, if we can come together and be unified in an approach.

One other question. Actually, a couple other questions before I excuse you and move on to the next panel.

A number of you have mentioned the conservation programs in general, and the CSP program in particular. And I am very aware of both the support for the CSP program because of what it can provide, if properly implemented, but also the concerns about the CSP program in the sense that it is not being fairly implemented and we will see farmers who are able to access it and farmers who are not able to access it in a way that creates a competitive disadvantage and a serious disparity in our agricultural communities.

So, I guess maybe again I just want to let you know that I am and we in Congress in general are aware of that.

The problem that we face there is that the CSP program is so good, if you will, or potentially so good, that to fully fund it would go far beyond the budget potential that we have for the entire conservation title.

And so we've got to figure out a way to make it fair within the budget constraints that we have.

This was the same battle that we had when we were first considering it in 2002 as a new program.

And I just welcome any of your suggestions. I have already received some suggestions from others who are not testifying here today, and we are going to continue to discuss this issue a lot, I am sure. But any suggestions that any of you might have, I would appreciate.

I'm not surprised that you don't have the answer on the tip of your tongue, because if you did——

Mr. VANDERWOUDE. I might suggest, we've got to quit farming the government and start farming the land.

Senator CRAPO. Well, that's a very good point. Quit farming the government, and start farming the land.

One of the things that the CSP program and other conservation programs are helpful in doing is providing some resources to agricultural producers to meet the environmental mandates that the Federal law is placing on them.

But still it doesn't explain how—it doesn't explain how we are going to fairly implement this program.

And so I just encourage you to keep thinking about it, and as you come up with ideas, please feed them to us, and let us know.

The last question I'll toss out to this panel is, another issue that Mr. Esplin raised, and that is whether a new Farm Bill—whether the Congress should continue working aggressively on developing a new Farm Bill or should we simply extend the current Farm Bill.

Any thoughts on that? Mr. Esplin, do you want to elaborate a little bit first?

Mr. ESPLIN. Part of the reason that we believe we should go ahead and develop the new Farm Bill now, is that we feel like specialty crops have been disadvantaged since the last Farm Bill.

Although we are not asking for any direct payments, I think specialty crops get about 1 percent of the Farm Bill spending and produce, it depends on whether you add in horticulture and everything, 30 to 50 percent of all farm receipts.

So, basically the specialty crop coalition's approach to put more money into research and export programs and things like that,

would raise that up to about 7 percent. And we feel there has been a real disparity that needs to be corrected there.

Senator CRAPO. Thank you. Any other thoughts on that issue?

Mr. DILLIN. Senator, like I said, Idaho grain producers are—we are firmly committed to having a new Farm Bill written, just because of the inequities mentioned in my testimony. So, we would really like to see a new Farm Bill.

Senator CRAPO. That would also give us an opportunity to loot at the CSP program and some of the other things like that, too.

Mr. EVANS. One comment I would like to make.

Senator CRAPO. Yes.

Mr. EVANS. If we do rewrite the Farm Bill, it needs to be a long-term commitment, like the loan program that's been in business—I mean, there isn't a farmer that's farming now that hasn't used the loan program. And be it good or bad, it worked to a certain extent.

And we need some kind of safety net for our young farmers of 25, 24, 25 year old kids that are coming out here so that when they go to apply for a two or three or $400,000 loan, they've got some kind of cushion that they're going to be farming next year and the year after that.

Senator CRAPO. I think that is a very good point. Let me tell you, what I am hearing you say is something that has been said to me a lot. I think you all probably know, either I or Don Dixon or somebody else on my staff, has held about 23 or 24 meetings around the state already, not formal hearings like this, but informal meetings in various regions of the state.

And one of the very consistent messages that we got was that, yes, we should rewrite the Farm Bill now, we should engage in that, because they are he can inequities, there are improvements, there are issues that we need to refine.

But the basic structure of the Farm Bill, with the commodity program in particular, should be preserved, refined and improved, but the basic structure of the safety net should be preserved.

Any disagreement with that?

Mr. ESPLIN. On the milk part——

Senator CRAPO. Except on the milk part.

Mr. ESPLIN. Put it in CSP.

Senator CRAPO. I should have pointed that one out.

You know, I do have one other question. And that is, as you probably all know, there's going to almost certainly going to be an effort to reduce the payment limits in the next Farm Bill. There's always that effort. Any thoughts on that issue?

Mr. ESPLIN. That's one tough one. But I know that, you know, the reality is modern day farms are large enough to where a lot of our farms already, if you look at fairness, aren't being treated fairly by the current payment limits, but to lower them further probably would not—would increase a lot of inequities. It would probably be like maintaining the milk program for the smallest producers, without benefiting the overall industry.

Senator CRAPO. All right. Well, I appreciate that. Those are the kind of perspectives that are going to be very helpful for us.

The Farm Bill is one of the most significant pieces of legislation that our nation deals with every five to 7 years. And we have a tre-

mendous opportunity now in very important and difficult times to make some significant policy decisions that will have very far reaching ramifications in many aspects, not just in farm country, but in many aspects of our economy and our global dynamics.

So, I thank you for your testimony today, I thank you for your thoughtful insights, and encourage you to keep it coming.

Thank you. We will excuse this panel. Thank you.

We will now move to our second panel. And while I'm—the second panel, please come on up, while I'm introducing you.

Our second panel consists of Mr. Kyle Hawley, President of the Idaho Association of Soil Conservation Districts from Moscow; Mr. Lloyd Knight, the Executive Director of the Idaho Cattle Association; Mr. Laird Noh, trustee of the Nature Conservancy of Idaho, from Kimberly; and Mr. Terry Mansfield, the Deputy Director of the Idaho Department of Fish and Game, on behalf of the Association of Fish and Wildlife Agencies, from Boise.

We welcome all of your here with us today. I will remind you guys to watch Andree. She's the most important person up here today.

And with that, we will go with you in the order that I introduced you. Mr. Hawley, you are free to begin. Thank you.

STATEMENT OF KYLE HAWLEY, PRESIDENT, IDAHO ASSOCIATION OF SOIL CONSERVATION DISTRICTS, MOSCOW, IDAHO

Mr. HAWLEY. Good morning, Senator Crapo. I am Kyle Hawley, President of the Idaho Association of Soil Conservation Districts, and a farmer here in the Moscow area.

The Idaho Association of Conservation Districts was founded in 1944 and represents Idaho's 51 conservation districts. I present my testimony on behalf of the Association.

I started farming in 1978 and our family operation is located in the Palouse prairie, one of the most productive, but also one of the most erodible rain-fed agricultural areas in the world.

We raise winter wheat, spring wheat, spring barley, peas, lentils, and several turf and reclamation varieties of grass.

I am a proud graduate of the University of Idaho.

I will now get down to the main purpose of the hearing: What changes need to be made to the 2002 Farm Bill to make the 2007 Farm Bill more workable, fair, effective and efficient.

Number 1. Technical assistance. Technical assistance is the key to getting programs implemented and conservation applied to the landscape in a timely, efficient and effective manner. Without adequate technical assistance, the available financial assistance cannot be effectively utilized.

Technical assistance support needs to come from each individual Farm Bill program.

Number 2. Financial assistance. We believe that cost share rates should be correlated to the benefits that society receives from implemented conservation practices. Local conservation district priorities should also be considered in establishing these rates.

Number 3. Conservation Security Program. CSP. It is a great program. However, it is receiving considerable criticism due to insufficient funding. If the program continues at a seriously underfunded rate, we would recommend the following: Give each state an

annual allocation of funds; give each state their allocation prior to the state making their watershed selections; make watershed selections at the state level; make contract selection and funding amounts at the state level.

Number 4. Conservation programs. To improve effectiveness and efficiency we believe the tool box of conservation programs should be grouped into the following four main categories: Easement programs; cost share programs; land retirement programs; and land stewardship programs.

Categorizing programs by their purpose would help program participants and those technicians assisting them save time in selecting an option that would meet the producers conservation objective and best fit their operation.

Number 5. Energy policy. We need to develop a comprehensive energy policy that dove tails with our farm policy. This energy policy would emphasize conservation measures and reward those who conserve energy; reduce our dependency on foreign oil; and encourages the development of biofuels.

Number 6. Farm policy. America needs a farm policy. American farmers need a strategic farm policy. We as agricultural producers need to know how our politicians, the government and the people of America really feel about the future existence of farmers.

I started farming in 1978. My production costs were fairly reasonable compared to the prices I received for my commodities produced.

Today most production costs have doubled or tripled, as what they were in 1978. However, the price I receive for my commodities are the same or less than what they were in 1978.

Is it possible we might find ourselves in a food dependency situation similar to our current oil dependency situation? If so, this issue should be considered a matter of national security.

It would be in our nation's best interest to discuss these issues in an open forum. Therefore, we recommend and encourage Congress to organize a national agricultural summit where officials, agricultural organizations and producers would discuss these issues. The output would be a long-term strategic plan establishing American farm policy which would be reviewed annually and upgraded when appropriate.

A appropriate title for this summit be the future of U.S. agriculture and the American farm family.

In conclusion, society should not expect conservation to occur until after the farmer's and rancher's livelihood are fully supported.

On behalf of the Idaho Association of Conservation Districts, it was an honor to be able to testify before you today. I want to thank you, Senator Crapo, for allowing me to testify and give you my thoughts on the 2002 Farm Bill and how it might be improved for 2007.

[The prepared statement of Mr. Hawley can be found on page 86 in the appendix.]

Senator CRAPO. Thank you very much, Mr. Hawley.

Mr. Knight?

STATEMENT OF LLOYD KNIGHT, EXECUTIVE DIRECTOR, IDAHO CATTLE ASSOCIATION, ROBERTS, IDAHO

Mr. KNIGHT. Good morning, Senator.

Senator CRAPO. Good morning.

Mr. KNIGHT. My name is Lloyd Knight. I'm Executive Vice-President of the Idaho Cattlemen's Association, a trade association serving Idaho's cattle industry here in the state.

We appreciate you having this hearing in the state. We have had a great opportunity to visit with your staff, Stacy, Andree and Don Dixon, about some of our views and talk about our operations, and I appreciate the opportunity to share some of those thoughts this morning.

As with most agricultural producers in the country, our members have been anxious to begin work in crafting the 2007 Farm Bill.

As cattle producers, our members' livelihood is tied to many other agricultural commodities. Livestock consumes three out of four bushels of the major feed grains in the country, like corn and barley, and cattle in feedlots account for nearly one-fourth of the total grain consuming animal units, and all beef cattle account for nearly 30 percent.

However, unlike many ag commodity groups, however, we have a little bit different take on ag policy.

Our industry in Idaho is made up of over two million head of cattle on family operated farms, ranches, and feedlots across the state.

Cash receipts from cattle and calves in 2005 were over a billion dollars, and those sales account for nearly one-quarter of all farm receipts. Our members are an independent lot. We want the opportunity to run their operations as they see fit with minimal intrusion from the government.

As the nation's largest segment of agriculture, the cattle industry is focused on continuing to work toward agricultural policy which minimizes direct Federal involvement; achieves a reduction in Federal spending; and preserves the right of individual choice in the management of our resources.

There are portions of Federal ag policy that we can work on together to truly ensure the future of the cattle business in the United States. Conservation programs especially present some of the best opportunities. Our operations are very highly regulated with regards to environmental issues. The 2002 Farm Bill provided excellent opportunity for our members to work with NRCS and gain the technical assistance and cost share assistance that they needed to help achieve compliance with all of these environmental regulations.

Even our cow/calf operations are being faced with the prospect of having to come into compliance with regulations at EPA regarding CAFO requirements, Clean Water requirements, permit requirements, and NRCS in those conservation programs has been very helpful in ensuring that they have a tool available to try to keep up with those new requirements.

The goal of conservation and environmental programs is to achieve the greatest environmental benefit with the resources available.

One of the best programs we see is EQIP. Cattle producers across the country and certainly across the state participate in this

program. And they found it very helpful and we encourage full funding for that to continue, make sure it has the resources available.

These environmental issues are a huge challenge for our industry. We understand the need for environmental regulations to protect resources downstream, and we believe those producers that knowingly and willingly pollute and violate Clean Air and Clean Water Act should be prosecuted to the fullest extent of the law.

However, the use of other vehicles such as EPA SuperFund to sue agricultural producers in an attempt to get larger settlements is egregious and threatens the future of ag producers, both large and small.

This, combined with EPA's talk of regulating agricultural dust, animal emissions and other naturally occurring substances makes us all concerned for our industry.

Although these items are not addressed in the Farm Bill, we ask that you help us, step in and help ag producers fight the fight and have effective and sensible environmental regulation.

All of the other ingredients in the Farm Bill are also important. Obviously the beef industry is facing significant trade challenges in the last several years. We appreciate the help you have provided in helping to open up those markets across the world, around the world.

We really support those government programs such as the Market Access Program and Foreign Market Development Program which help extend those opportunities for U.S. beef.

We recognize that 96 percent of the world's consumers are outside our borders. We want to make sure we get beef on their tables, as well.

Animal I.D. is another significant issue. We are—we continue to believe, our members continue to believe that in the importance of a voluntary animal identification system. We are supportive of the U.S. animal identification organization, or USAIO, a privately held data base that would help provide that trace-back mechanism for livestock.

We know that you have visited with our members a number of times about that issue, and that is one that we want to ensure is included in the discussion surrounding the Farm Bill.

Since my time's up, I'll wait for questions. Thank you, Senator. I don't want her mad at me.

[The prepared statement of Mr. Knight can be found on page 92 in the appendix.]

Senator CRAPO. Smart man.

Senator Noh, I've got to just interrupt a minute here. Again I want to welcome you, Laird. I served 8 years in the Idaho State Senate with Senator Noh, and it was a pleasure to work with you then and to see you here today. Thank you for coming.

Mr. NOH. Thank you, Senator. I have closed my eyes and still hear your voice resonating in the dome of the Senate.

Senator CRAPO. Oh, you're so nice.

STATEMENT OF LAIRD NOH, TRUSTEE, THE NATURE CONSERVANCY OF IDAHO, KIMBERLY, IDAHO

Mr. NOH. But good morning, Chairman Crapo, and again I want to thank you for this opportunity to appear before the subcommittee and for your particular attention on this critical issue of conservation in the 2007 Farm Bill.

My name is Laird Noh of Kimberly, Idaho. Our family has been continuously in the business of producing lamb wool, and sometimes cattle, on rangelands since the 1890's, through five generations.

I did serve probably too long in the Idaho Senate. I also served as Chairman of the Board of Directors of the Rocky Mountain Sheep Marketing Association, which markets some 70 to a hundred thousand lambs each year.

But I am here today testifying in behalf of the Nature Conservancy, for which I have been a trustee of the Idaho chapter for 20 years.

The Conservancy is an international, nonprofit organization dedicated to the conservation of biological diversity.

We have helped conserve nearly 15 million acres of land in the United States and Canada by working in partnership with private landowners, businesses, like-minded organizations and state and Federal Governments.

The Nature Conservancy has identified proposals which we believe will improve existing USDA conservation programs and enhance wildlife habitat. Attached for the record is a copy of the complete Conservancy Farm Bill platform. But for the purpose of this hearing, I would like to highlight one particular area—our nation's grazing lands.

The Conservancy recognizes in this regard very fully that farming, ranching, and conservation work hand in hand to reach mutual goals.

So the Conservancy has two major themes which we think about, as opportunities for grazing land conservation in the new Farm Bill. Number 1, we want to keep ranchers ranching, and Number 2, we want to reward good stewardship of our nation's grazing land.

We believe these themes address the two overarching threats grazing lands face today; conversion to other uses, and degradation from threats like invasive species, altered fire regimes, and sometimes inappropriate grazing practices.

Grazing lands provide many benefits to people, including clean air, water, forage for livestock, and habitat for wildlife. These lands include the prairies, the great plains, Savannahs in Texas and Florida, and shrub lands and deserts throughout the west. These lands cover about 40 percent of the U.S. and comprise nearly 80 percent of our western landscapes. By some estimates over 70 percent of all mammals and birds in the U.S. use grazing lands during some part of the year.

In Idaho there are 32 species of concern which exist on these lands under the state wildlife management strategy. Currently the annual loss of these rangelands in the 11 Western States may be as high as two to three million acres, and another million acres lost every year in the great plains. Despite these great losses, conserva-

tion and management of rangelands remain alarmingly underfunded when compared to forests and other western land types in particular.

The 2002 Farm Bill took great steps for protection of our rangelands, with the creation of the Grassland Reserve Program. Under GRP, ranchers can enroll in rental contracts or easements that prohibit the development and other activities incompatible with conserving such lands. Congress authorized GRP to enroll up to two million acres, at a cost of up to $254 million.

However, this program has already used up its authorized funding and is now left to languish until the next reauthorization of the Bill.

The demand for this new program was tremendous. In fiscal 2004 and 2005, USDA allocated $147 million, but 2.4 million went unfunded.

We think this is a very important program. I have some comments about it in the expanded portion of my remarks.

I want to say that our real goal is to keep ranchers ranching on the land, and also encourage good stewardship programs.

For example, the new Farm Bill should increase funding incentives to present control of invasive species. This year the Idaho NRCS office made funds available to fight invasive species through the Conservation Innovation Grants Program. It works. We need it in Owyhee County, which you are very familiar with, Senator, to deal with leafy spurge and a number of other programs.

Conversion of our working lands, invasive species, declining water resources, climate change, all threaten our natural resources and habitat while increasing agriculture, forestry yields. Conservation practices, carried out through USDA can produce significant benefits. But these tools need to be more sharply focused, and I think they can do so, and be a great tool.

[The prepared statement of Mr. Noh can be found on page 106 in the appendix.]

Senator CRAPO. Thank you very much, Senator Noh. I appreciate that.

Mr. Mansfield?

STATEMENT OF TERRY MANSFIELD, DEPUTY DIRECTOR, IDAHO DEPARTMENT OF FISH AND GAME, ON BEHALF OF THE ASSOCIATION OF FISH AND WILDLIFE AGENCIES, BOISE, IDAHO

Mr. MANSFIELD. Good morning, Senator Crapo. Thank you. My name is Terry Mansfield. I am Deputy Director with the Idaho Department Fish and Game.

Thank you for the opportunity to testify on the conservation title provisions of the Farm Bill.

From our perspective, there is no Federal program that delivers more funding on the western landscape for fish, wildlife and habitat conservation than the Farm Bill conservation provisions.

They have played a key role for farmers and ranchers with financial incentives and technical tools to enhance the quality of soil, water and wildlife habitat.

These programs work. They are very popular with the landowners because they are voluntary, incentive based and promote

partnerships among agricultural producers, state and Federal Government agencies, particularly the wildlife agencies.

Although I'm here today officially representing the Idaho Department of Fish and Game, my comments also reflect the interests of the Association of the Fish and Wildlife Agencies.

I would like just by the way of background just bring things into focus. The Farm Bill's landscape scale programs benefit fish and wildlife habitat and help support the stat's roles and responsibilities to conserve and manage fish and wildlife.

Consider the following accomplishments of the 2002 Farm Bill:

128,000 acres of wetlands have been restored and;

498,000 general signup CRP acres enrolled;

69,000 acres of riparian buffers were established throughout the west.

Similar benefits are occurring in Idaho. In recent years NRCS has been progressive in working with the Idaho Department of Fish and Game to implement the technical service provider program using Farm Bill conservation programs to deliver a wild range of valuable fish and wildlife habitat projects on private lands, including many that benefit at risk species.

Some examples would include in 2005 the WHIP program focused on addressing native fish habitat concerns in the Tieton and Bear River drainages.

A special EQIP program has been developed to assist landowners with at risk species projects.

During the last 3 years, the Department of Fish and Game has entered into partnership with the NRCS, through the TSP program, where our personnel actually work at the NRCS offices and they've assisted 235 private landowners with 331 Farm Bill conservation practice requests.

We appreciate the partnership with NRCS and efforts to improve fish and wildlife habitat in Idaho.

Based on our experience, we think the net effectiveness of our cooperative efforts could be enhanced by refining some programs and eliminating a few practical barriers to completing approved projects.

My written testimony includes more details but I would like to just touch on a few specific examples from improvement in Farm Bill conservation programs.

Although the Technical Service Provider Program currently delivers cost-effective assistance to landowners, we believe another valuable benefit is the collaboration of local partnerships fostered among private landowners, state and Federal agencies.

We recommend TSP program be continued in the 2007 Farm Bill, but we think there are some constraints dealing with the balance between funding and the procedures for technical assistance and financial assistance could come into balance. This would allow for more projects to be provided to landowners in a timely manner.

In short, technical assistance is insufficient to implement financial assistance currently available and the demand for CRP, WRP, EQIP and WHIP is far greater than the current levels allow.

Either an increase in technical assistance, or once again streamlining the administrator procedures in the balance would be helpful.

Conservation Reserve Program provides many benefits to Fish and Wildlife in Idaho, including mule deer, Columbian sharp tail grouse. In Idaho, for example, sharp tail grouse annual harvest has increased three sold since the 1980's, based largely on enrollment of CRP lands.

We also would like to have considered a national priority area involved in CRP wherein we could focus more attention on recovery of at risk species, such as Columbian sharp tail grouse.

We also recommend there could be some modifications, refinements in the 25 percent county cap.

Another concept worth consideration here in Idaho, although the Farm Bill programs are valuable tools to address fish habitat needs, they are currently underutilized. The national fish habitat initiative will incorporate Farm Bill conservation programs to restore and enhance fish habitat by expanding the use of the existing tools.

This trend will likely increase landowner interest and demand for TSP.

A new concept that we would like to have considered as well deals with open feeds. Public access to private land and across private land to public land is becoming more difficult for Idaho hunters and anglers.

Reauthorizing the Farm Bill in 2007 should consider including voluntary landowner incentives to provide public access as an added benefit to the investment in these conservation programs.

In conclusion, the Idaho Department of Fish and Game strongly supports reauthorizing the Farm Bill in 2007, including refinements and expansion of conservation programs as I have described.

This national commitment to a balance—to balance the needs of agriculture with voluntary Fish and Wildlife conservation programs will continue to be of critical importance in assisting farmers and ranchers in Idaho and throughout the west to conserve soil, water, wildlife, and fisheries. Thank you, Senator.

[The prepared statement of Mr. Mansfield can be found on page 99 in the appendix.]

Senator CRAPO. Thank you very much, Mr. Mansfield, and thank you to all of the panelists for your testimony today.

Obviously this panel is focusing on the conservation title, whereas the previous one focused on the commodities title. But really we can discuss everything in the farm will that is there and what should be there in the future. So I would encourage you to engage with us on that.

Mr. Hawley, the first question I have for you is, and in fact I will make this open to the entire panel, obviously we have a different budget climate than we had in 2002. In 2002 we were actually looking at very significant projected surpluses, and we were able to get major increases in conservation titled programs because of that. Which have resulted in a tremendous amount of good, as Mr. Mansfield has indicated, in terms of the actual implementation of these programs.

Today we're looking at budget deficits. We are engaged in a war in Afghanistan, Iraq, and there are problems in the context of our national security, both here at home and as well as overseas that indicate that we're not going to be able to be reducing our national

defense spending or our homeland security spending much at all, if at all. And that those budget pressures will increase.

Given that, there will probably be a competition in the development of the Farm Bill, not only between the Farm Bill and other needs, like national security and so forth, but there will probably be competition within the titles of the Farm Bill.

And so the question I have, and I know this is a tough one to answer, but it's one that we are going to have to answer and deal with in Washington, is as we approach the development of the budget allocation in the Farm Bill, is the current allocation between the commodity programs and the conservation title adequate, should we be adjusting it, should funding be moved from one direction to the other, or do we have the balance about right?

I know it's not a fair or fun question, but do you want to start out, Mr. Hawley?

Mr. HAWLEY. It is a very tough question, and I mentioned about an annual agricultural summit. And why I mentioned that is because it seems that we're living in a much more dynamic environment now than we were when we developed the 2002 Farm Bill.

And these primary questions are very difficult to answer every 5 years. They need to be answered, or at least discussed, on an annual basis. Because the fuel prices have doubled in the last few years, we have a war, like you said, and other variables that are unpredictable, and influences the agricultural sector directly.

And one thing that hasn't been brought up yet today that I think is something that needs to be discussed very strongly, is the fact that the new generation of agriculture interests, the young farmers and ranchers are not coming to the forefront. In some sectors, yes, they are there, but other sectors, obviously the farm economy is poor enough, that the children aren't interested in coming back to the farm.

And what does that mean 20 years down the road from now? And these issues need to be all incorporated into a massive discussion so we could have appropriate answers coming forth for funding.

Is it important to have funding available to enhance the—or be an incentive for the children to come back to the farm, or anyone to invest in the farming operation?

If not, we're going to go to huge corporate farms, and how would conservation programs, would they be effective, and would they be interested, would they be of interest to corporations?

I know I'm not answering your question at all.

Senator CRAPO. Well, you're pounding around the edges.

Mr. HAWLEY. But I think the bottom line is, that the American farmer has to have a fair system globally to sell his commodities, he has to be assured of a future, because as I mentioned earlier, it's hard to sell conservation when a farmer's livelihood is at risk.

Senator CRAPO. Thank you. Anybody else want to jump in on that? Mr. Mansfield?

Mr. MANSFIELD. Mr. Chairman, if I could, please, just two thoughts.

One of them, regardless of the balance of the mix of the total funding package, I think we owe it to everybody to be cost-effective and efficient.

And my comments and the Association of Fish and Wildlife Agencies' comments, technical service provider program. I think there are some barriers involved, administrative barriers. And whatever the funding level, the balance, between technical assistance and the financial assistance I think could be improved. So, the net cost-effectiveness, regardless of the mix between commodity and conservation, I think that could be a focus, and we certainly see some room for improvement.

The other emphasis that I have tried to include in my comments, is pay me now or pay me later. You have certainly led the way on the thinking relative to species at risk before it becomes too late, before the less flexible government intervention with listed species takes place.

So, I think once again that collaboration, that voluntary relationship, but net costs end up much lower and much more effectively focused if we could get ahead of the mix. And I think some of the refinements we can make internally will help.

Mr. KNIGHT. I think, Senator, part of the answer to your question is that the Farm Bill, it needs to be comprehensive, and it needs to recognize that our country is really in transition, especially out west, to where the Farm Bill provides tools that are necessary not just on the commodities side but there is a value that the public puts on the natural resources. The public is interested enough and obviously Congress has been interested enough in natural resources, that they will a lot of times put requirements on landowners. And those things aren't cheap.

If the public wants to have wildlife and they want to have clean water and they want to have clean air, it's fine if they say, we demand that this happen.

But certainly in the case of our members that have utilized, say, EQIP funding, it's really an issue of the public putting a list of demands in front of landowners, saying, we want this, and the landowners saying, you know, we need help with that.

You can't put, you know, technical and capital intensive demands on landowners to maintain the status of natural resources that they have, without giving them some assistance along the way.

It is really kind of helping meet that public interest and that public commitment half way.

So, certainly while you don't want to be put in the position where, as I think the gentleman from the grain producers in the previous panel said, you know, we don't want those monies to compete directly with commodity monies. We don't want them coming out of each other's pots. We know to some extent in D.C. that's to go to happen, but I think certainly farm policy in the country has to recognize that there's a balance there.

And that assistance is necessary because that is something that has been imposed upon our members, some of those different requirements, and we need that assistance. And especially with a changing landscape out west. I mean, we want this to be a working landscape, as Senator Noh referenced, we want this to be a landscape where you have working farms and ranches, and in order for that to happen, we need help ensuring that these operations can meet those obligations. And that conservation funding is essential to that.

Senator CRAPO. Thank you. Senator Noh?

Mr. NOH. Mr. Senator, I will have to be a little bit careful speaking for a national organization. I don't want to misrepresent their policies. But maybe a couple thoughts.

One, following up on Mr. Knight's observation. Scattered developments across our western rangelands, it doesn't appear to be good national policy, whether it's oil policy, energy policy, or whatever the case may be, and that's where some of these programs really do come to bear.

We also think it is important to focus and target these limited funds where they will do the most good.

For example, our organization has thought it would be useful to have an enhancement component to the GRP program similar to that of the conservation and reserve, CREP Program, so that cooperative state and other funds could be targeted, for instance, at sage grouse problems, because none of us are going to benefit if some of those species end up on the list, and then I guess we will have a need for more graduates from this great institution right here.

And then there is an equity component. One of the concerns of the Conservancy under the GRP program which has lots potential, is that as I understand the way it now works with a regional component, is the states of Rhode Island and New Hampshire, which together represent a land area the size of Owyhee and Elmore Counties, receive more funding than the entire state of Idaho.

So that's another example of maybe an area, without getting into these allocation warfares, where we might benefit some of the western goals.

Senator CRAPO. I appreciate that, all of the comments that you have made there.

Let me ask another unfair and tough question in this same line of thinking. And that is, once we do get a budget worked out for the Farm Bill and we figure out how much is going to be in the commodity title and allocated among the various titles, within the conservation title we are going to have some competition.

As we've already heard today, the CSP program is seriously underfunded. The CSP program is the new kid on the block, so to speak. The other programs that we have had, like EQIP, and CRP, WHIP and so forth, have been there longer, are more established, what I would call the traditional, established conservation titled programs from the Farm Bill.

And in the last Farm Bill development, we basically made a decision that they would be protected and we would try to add CSP in on top. Which is one of the reasons that we were unable to fund CSP fully. If we would have put CSP in and funded it first, then we would have had to bump out some of the other traditional programs.

And again in the last Farm Bill we kind of got past this problem because we were flesh with money, and we were able to fully fund, or do what we thought was adequate for the traditional conservation program. And add in the CSP program, and give it a healthy amount of funding to see if we could get it started. And it was sort of done in a way that we were going to do it and see where we needed to go with it, once we got it going.

Now we have, what, 4 years of experience moving down that track, and we see that there are some serious inequities with the way that the CSP program is being implemented.

We also see that it actually is a very helpful program and accomplishing a lot of the intended objectives.

But there's going to be that competition again, as we come to a budget sensitive Farm Bill in the future, budget sensitive conservation title, between various programs.

And the question I am leading up to is, do we make the same decision again, namely, do we protect the traditional programs at their current levels of funding, and then see what we can do in terms of budget to get more money into the CSP program, or do we start winnowing down the existing programs and moving our prioritization into the CSP program.

Anybody want to tackle that one?

Mr. KNIGHT. Senator, I think from our perspective, I think you need to prioritize those programs that do the most environmental good. Do the most environmental good.

For us, the traditional programs have always again been programs that helped get a lot of new work done on the ground that hadn't been done before.

For example, if an operator saw a need, if it would help the water quality in his area, to help move some pens off of a creek, for example, or to put in some different water sites, some of those things, utilize EQIP funding and technical service from NRCS to do that, you know, to us that is a greater priority because that is a realized benefit to the environment, to the resource today that wasn't there before.

So, to us that's more of a priority because he's doing that for a number of reasons. Not only to be a good steward, but also because there are probably some regulatory obligations there that he needs to meet.

So, from our perspective, those kinds of programs probably provide, and those kind of projects, to us are higher priority to our members. Not to say those other programs aren't beneficial. Not to say they sometimes don't accomplish the same thing. But somehow maybe there needs to be a way to build into the program a way to prioritize funding toward those things that meet some of those obligations.

Senator CRAPO. Thank you.

Mr. Mansfield?

Mr. MANSFIELD. Mr. Chairman, just a couple of thoughts, and one of them would be, you know, look at the landscape level effects and so on, and certainly the Conservation Reserve Program, CRP, and WRP, not only in the West but nationally, have accomplished some major goals. They've provided vehicles by which nongovernment organizations involved in conservation would be very effective in bringing private side dollars in. They've meshed some partnerships between state and Federal agencies, Federal agencies on the Department of Agriculture side and the Interior side. And they rolled toward the implementing the North American waterfowl goals and things of that nature.

So, I guess, you know, just some thoughts would be, couple that with the proven effectiveness, landscape level effects. But also the

momentum of people being used to working in those partnerships. I think several of the commodity interest folks talked about longer term visions and continuity.

I think it would be hard to argue against looking at the long-term continuity, in some cases in CRP, it's getting people acquainted and comfortable, and then rolling it forward.

The old rule of business, take care of your current customers well, make refinements, adapt as you go.

So those are certainly some thoughts that as you face a really hard choice of prioritization and creating new ones, I think then if we also focus, can we be innovative, can we use some of these existing tools in a little broader fashion. Fish habitat and some water quality issues, current tools can do it. And I just think that may be at least something to consider as you look at those hard choices.

Senator CRAPO. Thank you. Anybody else want to jump on that one?

Mr. NOH. Well, jumping on it is not really the right——

Mr. KNIGHT. Backing into it?

Mr. NOH. Yeah. Easing into it. It's my understanding that the Nature Conservancy has not drawn any conclusions on the CSP program. Kind of adopting a wait and see attitude, since it's new.

But this seems to me that it makes sense that we do have proven programs, and particularly as we look at the western landscapes and the grazing landscapes, that they are not uniform.

We do need a diversity of tools, and we have had experience with a number of them. And we need to look for ways of strengthening those programs, perhaps modifying some of them, and look for ways again that in the long-term we'll keep good working farmers and ranchers on the land that's good, long-term policy for all of us.

Senator CRAPO. Thank you. I note, Mr. Hawley, in your testimony you indicated that if the CSP program—excuse me, if the CSP program continued but in a seriously underfunded fashion, that you had some suggestions there.

Could you elaborate a little bit on what your ideas were there, as to how we could do this better, assuming we're not going to have an ample amount of money to simply solve it with dollars?

Mr. HAWLEY. Right. The suggestions were based on shifting a lot of the responsibility for management to the state level.

That way the state could develop its own priorities for the CSP and the inequitability, or the inequities that are currently being faced, would be managed out toward the state's priorities for certain watersheds. We think it would be associated with managing special CRP areas. Just give the states a lot more flexibility.

Right now it is being managed mostly from the national level. Sometimes the watersheds that maybe are the highest priority aren't necessarily selected because of the adjoining state's influence.

For example, in Idaho, on the western side of Idaho, we have a lot of collaboration with Washington and Oregon, and they may have a high priority watershed, and Idaho may not, or vice versa. And I think we could also build confidence that more locally driven decisions would be made instead of at the national level. I'm not trying to bad mouth, you know——

Senator CRAPO. I agree with you, that it's better at the local level.

Mr. HAWLEY. So that's the crux of the issue. And we're just concerned that at the current funding rate of CSP, that these inequities are going to become worse and worse and possibly end up destroying the program altogether.

There are many producers that are very angry over how it's been administered so far.

Senator CRAPO. That's true. Anybody else want to say anything on the CSP program before I move on?

Let me move to the technical service provider issue, and Mr. Hawley and Mr. Mansfield, you both mentioned this in your testimony, so I may focus on you here. But Senator Noh and Mr. Knight, don't hesitate to jump in if you have opinions on this.

You may be aware, I held a hearing on this, in this subcommittee, in Washington, D.C., just a couple weeks ago, and we reviewed the whole TSP process, and how it was working and so forth.

And the general consensus of the testimony that we received that day was that the TSP provisions were very helpful, but that we could improve, again, and there were some areas of suggested improvement.

And I think that that would be consistent, that's what I heard both from you, Mr. Mansfield, and from you, Mr. Hawley, today as well, that it's a good program, but I also detected that there are some ways that we could improve it.

So, would you both be willing to elaborate a little bit on what you would think we ought to do with regard to the TSP program?

Do you want to start, Mr. Mansfield.

Mr. MANSFIELD. Senator, I would be happy to try and fill in a little more, and it is based on some experience.

As you well know, for commitments to be made here by, say, Idaho Department of Fish and Game, and our colleagues in other states and so on, scarce positions, if you will, and so on, and resources within the state agency.

Although we can accomplish our goals together, to have that work in some streamline fashion, we look at removing any administrative barriers, and whether they meet the actual funding allocation, the funds set aside and the procedures for funding technical assistance, be it a partnership with a state wildlife agency, or be it getting the archeological surveys done, declare a project on a weapon restoration project, there could be some focus on cleaning those things up. And once again maybe there needs to be a little more flexibility in regions or states to do it.

Certainly we have found in our NRCS to be more than innovative within the constrains of the hard wired, broad brush approach nationally, for example. And so I think that would be an area in which to step it down gives some state authority to make those arrangements.

Once again, if there could be some continuity, multi-year agreements or funding to the degree we could, makes it much easier for a state agency like the Idaho Department of Fish and Game, to commit resources to build continuity.

As it is now, we are putting three positions right in the NRCS offices, and it's hard to describe the intangible benefits associated with improving our relationship with private landowners, making the Federal Government's program more effective.

And quite frankly, we can bring the expertise to help address the practical incentives on landowners' projects, that's our expertise, and we can bring it to bear in an effective way.

Senator CRAPO. Well, thank you. And in fact I think that Idaho and one other state are sort of leading the way in terms of these partnerships, and it looks like we are doing it well and doing it right. And that issue of continuity of contracting is one that came up in Washington when we held the hearing there, too. So we are going to try to solve that problem.

Mr. Hawley, did you want to add anything?

Mr. HAWLEY. Well, I was just going to agree with Mr. Mansfield, that the program has in a way opened up that relationship between agencies to some degree. And I think that's a huge benefit to have agencies cooperate and learn from one another and developing strategic plans for the future.

The TSP program was kind of slow to start out with, but as we have learned to refine it in our own minds, it's become a very beneficial program.

I know, for example, in status reviews of CRPs, there have been some TSP services used here locally, and it's worked out real well.

So, I don't know specifically what changes we need to make. They'd be maybe small. And I think as we move along, we could produce those new ideas for change.

Senator CRAPO. Thank you. And now to move a little bit more to Senator Noh and Senator Knight on the grazing issues.

Senator Noh, I noted with appreciation the objectives that you talked about in terms of the Nature Conservancy's objectives, of wanting to keep ranchers ranching and to reward good stewardship.

I think that that is a very good approach to the general policy, in terms of stating that the overall objectives that we want to achieve in this context.

In the category of keeping ranchers ranching, you had talked about the need for increased funding for the GRP, the FRPP and the WRP programs for the ranching community, and also the need under rewarding good stewardship, to focus on incentives in funding to address the basic species.

I was wondering if you could address that in just a little more detail, in terms of how you think we might approach that with regard to the invasive species, and the other aspects, of rewarding good stewardship on the land.

Mr. NOH. Well, Mr. Chairman, invasive species we know are extremely difficult. I had dinner with my daughter last night in a restaurant in the mall over here, and one of their featured dishes was something comprised of yellow star thistle honey. So, we can eat them.

Senator CRAPO. So what did you order?

Mr. NOH. But the key, it is such a big program, but the key obviously I think is to again target, to try to get out in front of the problems, educate the public.

You know, I know there were difficulties here in the North Idaho lakes with mill soil, where people without an adequate knowledge base were unwilling to use the herbicides, and so you go out into the lake and pull these things, and sometimes it multiplies by fragmentations.

So there has to be a strong education come along, to try get out in front of it. It takes lots of resources. I don't have any magic ideas.

In terms of stewardship, again I think flexibility is important. For instance, as ranchers move into improved grazing management programs, it often requires, and this isn't the Conservancy position, this is my personal experience, it's often important, you know, to rest a particular component of the grazing regime for one or 2 years.

Sometimes to be able to do that, it requires some water developments, perhaps some fencing, perhaps a controlled burn situation to enhance the forage and the forage diversity on the rested piece of property.

So, those are the kinds of fundings that need to be available to assist the ranchers as they get into improved grazing programs to increase their stewardship.

And it's ideal again if these things can be carried out on a cooperative basis, where you have got the agencies and the ranchers and others working together, very much as with your leadership appears to be developing out in the Owyhee, which used to be one of the tougher areas of the state to get cooperation.

So, those are the kinds of programs that I think could go a long ways toward enhancing stewardship.

Senator CRAPO. Thank you.

Mr. Knight, do you want to add anything in on that?

Mr. KNIGHT. Don't say "used to." I think it still is.

I think Senator Noh I think was completely accurate. I mean, the flexibility and the ability to work in those cooperative efforts I think is important.

We especially see, with our members, for example, that have been involved in local working groups related to sage grouse, where there are a lot of folks from, you know, different agencies, landowners, and other interested groups around that table, you know, as they identify some priorities for those kinds of efforts, it's helpful to have some funding and flexibility available so that if somebody wants to, for example, and your example was very appropriate, water development, and fencing, and some of those things, riparian protection, those are things that cost money, as well, and having that ability to get some assistance with those projects, can get on the ground and running quickly, is very important. And so——

And it helps to keep those working ranches out there. I mean, one of the things—I mean, obviously, especially in Idaho, one of the things that's the biggest challenge to our operators, is, you know, when you look, just like any agricultural producer, but when if you look at some of these things that folks want to you do, and the costs associated with it, the last thing we want are the condos to replace the cows on the private lands, you know, out there in some

of these areas, and a lot of our operators are in areas that are very popular to folks moving into the state.

And when you look at our operators that are in places like Custer County, and Lemhigh County, and some of those, they need some assistance in helping make some of these projects a reality so they can stay viable. It is very important.

Senator CRAPO. Thank you. Again, Mr. Knight, from your testimony I assumed, but I want to be clear on this with you, that in terms of the conservation programs, the Cattle Association would probably rate EQIP as one of the highest, is that fair?

Mr. KNIGHT. I think so, Senator. I mean, I think it's probably the program that our members have utilized the most, and so that's—if I rate it in the order of importance, it's because I know it's the one that they seem to be most familiar with.

I mean, we've had operators in, say, the Lemhigh drainage that have utilized some CSP and some of that. But EQIP I think is really our primary program.

Senator CRAPO. How has the GRP program been received?

Mr. KNIGHT. You know, I haven't heard from my members a lot about GRP, quite honestly. And that is not to say it hasn't been received well. We just haven't had a lot of discussion about GRP here.

Senator CRAPO. Well, it hasn't had the funding it needed, for one thing.

Mr. KNIGHT. Well, yeah. And I would probably defer, just because of my lack of knowledge, rather than try to amaze you with my ability to make up an answer, I would prefer to have Stacy contact the folks in D.C. at NCA.

Senator CRAPO. That's always a fair option.

Mr. KNIGHT. I try to be as fair as I can.

Senator CRAPO. Senator Noh, what are your observations on how the GRP program has played out so far?

Mr. NOH. Well, Mr. Chairman, again I think, as I emphasized in my testimony, it is a good program. Again, it is the old story, there is a huge demand, and probably one of the reasons why many of the producers aren't familiar with it, is because they have had no opportunity to be exposed to it.

I think I gave an example in my testimony, in Idaho where a very high ranking program in the Henrys Lake area, 2 years in a row, it didn't make the cut, even though it was No. 5 out of 130 applicants.

Senator CRAPO. Because there wasn't enough money?

Mr. NOH. Because there wasn't funding. And part of that I suspect is this regional allocation and the way the monies are distributed over the nation, in terms of penalizing the large landscape areas in the West.

Senator CRAPO. All right. Well, thank you. I have a lot more questions, but that pretty much, we are pretty much running out of our time for this panel.

I want to say again, as I have said many times, how appreciative we are of the thoughtful analysis that has been provided by you, both in your written and in your oral testimony, and encourage you to continue to provide it to us.

I believe that the Farm Bill and the policies that we will address in it or so far reaching, they go—they are literally going to have international consequences as well as consequences that we are all aware of in terms of environmental, commodity impacts and so forth. We've got to get it right.

And so I appreciate your help in working on that, and encourage you to continue to do so. With that, we will excuse this panel. Thank you very much.

We will now invite up our third panel. While they were coming up, I will introduce them.

Our third panel consists of Dr. Gregory Bohach, Associate Dean of the College of Agriculture and Life Science at the University of Idaho, here in Moscow; Ms. Lorraine Roach, a Board member of Idaho Rural Partnership, from Grangeville; Ms. Christine Frei, Executive Director of the Clearwater Economic Development Association from Lewiston; and Mr. Roger Simon, the Executive Director of the Idaho Food Bank from Boise.

We welcome all of you here with us. And as I have said to everyone else, we thank you not only for your attendance but the amount of work and effort that you have put in to give us your counsel and guidance on these issues. And we will have you go in the order that I have introduced you.

So, Mr. Bohach, please proceed.

STATEMENT OF GREGORY BOHACH, ASSOCIATE DEAN COLLEGE OF AGRICULTURAL AND LIFE SCIENCES, UNIVERSITY OF IDAHO, MOSCOW, IDAHO

Mr. BOHACH. Good morning, Senator Crapo. I want to thank you and your staff for the opportunity to present in these proceedings, and for you listening today as you have always in the past. Thank you very much.

Senator CRAPO. Thank you.

Mr. BOHACH. I'm here to talk about research funding at the University of Idaho and other land-grant universities across the United States.

As Associate Dean, my responsibility is mainly the experiment station director. So I'm responsible for facilitating land-grant research at the university.

I want to start off by saying that I have listened to the testimony of some of the grower groups earlier this morning, the grain producers, the pulse crop producers, potato growers, and the dairy and beef growers, raisers, and they talked about the research cooperation, the support with the University of Idaho.

I just want to mention that the programs that they mentioned for the Farm Bill related to research, we are strongly behind. We are particularly excited about the dairy and beef research facility proposed for southern Idaho. We just met with the dairy producers last week, started working out a business plan. I think the potential is there for the dairy industry and the beef industry, especially in relation to the environmental stewardship. I think it's enormous.

I want to start off, though, by saying that I want to spend most of my time talking about a situation with research funding and hope that some revisions can be made in the Farm Bill to address that.

I will put on one of my minor hats at the University of Idaho, and that is a researcher. I do research in infectious diseases, mostly related to human infectious diseases which has been funded largely by NIH, and I also work on animal infectious diseases, mostly bovine mastitis, which has been funded by the USDA and the United Dairymen of Idaho, and also probably most importantly, by cash formula funds, and probably most importantly by Hatch formula funds, because thinking about it, without the Hatch formula funds, my research program would probably not be viable, and I doubt that I would even have a job here at the University of Idaho.

I just did some calculations this week. It takes about a half a million dollars a year to run my research program. And of that, half a million dollars, 25,000—20 to $25,000 on the average has been provided by Hatch dollars. So, the state of Idaho is able to leverage those Hatch dollars by at least 16 to one in Federal competitive grant dollars. That is important point to keep in mind.

I want to start off by setting the stage here, I need to watch the time I know, three key features to keep in mind.

Despite the fact that since 1997 Federal funds for NIH and NSF have increased by 10 billion and $875 million respectively, in fact the NIF budget as you know, has doubled, we are strongly supportive of that.

Adjusted for inflation, agricultural research dollars for the university experiment stations have actually declined by 24 million dollars. And extension dollars have actually declined even greater than that.

Second, there has been a movement by the current administration, as you know, to remove formula funds for research. Several models have been proposed which differ in the rates at which the funds are eliminated. Either rapidly or more gradually.

And third, there is currently no dedicated Federal research institute to advocate for and/or administer agricultural research funds. Food, agricultural and natural resource programs currently are divided among the ARS, CSREES and the Forest Service.

The result is we believe that there is frequent duplication among agencies, no clearly defined lead agencies to address critical national issues, and a lack of integration across agencies.

And I participated in a subcommittee of the Western Agriculture Experiment Station Directors, and we came up with a policy statement which I presented in my written testimony, but I just wanted to touch on a couple of quick components of that.

I think that we want to have a functional combination of both formula and competitive funds in order for the system to work. Both Federal—Both formula and competitive funds have their advantages and disadvantages, and those are outlined very thoroughly in the written report that I provided.

I wanted to wrap up by saying that what we would propose for the Farm Bill, and this is based upon a committee called CREATE–21, creating research extension and teaching excellence for the 21st Century, which was commissioned by the NASULGC group, the National Association of Land-Grant Universities.

And basically there were several components. I will go over these briefly.

We would propose the creation of an institute that controls and regulates research funding, administers research funding, specifically for agriculture. The Research Fund Institute would be headed by a director, an eminent scientist, nominated by the President and confirmed by the Senate for a 6–year appointment.

We also propose doubling of funding within 7 years from the current $2.7 billion per year to $5.4 million per year, and the major components are, that the formula fund distribution would remained intact, but the add-on dollars would go largely to a competitive program. Thank you.

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

Senator CRAPO. Thank you very much, Dr. Bohach.

Ms. Roach?

Ms. ROACH. Well, I'm used to the university folks talking in 50 minutes increments.

Senator CRAPO. He had to cram a lot into his 5 minutes.

STATEMENT OF LORRAINE ROACH, BOARD MEMBER, IDAHO RURAL PARTNERSHIP, GRANGEVILLE, IDAHO

Ms. ROACH. Chairman Crapo, thank you very much for inviting the Idaho Rural Partnership for participate in this panel.

For the record, my name is Lorraine Roach, and I'm a member and a past Chairman of the Idaho Rural Partnership Board. I also serve with Dr. Bohach on the Dean's Advisory Board for the College of Ag. and Life Sciences here at the University.

Senator CRAPO. Am I pronouncing your name wrong? Is it Bohach?

Mr. BOHACH. That's the way my grandparents pronounce it.

Senator CRAPO. Mine gets pronounced wrong a lot, too.

I'm sorry, Ms. Roach. You can go ahead. You can add 20 seconds because I interrupted you.

Ms. ROACH. One of the key reasons we're here today is because we're all challenged to do more with less.

And I guess I would like to share three key thoughts with you today as part of my presentation.

I'm a private business owner, and like businesses in today's world, government agencies have to collaborate with each other and with their stakeholders in order to maximize their effectiveness and leverage their limited resources.

Second, that this type of collaboration, coordination and leveraging is absolutely critical in rural community development because the resources are even more limited there than they are in urban areas.

And third, that the National Rural Development Partnership, or NRDP, which includes the State Rural Development Council, is an effective and efficient way to foster this interagency collaboration and that the NRDP should be reauthorized in the 2007 Farm Bill.

In this book, The World is Flat, by Thomas Friedman, which I know you are familiar with——

Senator CRAPO. I have read it.

Ms. ROACH [continuing]. He describes that technology and global communication systems are now enabling businesses to collaborate and work in real time across national borders and continents. He

says that traditional command and control hierarchical ways must open up to a new horizontal connect and collaborative style.

But his observation doesn't justify the business survival in the global economy, the same factors that are changing business relationships also affect government.

In 1990 the President's Initiative on Rural America created what later became the National Rural Development Partnership, which is a working group of Federal agency representatives and a network of 40 State Rural Development Councils administered through the USDA.

The purpose of the NRDP was to reduce barriers to rural development through collaboration and communication among Federal agencies and with their state, local, tribal, private and nonprofit stakeholders. The Idaho Rural Partnership, or IRP, is the state council in Idaho.

As a business owner who lives in rural Idaho and who works in rural communities across the U.S., I volunteer as an IRP board member because I have seen this concept of collaborative problem solving truly work for rural communities.

The NRDP model of connection and collaboration was frankly a pretty novel idea 16 years ago when it was begun, but it is an essential and cost-effective way to get things done today. It provides a way to maximize the efficiency of every single dollar that is spent to aid rural communities and residents and farmers and ranchers.

Let me share just a couple examples of how the partnership solves problems and reduces regulatory barriers.

The State Rural Development Councils have initiated a process called rural community assessment, or in some states rural community reviews or community resource teams. This process allows the community to invite a team of experts to spend several intense days helping them find ways to address their community's most difficult challenges.

The visiting resource team is a volunteer group of Federal, state and private experts selected specifically to provide technical expertise and resources that that community needs.

Frankly, the results from this process have been astounding. The communities have come together, agreed on solutions, and then effectively tapped Federal, state and local resources to address their problems. In other words, this process helps communities to help themselves.

In the past farmers and ranchers were required to submit multiple conservation plans to various state and Federal agencies. The Idaho Rural Partnership convened a task of the different agencies and worked with them to develop a single on-line planning format. This program, called the Idaho One Plan, won a national award and is now being implemented across the United States, and there are more details about that attached to my printed remarks.

Other rural issues present the same types of regulatory challenges, from wastewater to health care, transportation, housing, business development, etc.

The state councils can help find solutions through collaborative partnerships, ultimately benefiting thousands of communities and millions of rural citizens and businesses across the nation.

There are dozens of Federal, state, local, private and tribal organizations involved in rural development work. Certainly there's plenty of need. Enough to keep all of us busy. But these entities often don't coordinate with each other and leverage the resources as much as they could.

So the State Rural Development Councils, like IRP, provide a forum for them to come together, connect, identify opportunities to collaborate.

This is a win-win situation for the Federal Government, for the state council partner organizations, and most importantly, for rural communities and businesses.

The NRDP was authorized in the 2002 Farm Bill, and I strongly encourage your support of its reauthorization in the 2007 Farm Bill. Rural communities need this collaboration model now more than ever, and the comparatively low cost of the partnership reached a huge return on investment for the Federal Government and American taxpayers. Thank you.

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

Senator CRAPO. Thank you very much, Ms. Roach.

Ms. Frei?

STATEMENT OF CHRISTINE FREI, EXECUTIVE DIRECTOR, CLEARWATER ECONOMIC DEVELOPMENT ASSOCIATION, LEWISTON, IDAHO

Ms. FREI. Good morning. On behalf of the Clearwater Economic Development Association, thank you for the opportunity to address the Federal farm policy.

Dedicated to the economic and community vitality of North Central Idaho, CEDA provides Region 2 counties and communities with project development, grant management and project implementation assistance, and reaching businesses with startup and small business financing.

CEDA recognizes that our region's resource-based economy, driven primarily by agriculture and timber, is highly influenced by government policy that drives forestry, conservation and rural revitalization.

Today my comments will be specifically focused on USDA rural development programs and services, and their benefits to our region.

The intermediary relending program provides financing for business startup and expansion projects that create jobs in rural communities; contribute to the diversification and expansion of the local economy; and/or provide business ownership opportunities to traditionally undisturbed population groups.

The $650,000 IRP loan to CEDA in 1998, for example, has resulted in $1.4 million of CEDA financing for 27 rural business development projects. This financing leveraged an additional $2.6 million of investment into the same projects, and helped to create and/or retain 154 jobs in rural North Central Idaho.

The rural business international grant program funded a feasibility study that helped a major Clearwater County employer retain over 40 manufacturing positions with decent wage opportunities.

In the past 5 years with RBEG funds CEDA provided 12 microloans for business startup and expansion projects. These projects helped to create 18 jobs in economically distressed rural communities.

The Rural Business Opportunities Grant assisted eight small rural producers in their assessment of new product markets and the development of strategies for penetrating those markets, resulting in nine retained or created jobs.

RPEG funding also provided for a regional tele-communication study that assessed the infrastructure of the most under-served rural communities. This study will be used to prioritize regional actions to address tele-communication shortfalls.

The interest that this study generated contributed to the recent action by the Idaho State legislature to set aside and distribute money for telecommunication infrastructure.

Since 2001 the USDA rural development awarded over $2 million in grant and loans for community projects such as fire stations, emergency service equipment, library renovations, and school improvement projects in our region.

Since 2002 $10 million in loans and $6.82 million in grants were also awarded in the region for water and sewer infrastructure and solid waste management projects.

In the past 5 years CEDA worked diligently with eight communities on community facility and community program projects that were financially made feasible because of the loan and grant programs of the USDA rural development.

Currently CEDA is working on three more projects that will be seeking rural development funding. One of the most financially challenging projects has been with the city of Lapwai and the Nez Perce Tribe on a collaborative project to construct a regional wastewater treatment plant.

It is important for those who develop the Federal farm policy to understand the funding needs of our region.

Looking over CEDA's 5 year history with rural development funded projects, we estimate that fewer than one-third of the projects would have been completed without USDA grant and loan assistance. Grants for water and sewer projects in particular are critical to keeping the utility rates in a $35 per month range that is affordable to low income people.

In addition to its grant and loan programs, rural development provides valuable technical assistance to communities in the areas of rate structuring, financial packaging and budgeting for capital replacement.

The most difficult community projects to complete in our region are fire stations and emergency response facilities and projects. As more people move into the urban areas, adequate and accessible fire protection and emergency response is more critical.

In the past year CEDA has interacted with as many as eight fire districts in the need of funding for facility projects. R.D. programs could be improved with increased grant funds and a program that allows for grant only assistance.

This is the first time in CEDA's history that our organization has been directly involved in addressing housing issues. As property values continue to escalate, the need for USDA rural development

housing programs such as mutual self-help programs become more imperative.

In conclusion, I cannot emphasize enough the need for the existing USDA rural development programs and the hopes CEDA has that the programs receive adequate funding. Infrastructure, the No. 1 obstacle to economic development. Small business opportunity and financing is the other. Thank you.

[The prepared statement of Ms. Frei can be found on page 82 in the appendix.]

Senator CRAPO. Thank you very much.

Mr. Simon.

STATEMENT OF ROGER SIMON, EXECUTIVE DIRECTOR, THE IDAHO FOOD BANK, BOISE, IDAHO

Mr. SIMON. Good morning, Senator, Chairman. I don't think you and I have ever been in a situation where we have been dressed the same. I wear the tie——

Senator CRAPO. We'll work at it. Let's put it this way. I'm going to be in jeans, if I can.

Mr. SIMON. I understand, sir. My name, as you know, is Roger Simon. I'm Executive Director of the Idaho Food Bank, the premier hunger relief agency serving Idaho and Idahoans in need.

I have served in this capacity for 13 years and have been actively administering nonprofit corporations for more than 30 years.

The Farm Bill is thought of by many as the cornerstone of service for our farmers, whether they be large or small. However, it is much more than that. The Farm Bill keeps grocers throughout Madison County in business. That being the home of BYU Idaho, and one of our top counties in the country in terms of the production of potatoes. Also, though, 17 percent of residents of Madison County live in poverty.

In Shoshone County, retail is our largest industry, and yet one out of every four children there live in poverty.

The Farm Bill, the provider of food stamps, is an essential solution there.

Whether we want to admit it or not, the Federal Government is the largest supplier of food assistance in our country. And yet hunger in America, hunger in Idaho is much more serious than it has ever been.

Families seek emergency food sources when they do not have enough money to purchase the food that they need and other basic needs.

The quality of the food that is purchased is directly related to the funds that are available. So, what you have is the odd situation of people threatened with hunger and concurrently suffering from obesity.

Without support such as available through the Farm Bill, the very high fat items will continue to be what's available. And we as a society will continue to pay more and more as a result of that.

The CSFP program, the Commodity Supplemental Food Program, an TEFAP, The Emergency Food Assistance Program, are effective programs that should be temporarily expanded.

Please keep in mind that these Federal programs have absolutely no direct benefit to the Idaho Food Bank, so I have no self-serving interest in sharing that with you.

Concurrently, Federal tax incentives such as included in the recently passed Pension Reform Bill need to be made permanent to provide incentives to donate that food and other items to the food banks and pantries across the country.

The Food Stamp Program needs to expand eligibility. Children can qualify for a free or reduced price lunch in the schools if the family's living at 185 percent of poverty. But to get food stamps at a different eligibility criteria is in effect. All programs need to be inclusive. And the Federal Government needs to establish a comprehensive base for eligibility; one that assures that families' needs are met.

Among those eligible for food stamps in Idaho, only around 50 percent are receiving them. And according to the Idaho Department of Health and Welfare, 48 percent of those that receive them are children.

One of the wonderfully unique things about the Food Stamp Program is that it's a natural setting for people to receive food. Not only is our government helping economically disadvantaged and creating employment within the grocery industry, but people who are receiving food are doing so in an appropriate setting.

How many people in this room have had to stand in line at a food pantry or soup kitchen versus at a grocery store? One is natural.

Let me reiterate some points. Many of them were edited out to stay within my time, but are within the written testimony.

The 2007 Farm Bill reauthorization is the most critical piece of legislation facing this country this year. It impacts every single person. The Farm Bill is essential for farmers, small businesses and low income families, especially in rural communities.

With the increasingly high costs of farming, farm subsidies from the government spell the difference between either success and total ruin, for many who commit their lives to feeding our country. Nearly 35 million Americans are threatened with hunger, including 13 million children. Expansion of the Federal nutrition program is effective appropriate response.

The Farm Bill includes a range of nutrition programs. Participation rates vary from state to state. In Idaho, as I mentioned before, the Food Stamp Program is only reaching about 50 percent of those that are qualified.

The Commodity Supplemental Food Program has become the cornerstone to the nutritional service for our senior citizens, even though Idaho does not take part in this program. It should be expanded to all 50 states. We are an aging society, we must address that.

The Emergency Food Assistance Program provides a way to direct some agricultural surpluses.

Partnering with food banks across the country increases the supply to front line agencies and most importantly to people in need. This collaborative partnership should be written into law for efficiency purposes.

Obesity is a serious problem, especially among our lower income children. It could be addressed in the Farm Bill with focus on nutrition, fruits, vegetables, and education. Its investment will impact everybody.

Creating inclusive standards for the myriad of Federal nutrition programs will help eliminate confusion.

The Food Stamp Program, as I said before, is the most natural method for people to receive food for themselves. The check-out line in the grocery store is the best way to do it.

In conjunction with expansion of the Food Stamp Program, an outreach education program that simplifies enrollment is necessary to help eligible people access the services they need.

Again, Senator, I thank you for the opportunity to offer this testimony on what I consider to be one piece of legislation impacting this entire this country.

It has been an honor to come before you today, as it is each time we work together.

The Farm Bill, 2007, if done correctly, will be the foundation for a strong society. Ronald Reagan made a comment saying, "All great change in America begins at the dinner table."

When you and other people in this room go home tonight, to your families, realize that you're in the position that the President spoke of. Help bring all Americans to that table.

Thank you very much for your time and for your attention.

[The prepared statement of Mr. Simon can be found on page 126 in the appendix.]

Senator CRAPO. Thank you very much, Mr. Simon.

You know, the testimony of this panel has reminded me of the fact that we call this the Farm Bill, but it is much, much more than just a Farm Bill. And it has intentionally been expanded to be more than that.

And I agree, Mr. Simon, it one—you said "the most." I would certainly put it up there with one of the most important pieces of legislation that we address, whether you were talking about the environmental impacts or the commodity issues or energy issues or the rural development issues, the nutrition issues, the research issues and what have you.

And I thought it might be interesting just to list off what the titles of the Farm Bill are. And I don't know that I have them all here. But there is obviously the commodities title, which is where it gets its name, probably from being the Farm Bill.

And then as you know from the other testimony that we have had here, we have the conservation title. There is a trade title, which has enormous consequences in many different areas. The nutrition programs, including the Food Stamp Program and the others, and more, that Mr. Simon has talked about. The credit title, dealing with your finances and other aspects of how we are economically going to approach the whole business of food and fiber in our nation. There's the rural development title, which of course we're going to talk about a little bit on this panel. The research title. And the energy title. And the energy issues are becoming central, as they should have been, for a long time.

In some of the meetings that have been held around the state, it has been suggested we probably ought to add another title, for

transportation, which is becoming a bigger and bigger issue in all of these arenas.

So this panel gets to help us broaden our focus a little bit beyond the traditional commodity and conservation titles to some of the other very critical pieces of the legislation.

And, Dr. Bohach, if I could summarize the message I took from your testimony, it would be that we don't have an NIH for agriculture.

Is that sort of a good summary?

Mr. BOHACH. Exactly. Exactly.

Senator CRAPO. And the proposal that you make is intriguing. Do you have a name for this institute yet?

Mr. BOHACH. It hasn't been named yet.

Senator CRAPO. I want to create an acronym here so that we can start talking about it. National Agricultural Institute. NAI. I don't know.

Mr. BOHACH. There have been names like that, proposed similar to that.

Senator CRAPO. The idea is that it would be a permanent institute, such as the NIH is, for health research, and a director.

Tell me a little bit more about the proposed director. Would this be an appointment by the President for a term?

Mr. BOHACH. Nominated by the President, Mr. Chairman, and approved by Congress, for 6 years.

Senator CRAPO. For a 6–year term.

Mr. BOHACH. Yes. Which is similar to agencies, other institutes.

Senator CRAPO. Right. I think that it is a very good idea.

And then you have suggested that the research funding, which I also found it interesting that if inflation adjusts agricultural research, it has not kept pace with inflation. It has actually gone down about 24 million. Was that over how many years?

Mr. BOHACH. Since 1997.

Senator CRAPO. Since 1997. And I think most of us are aware of the big push we've had for the last 15 years to double and then again double our research in the medical and health care arena. And we've seen the benefits that have started to come from that.

And so I can certainly agree with you with the idea for doubling.

You have heard probably all the budget discussion we have had with the other panels. That is not an easy—It's an easy objective to agree with. It is not going to be an easy one to achieve.

I'm intrigued by it. And I'm going to try to work on it. You suggested that there were advantages and disadvantages of both the formula funding and competitive funding.

Could you explain that a little bit, what you mean?

Mr. BOHACH. The advantages of competitive funding, I could list a few, the most obvious one I think is that it gets the highest level of scrutiny by peer review and refereed reviews.

The problem with that is that it is not very reactive. And if I submit a proposal to NIH this time of year, we don't see the money for another year, basically. We don't even get notified if it is going to be funded for at least 6 months.

And that really is the advantage, the formula fund, the main advantage, for example, using formula funds, tax dollars, we were

able to identify potato sys-nematode very early this year, and get a heads up on it, try to limit it.

Similar problems have been dealt with, using cash funds.

Another example of responding quickly is in the area of bio-energy at the University of Idaho, where we have over the years used Hatch funds to develop very strong programs in bio-diesel and ethanol production. And that's really going to help us deal with our current energy situation, much more rapidly, and respond, because we have the infrastructure here already.

Senator CRAPO. Well, I tend to agree with you. I was talking with someone a little while ago about the energy crunch that we face, and we were talking about the very difficult decisions that we have to face right now, and we don't really see an easy solution. In fact some have suggested that there is no solution to the energy situation that we face right now.

And the gentleman that I was talking with said, you know, America has faced a lot of challenges throughout its history. And every time the American creativity and the American spirit and ingenuity that we have, has come up with a solution.

And he said, we'll do the same thing with regard to energy. And it will come from research and from our investment into the development of new ideas and new science and new technology that will provide answers.

And I think that kind of reasoning is the justification for the suggestion that you make, that we invest in this critical research. This isn't just research to try to help us be more effective and more productive in agriculture. That's a big part of it. But it is an investment in our competitiveness and our ability to maintain the quality of life we have in America and to expand it to all people and to preserve the American dream.

So, I appreciate your commitment to that and your work on it.

With regard to the proposal that you have put forward, I assume, when you say that you would like to have the new dollars, if we can get them into this project, go to competitive funding, is that because ultimately you would like to see the balance to be about half and half?

Mr. BOHACH. Right. The formula, if completely funded, would be approximately, this may not be exactly, but it would be approximately 48 percent competitive, and the remainder would be, probably a bit more, 52 percent, formula funds.

Senator CRAPO. I apologize. I have not yet seen your testimony. But have you attached this proposal? It came from what organization?

Mr. BOHACH. You mean——

Senator CRAPO. The proposal for—the NIH for agriculture. Didn't that come from a group that you're working——

Mr. BOHACH. Oh. Sorry. It came from the NASULGC croup. Land-grant——

Senator CRAPO. Have you attached that to your testimony?

Mr. BOHACH. It's in the folder, yes.

Senator CRAPO. I'll get to review it, then. All right. Thank you.

Ms. Roach, I appreciated your reference to "The World is Flat." I think there is a lot of wisdom in that book, and in the analysis that is being made by many, about how we are changing the way

that we conduct business, conduct everything, you know, conduct life globally here on this earth.

And one of the dynamics, and I guess this is going to relate to your testimony, as well, Mrs. Frei, so you can both jump in on these questions, any of you can on any of these questions, but one of the dynamics that I have noticed is that as our economy has been up and down, and fortunately now we are at a situation where I think we've got 12 or 16 consistent quarters of growth, it hasn't been the explosive, expansive growth that we saw in the late 1990's and the early part of this century, but it has been consistent.

But as we have seen this regrowth from the dips the economy took, the overall numbers look really positive. I mean, you can look at jobs that have been created. You could look at revenue. And all sorts of other, different types of factors. Manufacturing and so forth.

And it's been a little misleading, in my opinion. Because I believe that the urban areas are driving those numbers, and yet our urban areas could not on their own claim such wonderful news.

Would you agree, and would you comment a little bit on that, both of you?

Ms. ROACH. I absolutely agree. In Idaho, certainly we have areas that are seeing growth. Valley County is groaning under the growth that they're seeing. But we have other counties in Idaho that are still shrinking, and losing jobs, and losing population.

Perhaps even more significant is that many of our rural areas are seeing the aging of their populations even more rapidly than they're seeing the lack of growth, or the shrinking, because they are seeing some influx of retirees, but they are seeing predominantly an out-migration of youth.

And as the world flattens, the technology allows people to come back to the rural communities, young families can come back to the rural communities, bring their jobs with them.

My company is an example of what's called the loan eagle. I work all over the country, but I can be based in Grangeville, Idaho, because of technology. I still have some technology challenges there, which hopefully the telecommunications strategy that Christine talked about, can help resolve that.

But we aren't seeing the same types of growth as you note. That's why I think that the national rural development partnership, the state councils, is vitally important, because what they do is bring to the table all of those different resources, all of the agencies, all of the nonprofits, all of the different entities that serve rural communities, and say here are some specific issues, specific problems, how can we work together, leverage our different resources and solve some of these issues creatively.

And it's that creativity that's going to help resolve some of the rural—the thorniest rural problems.

One of our challenges, as you know, with NRDP is there was funding authorized in the 2002 Farm Bill. That funding has never actually happened to the extent, and it wasn't meant all to come through USDA, it was meant to come from each of the Federal agencies as well as the states and the other partners who have a role in rural America.

One of the challenges of a partnership like this is that not only are we trying to creatively collaborate and solve problems, but we are looking at where there are Federal regulations or Federal policies that are barriers to rural development, and so by definition, one or more of any of those partners sitting around the table is going to be on a hot seat when we are discussing a particular regulation or policy.

Because USDA happens to be the agency with the most programs and the most money and the most policy and regulatory authority that affects rural America, they tend to be in the hot seat sometimes more than other agencies.

So, this program sometimes tends to be a bit of a challenge for them internally because we're addressing a lot of things, like the one plan where we were involving Agriculture, EPA, and State Department of Agriculture as well as Federal.

So, oftentimes it is a bit uncomfortable for some of our partners as we discuss how we can improve or facilitate or refine policies and regulations that are creating barriers, because one size doesn't fit all. And as you know, many of the policies tend to focus more on urban solutions as opposed to rural solutions.

Senator CRAPO. Thank you. Ms. Frei, do you want to comment?

Ms. FREI. I just wanted to say that——

Senator CRAPO. Pull that mike a little closer.

Ms. FREI. I believe that in the United States, the more spread out people are throughout the nation, the more stable and healthy we are.

And I think one of the challenges, when legislators look at how they're going to spend money, the tendency is to think, the dollars for the greatest amount of people. I mean, that's just a natural tendency, let's help the most people.

But the challenge, when you're looking at rural development, if you want to keep people healthy and communities healthy in those rural communities, that can't be the criteria. And we have to look at what's going to help those communities to survive, and it may be more costly to preserve those—to preserve certain services within the community than it would be in a larger community.

However, I think overall it makes for a healthier nation. And I think, I was looking at the USDA rural development, thinking about it over the last 2 weeks, I cannot imagine our rural communities surviving without USDA rural development, and the services they provide. They're very traditional programs that have done a great amount of good, and I hope that they continue to be funded.

Senator CRAPO. Thank you. You know, as you were talking, I was thinking about, an example of what you were talking about, in terms of the benefit to our whole society, of making sure that we maintain the diversity, and the strength of our rural areas, is the Universal Service Fund, or the commitment we have on telecommunications, where we pay a little extra, we all pay a little extra in our telephone bills to make sure that we have telephone service in the rural communities. And it has made a tremendous difference to the whole nation, as well as to those communities. And I think that those kinds of things are very critical for us to understand.

That kind of leads me into another aspect of this. As we talk about the rural communities and their needs, Ms. Frei, you mentioned at the end of your testimony, that our No. 1 issue is infrastructure in terms of the obstacles to economic development; No. 2 would be small business opportunity and financing.

And I will just toss this out to all of you on the panel. I believe that. And one of the things that I have been committed to in many different contexts, is trying to build out the infrastructure in our rural communities.

The question I have is what do we mean when we say infrastructure in our rural community? What do we need in terms of infrastructure in our rural communities?

Ms. FREI. I would like to address this.

Senator CRAPO. Sure.

Ms. FREI. There is an example, last night, yesterday afternoon we met with the Work Force Development, members of the Work Force Development Council for the State of Idaho in Region 2.

And interestingly enough, the conversation was supposed to be about work force development, correct?

Senator CRAPO. Correct.

Ms. FREI. We spent half the time talking about telecommunication issues.

This is an example of telecommunication, fire stations, community centers, water, sewer, garbage, those kinds of services, are so necessary, and it's like, in North Central Idaho, many of our rural fire districts have been able to get assistance and funding, this is an example, for equipment, because after the 2000 fire season, monies were made available for them.

But the problem is, is that they may have some of the equipment, some of the equipment now that they need, made real improvements in that area, vehicles that they need, but they don't have the fire station to put the equipment in.

That's a major problem. Because in order to take care of that equipment, you need to have a controlled environment, and it has to be in an area in which it's going to be able to serve the community, the people in the community.

And it is getting to be more and more of a problem because more and more people are moving out into the urban interfaced areas. And so the need those services are increasing.

And energy is another issue that I see as an infrastructure issue. And also the last one would be transportation.

Senator CRAPO. So you think maybe a transportation title would be helpful in the Farm Bill?

Ms. FREI. It couldn't hurt.

Senator CRAPO. Did you want to add anything, Ms. Roach?

Ms. ROACH. No. That's fine.

Senator CRAPO. I see some—Did you want to say something, Roger?

Mr. SIMON. Actually, I'd like to connect the last two questions.

Senator CRAPO. Yeah.

Mr. SIMON. The first one, you talked about growth going on for 14 quarters, what is it?

Senator CRAPO. Yes. 12.

Mr. SIMON. The growth we've seen, much of it has been in the service industries, which has meant that we've got people who are operating, often part-time, often without benefits, often with below living wages, whether urbanly located or rurally located.

What the result of that is, in some ways, is that we also at the same time have had the largest increase in applications for Welfare going on in the country, food stamps, other things that somehow we have had all of this growth, but we have a huge increase in need that's occurring.

And this ties back again to providing a base level for our population.

When you talk about the wonder of living rural, you have a huge cost to just get from point A to point B, because in the city, it's 5 minutes away. Somewhere else, it's an hour away.

When you don't have the same kinds of shopping opportunities, if you will, it's much more expensive.

And so, again, that Farm Bill comes back into play here in terms of assuring standards, assuring the subsidies for the people, whether it be for the food stamps, assuring that people go into the grocery stores, and the grocery stores in a small town, and can afford the food that's available there.

Senator CRAPO. You know, to follow up on that for just a minute, in your testimony you indicated that the participation of among eligible people in the Food Stamp program was only about 50 percent.

Mr. SIMON. 48 percent.

Senator CRAPO. Yeah. In your view, why are about half of the eligible people not involved in the program?

Mr. SIMON. We do an inadequate job of making folks aware that the services are available. We also have a very strong stigma associated with participation in governmentally supported programs within our country, and especially within Idaho. A very much of a "pull yourself up by your boot stamps" kind of an area.

Therefore, if it's government-related, it's not good.

Although oftentimes the people saying that are also receiving supports, ironically. But that's not connected for them.

I think that's a very serious problem. We know that across the country where there has been focused outreach and education, and even assistance in applications, done by food banks, for example, we've see increases of up to 70 percent and above for participation levels.

That helps the entire economy. As we talk about, you know, even as I talk about those grocery stores in Kambiah, in Orofino, wherever they might be, you need to be able to have the person afford the food there. The food stamp allows for that to occur at times, it allows that person to access that food in a natural type of a setting. Just as we may have a pantry located down the road, the owner of the grocery store needs to be able to make ends meet, too, and what that does is the food stamp provides an economic boost to that community.

Senator CRAPO. And if we were to expand the eligibility for food stamp, wouldn't those who were newly eligible face those same kind of obstacles that you've just discussed?

Mr. SIMON. That's why in my testimony I suggested that an outreach education component be a critical part of this program. And

I am not talking about major dollars. I mean, it doesn't need to be that expensive. But that we need to somehow move that outside of it being controlled automatically by State Departments within each of our states, but that we develop on a national level, the materials that can be distribute throughout our country, to assist people in accessing that material, and we removed the stigma that's associated with receiving food stamps. And we've gone a long ways there with the Quest cards, with other types of cards that are much more natural for folks.

Ms. ROACH. Senator Crapo, the comments that were just made, I think there's an interesting connection between what Christine just said about the meeting yesterday, the folks from Work Force, and the reason that that meeting ended up spending a lot of time talking about telecommunication infrastructure has to do with access to increasing levels of skills. And it's more—it's difficult for people in rural areas to access the training that they need.

We have people who are unemployed, we have people on food stamps, people who are making low wages, and yet I talk to business owners who can't find the workers who have the skills that they need. They have the jobs available, but they don't have the work force.

So it is all interconnected, and it has to do with education, it has to do with retraining, it has to do with training beyond high school, vocational education, all of those things are wrapped into it.

But telecommunications is a critical piece. Because if we can increase our capacity to deliver training and to deliver educational services to people who need it, then we have more opportunity for people to get jobs that are going to be increasingly needed in a global economy.

Senator CRAPO. Thank you.

Ms. FREI. I would just like to comment on that, too.

Senator CRAPO. Sure.

Ms. FREI. Also we need to keep our mind open when you are working with very rural communities. It may not be the traditional telecommunication infrastructure.

And some of the barriers that I've seen within the last few years, this is what we do in urban America, and this is going to translate out in rural America, and it doesn't.

We need to look at different kinds of systems and not rely on the traditional service providers that have been providing it.

Senator CRAPO. Well, and that's why the partnerships and groups that particularly the two of you are members of, are so helpful in helping us fine tune it and make it work properly.

Yes?

Mr. BOHACH. I also just wanted to add, that I think that would be an excellent place for the university extension and outreach, especially with our experts on nutrition and rural sociology.

Senator CRAPO. That just shows the collaborative approach that Ms. Roach talked about and that we all have been involved in.

Ms. ROACH. Extension is represented on the Idaho Rural Partnership Board, as a integral partner.

Senator CRAPO. Well, I want to thank everyone on this panel. Again we are running out of time. We always run out of time on these hearings, which is one of the reasons why we keep the record

open for 5 days so that folks can continue to send us information, and really, like I said at the outset, the record, in terms of giving us input on the Farm Bill, is just open. Get ahold of us whenever you want to, to let us know about your thoughts and your ideas and suggestions.

Again, I want to thank all of you on this panel.

And I'll just make a few concluding remarks here, and then we will wrap up the hearing.

I believe that the testimony that we've received today has been outstanding. And for those of you who haven't had a chance yet to read all of the testimony, the depth was much greater in the written testimony than we had an opportunity to do here in the actual hearing. Which is always the case.

But it's been—it provides a tremendous bank of resource for us to utilize at the Committee as we develop this legislation.

This is one of the most important pieces of legislation that Congress deals with on a regular basis, and as I said before, I believe that the times that we are living in, the situations we are facing, literally in terms of international economic and international security issues as well as our national issues that go right down to the rural level, and to the individuals at the dinner table, are becoming much, much more intense an interrelated, and as a result of that, the consequences of us getting it right in this Farm Bill are increased dramatically.

Because it really is much more than just a Farm Bill. It's a bill that helps to facilitate that interrelationship between so many of these issues that involve so many of our people here and across the globe. So, again, I want to thank everybody for your testimony, and for the time that you have given to attend here today and to prepare for us.

And with that, we will close this hearing. Thank you very much.

[Whereupon, 12:05 p.m., the hearing was adjourned.]

APPENDIX

August 11, 2006

Chairman Mike Crapo
Senate Subcommittee on Forestry, Conservation, and Rural Revitalization
Hearing regarding federal farm policy
Moscow, Idaho
August 11, 2006

Thank you all for being here today to discuss federal farm policy. I would especially like to thank the University of Idaho for hosting this hearing and all of the witnesses for traveling here to be a part of this important discussion during a very busy time for producers. I appreciate you taking the time to be here.

As Congress prepares to write the next farm bill, there is nothing more important than getting input from farmers, ranchers, rural communities, and others most affected by federal farm policy. Hearings such as this, the eight Senate Agriculture Committee field hearings being held across the nation, and the eleven field hearings held by the House Agriculture Committee are essential in that process.

World trade negotiations, increased energy and other farm input costs, and the far different federal budget situation than the projected budget surplus when the 2002 Farm Bill was written add significant challenges to crafting the next farm bill.

However, it remains clear that producers must have a proper safety net, broader foreign market access, and assistance with meeting the increased demands on our natural resources. Through the strong leadership of Senate Agriculture Committee Chairman Saxby Chambliss, we will work to write a farm bill that meets these challenges while enabling continued success for U.S. agriculture.

The bottom line is we need to ensure that federal farm policy addresses the needs and complexities of agriculture while continuing to enable farmers and ranchers to provide a safe and abundant food supply, strengthening our rural communities and businesses, and supporting the stewardship of our rural lands. This is no small task.

With more than 25 thousand farmers and ranchers in Idaho producing more than 140 commodities, Idaho has an important voice to lend in writing the next farm bill. Today, we will hear from witnesses representing various Idaho agriculture sectors. We will also hear testimony from conservation, rural development and nutrition groups, and the Nez Perce Tribe.

There is also ample opportunity beyond today to provide input for the next farm bill. The record for this hearing will remain open for five business days, and formal comments can be submitted during that time. Or, you may submit informal views through the Senate Agriculture Committee website, my website, or contacting me or my staff at anytime.

I look forward to the discussion today and all of your valuable input as we work to craft the next farm bill. Thank you.

Position Statement (Dr. Bohach participated in formation of, and supports, the following position): The Hatch, McIntire-Stennis and Smith-Lever Acts authorize the use of federal funds for direct payment to each state to support agricultural and forestry research and extension. These Acts also specify how the allocations are to be made and the requirement for state matching funds.

In addition, many federal competitive peer-reviewed funding programs have been established by Congress that provide funds for agriculture and forestry, including the NRI with USDA, NSF, and NIH. These funding agencies have a highly evolved scientific-merit based selection process that determines allocation of funds within identified priority areas, most of which focus on more curiosity-driven or basic research. Some 20% of these funds may be used for integrated activities including applied research and an even smaller percentage to Extension.

A balanced portfolio of funding sources for agricultural research and extension in the Land Grant university system is essential. Federal, state, local and private funds that support public research and extension programs combine to address a broad range of stakeholder interests that demand significant impacts and high-value return to society. It is also critical that these funds be allocated through both formula and competitive decisions as a way to ensure continuation of local user-guided and locally relevant research and extension.

Competitive peer-review mechanisms for funding decisions, that are scientific-merit focused and curiosity-driven, help to maintain high program quality and creativity, but provide little assurance that an optimal value return will be derived by society from the investments. By contrast, administratively driven highly consultative processes involving federal, state, local and agribusiness stakeholder interests that make most decisions on the use of formula allocated funds, help to ensure local societal relevance, but depend on the administration to maintain high quality.

Agricultural Research programs that receive broad support from public and private sources provide the entire spectrum of discovery through application, but these programs require a stable base of support to maintain focus on specific outcomes over a long time frame. Research and development is inherently an uncertain enterprise of exploring the unknown, testing hypothesizes, and trial and error applications, frequently over many years, followed by the extension of technology to stakeholders through the adoption-diffusion process. Federal funds allocated by formula provide the foundation and continuity from year to year that is required to sustain this process. Formula funds provide the basis for research that requires a longer time horizon and addresses specific priorities of local, state and regional stakeholders. Furthermore, formula funds support a discovery and dissemination capacity that is capable of responding quickly to new problems and issues.

The LGUs maximize both the quality of both research programs and the value-returns to society from public investments. A balanced combination of long-term formula allocated base support and short-term competitive funding makes this possible. Both competitive and formula funds have distinct advantages:

- Competitive mechanisms ensure high quality research, but do not ensure relevance. The customers of competitive funding mechanisms are generally the recipients' professional peers and the granting agency.
- Formula funds promote engagement of the LGU system with its customers -- producers and consumers, while competitive funds encourage interaction with professional peers.
- Research programs that utilize formula funds increase relevance and quality through stakeholder input and review, while competitively funded programs depend on peer review.
- Competitively allocated funding cannot maintain research infrastructure (buildings, scientific equipment, and trained people) essential to sustainable programs. Stable formula allocated funds provide a continuous base of support necessary for these long-term investments. Few, if any, large institutions have the local funding base that enables them to maintain essential infrastructure without federal funding and still meet the locally prioritized needs of the state/nation.
- Formula funds allow continuation of a system that can provide flexible and timely responses to immediate problems. For example, LGU personnel were able to address the recent Soybean Rust outbreak rapidly without waiting on a competitive funding cycle. Formula funds allow maintenance of a response system to address this type of emergency.
- Formula funding facilitates multi-state collaboration that is more efficient, systematic, inclusive, and sustainable than does competitive funding mechanisms (e.g., eXtension and multistate research activities).
- Formula funds leverage other funds at a rate exceeding 4 to 1, while competitive funds rarely have matching funds of more than 1 to 1.
- The loss of formula funds, even with an equal increase in competitive funds, will further disadvantage smaller institutions and will have a detrimental impact on regional and national networks of research and extension programs. All states and LGUs will be negatively impacted, but smaller states and institutions will be impacted disproportionately. Competitive-only mechanisms create or exacerbate the "have's and the have-not's".

THE PROPOSAL

The CREATE-21 committee recommends that present internal and external research, extension, education, and international efforts within the U.S. Department of Agriculture be integrated within a new "National Institute." The CREATE-21 proposal is under final internal review and development. However, the committee has released several documents and presentations for review by the land-grant community.

EXECUTIVE SUMMARY

Preface

- The CREATE-21 Committee of NASULGC's Board on Agriculture Assembly (BAA) has been working for many months on a proposal to Create Research, Extension, and Teaching Excellence for the 21st Century.
- However, the CREATE-21 proposal is still a work-in-progress. Comments and suggested refinements are welcome, with input being accepted through the BAA's sections.

Framework

- A new National Institute created within USDA. Independent agency reporting directly to Secretary of Agriculture. (Name under discussion.)
- Will include agencies, programs, and activities currently within the USDA's Research, Education, and Economics mission area and U.S. Forest Service R&D. But this is more than just a "rebuild." A new Institute with enhanced funding and increased focus/integration will result.
- Institute shall sustain and expand the capability of USDA to carry out intramural research programs and capability of land-grant and related universities to perform extramural research, extension, education, and international programs.
- Funding through traditional base (formula) funding mechanisms (with matching requirements) will continue; particular attention placed on building infrastructure at minority-serving institutions.
- Portfolio of programs collaboratively determined by Director and land-grant and related university partners (with recommendations from a National Stakeholder Advisory Committee). Portfolio will include robust intramural and extramural research, extension, education, and international programs (including peer-reviewed competitive grant programs).
- Director nominated by President and confirmed by Senate for a six-year term. Director shall ensure collaboration with Institute's partners and input from stakeholders at all levels.

Justification

- Partnership between USDA and America's land-grant universities can be brought up to optimal effectiveness through: (1) a steady increase in federal funding; and (2) USDA reorganization to improve interagency integration and program focus.

- Federal funding for food, agriculture, and natural resources has fallen steadily over last three decades; it hasn't even kept pace with inflation.

- Food, agricultural, and natural resources programs currently divided among ARS, CSREES, and Forest Service R&D. The result? Frequent duplication among agencies, no clearly identified "lead-agency" to address critical national issues, and lack of integration across agencies.

- CREATE-21 proposal addresses both problems. It will increase federal funding and bring greater integration and focus to USDA's research, extension, education, and international programs.

New Funding Authorized

- Doubling of funding within seven years from ≈ $2.676 billion/year to $5.352 billion/year. Emphasis on competitive programs (70%). Capacity programs, both for internal USDA laboratories/facilities and land-grant and related universities will receive remainder (30%) of increase.

- Competitive funding (authorization) will reach $2.126 billion/year over seven years, with full indirect cost recovery. NIFA-like (fundamental) research will constitute 55% of total, rising eventually to $1.169 billion/year, with 20% reserved for institutional enhancement of 1890s, 1994s, and Small 1862 land-grants. Integrated (IFAFS-like) programs will constitute remaining 45%, rising eventually to $957 million/year with 20% also set-aside for 1890s, 1994s, and Small 1862 land-grants.

- Capacity funding (authorization) will reach $2.937 billion/year over seven years. With respect to new capacity funds, 77.5% will be distributed by the same percentage breakdown as currently occurs among the various current funding recipients (see legislative outline). The remaining new funds would be distributed: 17.5% for institutional enhancement at the 1890s, 1994s, Insulars, Small 1862s, and AASCARR institutions; and 5% retained in a "Director's Enhancement Fund."

- If the CREATE-21 proposal is enacted and fully funded, at the end of seven years the capacity/competitive ratio — considering both existing funds (≈$2.676 Billion) and new funds (≈$2.676 Billion) — would be 42% competitive to 58% capacity. This will be a significant change from the current situation where some 90% of funding is spent on capacity items, vs. 10% on competitive programs.

FRAMEWORK

Establishment. There is established within the U.S. Department of Agriculture (USDA) the National Institute of _____ ("Institute"), an independent agency reporting directly to the Secretary of Agriculture. Agencies, programs, and activities currently within the USDA's Research, Education, and Economics mission area and U.S. Forest Service R&D are consolidated in the Institute.

Purposes. The Institute is established to meet the purposes set forth in Section 1402 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (as amended), and these additional purposes:

- To provide and cause to be provided the highest quality fundamental and applied research in the food and agricultural sciences; to maintain and enhance the health, social and economic welfare, and security of the people of the United States; and to preserve and enhance the environment.
- To provide education and extension programs for the citizens of the United States in order to: enhance the vitality of youth, families, and communities; ensure an increasing quality of life; and provide a supply of highly educated and trained human capital to meet the workforce needs of the food, agriculture, and natural resource industries.
- To sustain and enhance the capacity of the Institute and its land-grant and related university partners.

Capacity. The Institute shall sustain and expand the capability of the Department to carry out intramural research programs and the capability of the Department's land-grant and related university partners to perform extramural research, extension, education, and international programs. The Institute's effort to sustain and expand land-grant and related university infrastructure shall include increased funding through traditional base funding mechanisms (with appropriate matching requirements), with particular attention placed on building infrastructure at minority-serving institutions.

Programs. The Institute's portfolio of programs will be collaboratively determined by the Director, the Deputy Directors, and the Institute's land-grant and related university partners consistent with recommendations from the National Stakeholder Advisory Committee. The portfolio will include robust intramural and extramural research, extension, education, and international programs, to include a variety of peer-reviewed competitive grants programs. Open to all eligible institutions, these competitive grants programs may be single or multi-institutional, multistate, single or multidisciplinary, subject-matter-directed, and/or functionally integrated as well as those best suited for singular functions.

Director. The Institute shall be headed by a Director who is an eminent scientist/educator, nominated by the President, and confirmed by the Senate for a six-year term to ensure continuity of programs. The Director shall appoint a Deputy Director for each area of focus and each such Deputy Director will coordinate the integrated funding portfolio under their jurisdiction. The Director shall also assemble other personnel necessary to conduct the work, business, and administration of the Institute. The Director shall be advised by the National Stakeholder Advisory Committee. The Director shall also establish mechanisms for input from local, state, tribal, or regional stakeholder groups as to the immediate, emerging, and future needs for research, extension, education, and international programs. The Director shall ensure a positive, interactive, and collaborative relationship is established and enhanced among the Institute, its various units and personnel, and the Institute's land-grant and related university partners.

JUSTIFICATION

"A unique partnership arrangement exists in food and agricultural research, extension, and teaching between the federal government and the governments of the several states whereby the states have accepted and supported, through legislation and appropriations [a broad range of federally authorized research, extension, teaching, and international agriculture programs. This partnership] has played a major role in the outstanding successes achieved in meeting the varied, dispersed, and in many cases, site-specific needs of American agriculture...[and] must be preserved and enhanced."

National Agricultural Research, Extension, and Teaching Policy Act of 1977 (as amended).

This partnership has two key features: (1) federal funds to land-grant universities leverage state and local matching funds; (2) research—especially applied research—from these land-grant universities is broadly and rapidly disseminated through the Cooperative Extension System to those who can most directly benefit from it. Together, these two attributes have helped to shape an integrated research, extension, and education system, which is the envy of the world. The partnership is not operating at optimal effectiveness due to a slow, steady decline in federal funding and a lack of integration and focus. As shown in Figure 1, USDA funding for food, agriculture, and natural resources has fallen steadily over the last three decades. [Figure 1 goes here.]

Compounding this situation is the fact that food, agricultural, and natural resources research programs are currently divided among three USDA agencies: (1) the Agriculture Research Service (ARS); (2) the Cooperative State Research, Education, and Extension Service (CSREES); and (3) Forest Service R&D (USFS R&D). As a result, there is frequent duplication among the agencies, no clearly identified "lead-agency" to address critical national issues (such as the relationship of food and nutrition to obesity), and a lack of integration across agencies.

To appreciate the critical need to consolidate the research, extension, and teaching functions dispersed throughout the U.S. Department of Agriculture, it is important to understand how the three key agencies—ARS, CSREES, and USFS R&D—currently operate:

- ARS is primarily a research agency that maintains a network of laboratories and offices staffed by federal employees. ARS has a total budget of ≈$1.123 billion, nearly all of which is spent internally. Since it is a scientific research agency, there are few requirements for ARS employees to assume ex-tension (technology transfer) or higher education responsibilities.

- CSREES is the agency that manages the Federal-State and Federal-Tribal Partnerships in food and agricultural research, extension, and teaching. CSREES has a total budget of ≈$1.199 billion, very little of which is spent internally. Many CSREES programs integrate research with extension and higher education and land-grant employees supported through the Federal-State Partnership often hold joint research, extension, and/or academic appointments.

- USFS R&D is one of three principal divisions of the U.S. Forest Service. Like the ARS, USFS R&D maintains a network of labs and offices staffed with federal employees. USFS R&D has an annual budget of ≈$277 million, of which ≥ 90 percent is spent internally. Extension and higher education requirements are also minimal for USFS R&D employees.

The CREATE-21 proposal envisions consolidation of agencies, programs, and activities currently within the USDA's Research, Education, and Economics mission area (most notably ARS and CSREES) and USFS R&D in the National Institute of _____. Although the Institute will be a new independent agency reporting directly to the Secretary of Agriculture, it will incorporate the best features and areas of focus from the existing organizations:

- The Institute will manage a broad and integrated portfolio of programs to be organized by problem/solution areas and funding mechanisms. "Capacity" programs will maintain and expand the intramural research capability within USDA (e.g. ARS) and the research, extension, education, and international capability of the Federal-State and Federal-Tribal Partnerships. "Competitive" programs will build upon the Institute's capabilities—both within USDA and the Partnerships—and focus on problems of pressing multistate, national, or international significance.

- By continuing appropriate state matching requirements in such key federal statutes as the Hatch Act of 1887, the Smith-Lever Act of 1914, the McIntire-Stennis Act of 1962, the Evans-Allen Act, and 1890s Extension, scarce federal resources will leverage other funds. And, by reducing program duplication, limited federal resources will be stretched further still.

- The Institute will be guided by a diverse National Stakeholder Advisory Committee and there will also be new mechanisms for input from local, state, tribal, and regional stakeholder groups as to the immediate, emerging, and future needs for research, extension, education, and international programs. Also, the Institute will build upon one of the great strengths of the Federal-State and Federal-Tribal Partnerships, namely the tight integration of research with extension and teaching.

While the CREATE-21 proposal is no panacea, it will help to "Create Research, Extension, and Teaching Excellence for the 21st Century."

AUTHORIZATION OF NEW FUNDS

Overview. Currently (F.Y. 2006), USDA research, extension, education, and international programs receive ≈$2.676 billion per year in funding (ARS = $1.124 billion (excluding facilities); CSREES = $1.199 billion; ERS = $75 million; Forest Service R&D = $277 million). The CREATE-21 proposal would consolidate ARS, CSREES, USFS-R&D (and perhaps ERS) into a new National Institute and double funding within seven years from ≈$2.676 billion/year to $5.352 billion/year. The growth will come mostly in competitive programs (70%). However, capacity programs—both for internal (intramural) USDA laboratories/facilities and land-grant and related universities—would also receive substantial increases (30% of the total).

Competitive Funding. Competitive funding (authorization) will reach $2.126 billion/year over seven years, with full indirect cost recovery. NIFA-like (fundamental) research will constitute 55% of total, rising eventually to $1.169 billion/year, with 20% reserved for 1890s, 1994s, Insular land-grants, and Small 1862 land-grants. Integrated (IFAFS-like) programs will constitute the remaining 45%, rising eventually to $957 million/year with 20% also set-aside for 1890s, 1994s, Insulars, and Small 1862 land-grants.

Capacity Funding. Capacity funding (authorization) will reach $2.937 billion/year over seven years. With respect to new capacity funds, 77.5% will be distributed by the same percentage

breakdown as currently occurs among the various current funding recipients (see legislative outline). The remaining new funds would be distributed: 17.5% for institutional enhancement at the 1890s, 1994s, Insulars, Small 1862s, and AASCARR institutions; and 5% retained in a "Director's Enhancement Fund."

A More Balanced Portfolio. If the CREATE-21 proposal is enacted and fully funded, at the end of seven years the capacity/competitive ratio — considering both existing funds (≈$2.676 Billion) and new funds (≈$2.676 Billion) — would be 42% competitive to 58

% capacity. This will be a significant change from the current situation where some 90% of funding is spent on capacity items, vs. 10% on competitive programs.

VALUES & PRINCIPLES

Core Values

The USDA-university partnership will meet America's current and future agriculture and natural resource needs through a collaborative effort that:

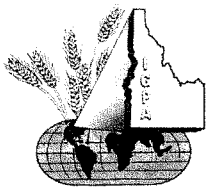
- Promotes scientific excellence.
- Values and supports a diversity of institutions (as measured by size, type, and mission).
- Links research, education, and extension efforts across state lines through a nationally-coordinated system.
- Supports relevant, needs-driven priorities in research, education, and extension as well as discovery-driven programs.
- Encourages active, broad-based stakeholder engagement and responds to stakeholder priorities through flexible application of resources.
- Equips future practitioners and scientists through a truly integrated program of research, education, and extension.
- Provides sufficient physical and intellectual resources to respond effectively to local, regional, and national needs.
- Enhances the local and global competitiveness of U.S. food and fiber production.

Operating Principles

To deliver on these core values, a reconstituted partnership will be one that:

- Integrates research, education, extension, and outreach.
- Demonstrates accountability to stakeholders and funding partners in both the setting of priorities and use of funds.

- Provides the physical and human infrastructure and financial resources necessary to support adequately research, education, and extension over the long-term.
- Stabilizes and enhances federal funding through a portfolio of funding mechanisms.
- Builds new and expands existing arrangements that promote collaboration and cooperation.
- Provides an appropriate balance between intramural and extramural research.
- Maintains and improves mechanisms that successfully leverage state, local, and private funds.



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Testimony of
Tim Dillin Vice President
Idaho Grain Producers Association

Subcommittee Hearing on
Forestry, Conservation and Rural Revitalization
August 11, 2006
University of Idaho, Menard Law Building

United States Senate
Committee on Agriculture, Nutrition, and Forestry

Senator Mike Crapo, Chairman

Senator Crapo and members of the Senate Sub Committee on Forestry, Conservation and Rural Revitalization, thank you for the opportunity to present testimony on behalf of Idaho's wheat and barley producers regarding the 2007 Farm Bill. My name is Tim Dillin, I raise wheat, barley, canola and hay in Boundary County just a stones throw from the Canadian Border. I currently serve all wheat and barley growers of Idaho as Vice President of the Idaho Grain Producers Association (IGPA). On behalf of IGPA, the National Association of Wheat Growers (NAWG) and the National Barley Growers Association (NBGA) I want to thank you personally for your help requesting farm policy analysis from FAPRI for both the wheat and barley industries. The analysis will help both groups draft a better farm bill proposal.

I want to cover a number of issues today. While I will be very brief in my verbal comments my written comments a will cover most titles in the Farm Bill.

Let me start by saying that the Idaho Grain Producers Association believes that we should write a new farm bill in 2007. A new farm bill and the support it provides agriculture is far more important to Idaho growers immediately than waiting for a possible restart or eventual conclusion to the WTO talks. We must never negotiate away our ability to sustain America's agricultural producers.

Now Senator let me provide some thoughts on commodity programs.

TITLE I – Commodity Programs:

The 2002 Farm Bill has many strong points. The wheat and barley growers that I represent here today believe that the next Farm Bill should build on these strengths. But, while wheat and barley growers generally support current policy, much of the "safety net" provided by the 2002 bill has not been effective for wheat farmers.

Since 2002, wheat growers have received little or no benefit from two key components of the current bill, the counter cyclical program and loan deficiency payment program, for two main reasons. The loan program and the LDP program have not worked well for wheat growers. The target price on the counter cyclical program for wheat was set considerably lower than market conditions indicated. In the final hours of negotiations on the 2002 Farm Bill the target price for wheat was reduced when other crops were not. That reduction reduced the safety net for wheat growers.

For Idaho's wheat growers IGPA recommends that Congress increase the direct payment rate for wheat growers and improves the pricing safety net by increasing the target price for wheat.

Idaho's barley growers also need more from the next farm bill. Over the past 20 years, U.S. barley acreage has declined by 73% and production has declined by 65%. 2005 harvested acres of 3.3 million acres were the lowest since USDA began collecting statistics in 1890. IGPA and the National Barley Growers Association believe that U.S. barley has lost significant competitiveness in its traditional Northern Tier growing region due, in large part, to distortions in federal farm programs support.

Idaho barley growers have been concerned since passage of the 2002 farm bill that payment levels for barley growers haven't provided a fair and equitable safety net for them. As you can see from this chart payment levels for barley producers are much lower that our competing crops.

Program Crop	Direct Payment Rate $	Marketing Loan Rate $	Target Price $
Corn	0.28	1.95	2.63
Sorghum	0.35	1.95	2.57
Barley	**0.24**	**1.85**	**2.24**
Oats	0.024	1.33	1.44
Wheat	0.52	2.75	3.92
Rice	2.35	6.50	10.50
Upland Cotton	0.0667	0.52	0.724
Soybeans	0.44	5.00	5.80

For Idaho's barley growers IGPA recommends that the 2007 Farm Bill focus on equity for barley growers by insuring that direct payments, loan rates and target prices provide a reliable safety net and prevent planting distortions that jeopardize the competitiveness of barley production.

Idaho wheat and barley growers also understand that other cropping groups want to be included in the 2007 Farm Bill. IGPA won't oppose this request but we will remain steadfast in our position that adding new crops will require additional money to be authorized and appropriated for the 2007Farm Bill. Distributing what we have now among more crops is unacceptable.

IGPA Vice President Tim Dillin
August 11, 2006

TITLE II – Conservation:

Idaho wheat and barley growers are some of the best environmental stewards in the world. IGPA believes that conservation programs must continue to be an important component of all farm bills. Conservation programs however, must continue to be designed to encourage conservation and not become the distribution system for the farm safety net. Conservation compliance regulations, CRP, CSP, EQUIP and all the other conservation programs have improved our environment. They have been successful because they provide cost sharing and incentives to put conservation on the ground.

Idaho wheat and barley growers support continued funding for the conservation programs that are currently in the 2002 Farm Bill. IGPA recommends that each program be funded at a level that will allow the program to succeed in accomplishing its purpose. IGPA will oppose any attempt to shift money from the commodity title to the conservation title.

IGPA would also recommend to your Sub Committee that the administration of all conservation programs be provided by the Farm Service Agency (FSA) and that the 2007 Farm Bill authorize and adequately fund NRCS to provide technical service for conservation programs.

IGPA believes that the focus of conservation programs must be to continue providing incentive to agriculture to adopt conservation practices and never be authorized to distribute commodity support payments.

TITLE III – Trade:

For Idaho wheat and barley grower's international trade is vital to their existence. Nearly sixty percent of Idaho's wheat is exported. North Idaho barley growers are hopeful that growing demand for barley in the Pacific Rim will open new export markets for Idaho barley growers. All of these export markets require trade development activities. The Farm bill is a key authorization point for many of the trade development programs Idaho growers rely on and we hope that the 2007 Farm Bill will expand our ability to develop new markets.

Idaho wheat and barley growers support reauthorization and increased funding for the Foreign Market Development Program (FMD) and The Market Access Program (MAP). We also support continuation of the export credit programs and food aid programs. We oppose the cash only food aid program.

TITLE IV- Nutrition programs:

The Idaho Grain Producers Association supports the continuation and funding of nutrition programs in the 2007 Farm Bill.

TITLE V- Credit:

Availability of credit for farmers and ranchers is essential to a strong farm economy. The credit programs that are part of the 2002 farm bill have provided a reliable foundation to support the credit needs of U.S. and Idaho farmers. These credit programs also play a vital role in sustaining rural economies and providing opportunities for young farmers.

The Idaho Grain Producers Association supports continuation of USDA credit programs currently authorized in the 2002 Farm Bill as well as reauthorization of the Farm Credit System.

TITLE VI – Rural Development:

The Idaho Grain Producers Association commends you Senator Crapo, for your efforts regarding Rural Development in the 2002 farm bill. We continue to believe that strong rural communities are the backbone of maintaining strong state economies. We would support continuing those efforts in 2007.

TITLE VII – Research:

Idaho wheat and barley growers have a long history of support and advocacy for research. Starting with their efforts to create both a wheat and barley commission to fund research through grower check-offs, and support of federal research programs. IGPA and the growers we serve have always believed that continued research is the most important things we can provide to sustain growers. Idaho growers have benefited greatly from the partnership between the University of Idaho College of Agriculture and USDA/ARS. Idaho barley growers rank number two in the nation in barley production. Those same barley growers rely on the ARS program for a barley-breeding program.

The Idaho Grain Producers Association supports reauthorization and increased funding for the Research Title of the 2007 Farm Bill. IGPA supports maintaining a strong Land Grant System to conduct research and provide education and extension to the growers of Idaho.

TITLE IX – Energy:

Idaho wheat and barley growers like all of agriculture face rising energy costs that threaten their very existence. Producing our own energy as well as supplementing the nations energy supply with renewable fuels is an ever-increasing role the 2007 Farm Bill can play. The 2002 Farm Bill was a good start in addressing the role of renewable energy in the U.S. The 2007 Farm Bill must expand that role.

The Idaho Grain Producers Association supports additional funding in the 2007 Farm Bill for production incentives that will encourage the production and utilization of renewable fuels.

Senator Crapo thank you again for holding this hearing in Idaho, allowing the Idaho Grain Producers Association to provide our thoughts and we remain committed to assisting you any way we can to draft a 2007 Farm Bill that truly serves the growers of Idaho.

IGPA Vice President Tim Dillin
August 11, 2006

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Statement of the Potato Growers of Idaho on the 2007 Farm Bill for the Senate Sub-committee on Forestry, Conservation, and Rural Revitalization

August 11, 2006, Moscow, Idaho
Presented by: Keith Esplin

Thank you for the opportunity to provide input to your committee on the important job of designing the 2007 Farm Bill. I was asked to represent the interests of specialty crop producers in Idaho. Currently, I am the Executive Director of the Potato Growers of Idaho. Prior to taking this job in 2001, I was a full-time potato grower. My father, brother, and sister continue to raise potatoes and I have a brother who is a dairyman. I have been involved with the Farm Bill programs first-hand, and I have been active in both state and national discussions on Farm Bill policy for many years.

Before I begin my comments on specific Farm Bill titles, I feel compelled to raise an issue, that if not resolved soon, will affect specialty crops more than all the titles of the Farm Bill combined. I refer to the rapidly developing shortage of immigrant farm workers. It is imperative that comprehensive immigration reform that includes the AgJobs provisions for agriculture be passed as quickly as possible. We applaud the vision of the Senate in passing this comprehensive reform and request that everything possible be done to maintain the important provisions for agriculture in the House / Senate conference committee.

Current efforts to tighten the border are contributing to an already critical shortage of farm workers. Many of our resident farm workers are being enticed by much higher paying jobs in the Wyoming gas and coalfields. One of Idaho's premier potato seed farmers told me that he couldn't get enough workers to sort seed potatoes last spring for any price. Since that time, he and several neighbors with many thousands of acres of prime seed potato ground have sold out to developers of a new destination resort. This will contribute to a booming construction industry in Idaho that is also luring away our current farm labor force. Other specialty crops have even higher labor needs than potatoes. Irreparable harm will be done to the suppliers of our nation's fruits and vegetables if workable guest worker programs are not enacted soon.

Potato growers currently do not receive and do not want to receive direct payments of any kind from the next Farm Bill. We do believe, however, that there are many things that Congress can do to improve the competitiveness of our industry by investing in infrastructure, expand the use of conservation programs for specialty crop producers, improve our export possibilities, provide protection from invasive pests, expand research, and help to increase the consumption of fruits and vegetables as targeted in USDA's nutritional guidelines.

Farm programs shouldn't put any sector of the Ag economy at a disadvantage. Perhaps our highest priority in the 2007 Farm Bill is to maintain the prohibition of planting fruits and vegetables on land where growers receive direct payments derived from having a "base" in a program crop. The demand for potatoes is very inelastic and even small increases in potatoes, or

any other specialty crop for that matter, can result in a drastic decline of prices. Our industry has seen many such years recently, and cannot afford the market distorting changes that would result if the current prohibition were removed.

Because of the urgency in addressing the matters I am discussing with you today, the Potato Growers of Idaho believe that a new Farm Bill should be adopted as scheduled, rather than extend the current Farm Bill as has been suggested. We support the broad principles of the specialty crop coalition, of which the National Potato Council has helped co-chair. We believe that it is in the best interest of America to support a strong specialty crop industry. On a per acre basis, potatoes and other specialty crops produce much more value than a crop such as wheat. Whereas an irrigated acre of wheat in Idaho may produce from $300 to $450 of value, on average, an acre of potatoes adds over $2,000 to the states economy. Agricultural areas where specialty crops are grown support a much larger economy. Additionally, many specialty crops also support a large value-added processing industry.

I should probably add at this point that the Potato Growers of Idaho also support a strong wheat industry. Most of our growers also produce wheat and due to the inelasticity of potatoes that I described earlier, we certainly don't want more wheat growers raising potatoes, unless the market for potatoes grows accordingly.

The following are specific priorities for the Potato Growers of Idaho as related to specific Farm Bill titles:

- **Conservation Programs – EQIP -** As a member of Idaho's state NRCS Technical Committee, I have worked hard to make conservation programs more available to specialty crop producers. We have achieved some success, with NRCS beginning to fund some innovative Integrated Pest Management (IPM) programs through the Environmental Quality Improvement Program (EQIP), but much more can be done. We believe that a mandatory allotment of EQIP funds for specialty crop producers, similar to what currently exists for livestock should be adopted. Environmental benefits of reduced pesticide application can be achieved by helping growers adopt new practices, including IPM and organic production.

- **Conservation Programs – CSP –** The Conservation Security Program envisioned by writers of the last Farm Bill truly included some innovative concepts; however, the program was not designed to work for specialty crop producers. Some potato producers have been able to adopt practices that allow them to participate in CSP, but it will be very difficult for most. Producers of other specialty crops that require more soil cultivation, such as sugar beets, dry edible beans, and onions, will most likely find it impossible to qualify for CSP. The biggest problem with CSP is the slow and completely unfair way in which it is being implemented. It is absolutely unfair and improper that one grower may be receiving payments of $40,000 per year, while a competing producer, in a different watershed, has not even had the opportunity to sign up; and at the current rate of implementation, may never get the chance. The CSP program either needs to be revised and adequately funded or canceled. If CSP is funded, EQIP funds should be targeted to help growers qualify for CSP.

- **Risk Management** – Multi-peril crop insurance continues to be unaffordable for many potato growers and specialty crop producers. The current program does not adequately protect seed potato producers. We suggest a pilot project that would re-direct subsidies used for crop insurance into a "disaster savings program" that would help producers build up a savings account to use in times of crop disaster. We would also like a pilot program to develop a workable seed potato insurance product. We offer our assistance in developing these kinds of programs, which would also reduce the need for ad-hoc disaster assistance. We also have serious concerns with the pilot Adjusted Gross Revenue (AGR) program. We believe that despite efforts to make the program work, it is still too subject to fraud and is still market distorting. It also does not work well for producers that are consolidating and expanding their operations. The AGR Lite program will not work for most potato and specialty crop producers due to the gross revenue limit.

- **Energy Production** – The current high energy prices have had a serious affect on specialty crop producers. High fuel prices lead to high fertilizer and pesticide prices as well. We do believe, however, that there is a very real silver lining to high fuel prices – production of ethanol from grain and cellulose, as well as farm produced bio-diesel. U.S. policy should promote the production of these renewable energy resources. Perhaps the result of increased renewable energy production around the world will be a new level of rural prosperity. Perhaps even a level of prosperity that will allow program crop subsidies to be cut and the funds to be re-directed to areas that are in serious need.

- **Transportation** – Although not a current Farm Bill title, good transportation infrastructure is vital to rural America. Idaho's major potato markets lie on the East Coast and Midwest — far from Idaho. Adequate railroad infrastructure and competitiveness are vital to our agricultural economy.

- **Research** – We support significant new investment in research for specialty crops, through both the National Research Initiative and programs within Cooperative State Research, Education and Extension Service (CREES) and Agriculture Research Service (ARS). With the sale of organic products rising nearly 20 percent per year, we support a significant increase in research dedicated to organic production and farm conversion to organic systems.

- **State Block Grants** – We support an expansion of the State Block Grants for Specialty Crops program originally authorized in the Specialty Crop Competitiveness Act of 2004. Due to the wide diversity and localized needs in specialty crop production, state departments of agriculture are uniquely able to assist local growers with the specific investments they need to increase competitiveness.

- **Nutrition Programs** – We support a strong new emphasis within the 2007 Farm Bill on increasing the availability and consumption of fruits and vegetables. Access should be increased through all USDA nutrition programs. Cooperative promotional

programs should also be included as a way to improve the attitude of consumers towards the consumption of fruits and vegetables.

- **International Trade** – We support programs to increase foreign market access, to increase funding for Technical Assistance for Specialty Crops program, and creating a new Export Division within Animal, Plant, Health, and Inspection Service (APHIS) to attach with much greater vigor the real, but too often hidden trade barriers facing our industry in Sanitary and Phytosanitary (SPS) issues. We also support continuation of the Market Access Program (MAP).

- **Invasive Pests and Diseases** –We support significant new investment in prevention of the unintentional introduction of plant pests and diseases, such as the Potato Cyst Nematode that we are currently dealing with in Idaho.

- **Unique Attributes of Specialty Crop Producers** –Due to the nature of high-value specialty crop production, many current Farm Bill programs and disaster programs are of limited value to specialty crop producers due to payment caps, and limits on adjusted gross income. If an ad-hoc disaster program is ever offered again for potatoes, we offer to help design a program that will be both more fair and workable to producers and save the government money. We support a thorough review of all farm programs to ensure that specialty crop producers have access to benefits comparable to other farmers.

Thank you for the opportunity to provide input into the 2007 Farm Bill. We look forward to working with you to develop new farm policy for our rapidly changing times.

Senate Agriculture Committee
Subcommittee on Forestry, Conservation and Rural Revitalization
Subcommittee Chairman Mike Crapo
Moscow, Idaho
August 11, 2006

Introduction

My name is Jim Evans. I am a farmer of dry peas, lentils, chickpeas, wheat and barley near Genesee, Idaho. I am the Chairman of the USA Dry Pea and Lentil Council, a national organization representing producers, processors and exporters of dry peas, lentils and chickpeas across the northern tier of the United States. I also serve as chairman of the Idaho Pea and Lentil Commission an organization representing Idaho pulse producers for over 40 years.

Idaho farmers would like to thank you for serving on the Senate Ag Committee as we approach the 2007 Farm Bill. Since you are the chairman of Senate Ag Subcommittee on Forestry, Conservation and Rural Revitalization, I would like to begin my comments with the conservation title of the farm bill.

Title II - Conservation Programs

The USADPLC believes that our farm policy should reward producers for managing their soils based on long term environmental sustainability on working lands.

1. **CRP-** The Conservation Reserve Program (CRP) has had many environmental benefits but the way it has been managed has been devastating to rural communities. In the next farm bill, CRP should be limited to only the most fragile lands and whole farm bids should be difficult to obtain.

2. **CSP-** In order to achieve the environmental and conservation goals of this great country, we need to fully fund the Conservation Security Program (CSP) and make it available to all producers at the same time. Sign up for the current CSP program is time consuming, complicated, and it often fails to recognize accepted conservation practices in a local area. The program should reward producers for achieving conservation goals based on systems that are economically sustainable and result in significant improvement in soil, air, and water quality. The CSP should be modified to reward producers for addressing conservation goals in their local watersheds and should encourage farmers to diversify their crop portfolios.

Title VII – Research

To compete successfully in the global economy we need to increase our investment in agricultural research. The USDA Agriculture Research Service and our Land Grant Universities have faced flat or decreasing budgets for years. We support increasing agricultural research budgets in the next farm bill.

Title IX – Energy

Energy Conservation Program- We fully support programs in the next farm bill to enhance the development of biobased fuels. We are investigating the fit pulse crops will have in the ethanol production market. Farm Bill policy should not just consider energy products. Rewards for energy conservation should also be included. Legume crops like dry peas, lentils, and chickpeas do not require fertilizer because they fix their own nitrogen in the soil. If the farm bill rewards farmers for planting "energy crops", then it should also reward them for planting crops that conserve energy.

Title I – Commodity Programs

1. **Marketing Loan Program/LDP-** The Marketing Loan Program is the single most important farm program tool used on my farm. This program provides some protection when prices go in the tank and pays me nothing when prices are good. I like this program because it allows me to take advantage of market opportunities and satisfies my banker's need for some downside risk coverage. This useful program needs to continue because it allows me to include environmentally sound crops with targeted market opportunities.

2. **Direct & Counter Cyclical Program-** We fully support the continuation of the direct and counter cyclical program payments that have sustained our farming operation and the local businesses that support our farms. Farmers rarely set market prices, so Direct and Counter Cyclical Payments provide financial security against events we cannot control like political decisions blocking access to lucrative markets (i.e. Cuba) or war in the middle east, hurricanes, rusting pipelines in Alaska all significantly increasing costs of fuel and fertilizer. Direct and counter cyclical payments are a good form of Rural Development because the dollars go directly to rural enterprises that support farming and provide commerce throughout our small communities. The 2007 Farm Bill should include Direct and Counter Cyclical Payments for Pulse crops.

3. **Planting Flexibility**- The best part of the 1996 farm bill was the freedom to plant a crop based on market signals instead of base acres. Planting flexibility must continue and expand in the next farm bill. Chickpeas (Garbanzo beans), for example, are currently considered a vegetable crop and are not an eligible crop to be planted under farm program rules. Chickpeas are an important crop to my farm operation and I want the flexibility to grow them as an eligible farm program crop when market signals warrant.

Title III - Trade

1. **WTO-** In a perfect world there should be no agricultural subsidies, tariff barriers, phytosanitary restrictions, and currency manipulation. Unfortunately, we do not live in a perfect world. The USADPLC supports the current WTO negotiations if the result is an agreement that puts U.S. agriculture on an **EQUAL** playing field with all other countries. WTO negotiations are on the rocks. Congress needs to write a farm bill that protects U.S. agriculture in the current trading environment. We support an extension of the 2002 Farm Bill with minor modifications until a fair WTO agreement is reached.

2. **Cuba-**When people ask me why U.S. farm programs are still needed to protect farmers I tell them we live in an imperfect world and sometimes my own government is working hard against me. Cuba imports over 200,000 MT of pulses each year, mostly from Canada. In the year 2000, Congress passed legislation allowing sales of agriculture commodities to Cuba. A year ago, our industry shipped over 50,000 MT of dry peas and lentils to Cuba. This year the Administration modified the rules of payment from Cuba and pulse sales plummeted. Our government has cost the U.S. pea and lentil industry millions of dollars in lost sales to Cuba and other countries. We hope the next farm bill will eliminate all trade restrictions with Cuba and other countries.

3. **Food Aid-**We have a responsibility as a nation to share our abundance with those in need. We support the continuation of all food aid programs in the next farm bill. In order to address the increasing need for food aid in developing countries, P.L. 480 Title II funding should be $2.0 billion per year. Our organization does not support cash donations in lieu of purchasing U.S. commodities within the food aid title.

4. **MAP & FMD-** The Market Access Program and Foreign Market Development Program have allowed our industry to penetrate new markets around the world. This program should be enhanced in the upcoming farm bill.

5. **Phyto-Sanitary Barriers India & China-** The pea and lentil industry continues to battle phyto-sanitary barriers around the world. We have been battling fumigation requirements in India for the past two years. In March, China banned all imports of U.S. dry peas claiming excessive selenium levels in our peas. Sound science is not the basis for either of these restrictions. The new farm bill needs to beef up U.S. enforcement of phyto-sanitary barriers.

Title X – Miscellaneous

Transportation- Cost effective and adequate transportation of our crops to market has emerged as one of our biggest limiting factors during the growth of our industry in the past few years. Most of the pulse processors in our industry are captive shippers on a short line railroad. They provide rural jobs in places like Kendrick and Genesee, Idaho. Competitive rail rates and adequate service is critical to the long-term health of our industry. The loss of short line rail service from the camas prairie to Lewiston and the inflated prices and lack of service on the short line between Moscow and Spokane threatens the competitiveness of our industry in this region not to mention the increased strain on our road system. It is currently $1,000 cheaper per car to ship Canadian pulses to either west or east coast ports versus U.S. shippers. Our industry supports the captive rail legislation co-sponsored by the Idaho Congressional Delegation and others. We ask Congress to address the issue of transportation by both rail and water in the next farm bill.

Summary

Good farm policy should encourage farmers to take advantage of market opportunities and reward them for crop diversity and management practices that help the environment. Every country protects their agricultural base in some form or fashion. The recently failed WTO negotiations prove that most countries are unwilling to leave their farmers unprotected. If U.S. farmers are to compete against subsidized competition, high tariffs and phyto-sanitary barriers we must maintain strong farm programs that protect our agricultural producers and this precious natural resource base.

I would like to thank you for allowing the USA Dry Pea & Lentil Council to provide this testimony and for holding this hearing in Moscow, Idaho. Part of my extended testimony is a printed power point presentation with information about our industry and our farm bill policy positions.

I would be happy to answer any questions at this time.

Date: August 8, 2006

To: Senator Michael D. Crapo

Subject: Federal Farm Policy - Testimony
Subcommittee Field Hearing – August 11, 2006

Prepared by: Christine Frei
Executive Director
Clearwater Economic Development Association (CEDA)

Background:

Clearwater Economic Development Association (CEDA) is a member-driven, private, non-profit corporation that operates in the public interest to improve economic opportunities, increase employment skills and enhance preferred lifestyles for residents, communities and businesses in north central Idaho. CEDA is led by a Board of Directors comprised primarily of local elected officials representing Idaho, Nez Perce, Latah, Lewis, and Clearwater Counties and most of the local city jurisdictions. Since 1968, CEDA has served as the U.S. Department of Commerce Economic Development Administration's designated State of Idaho Region II Planning District.

CEDA services include:

- Technical assistance to local jurisdictions and/or community service organizations on strategic planning, project and program development and implementation, grant writing, and grant administration. Examples of projects include water and sewer system upgrades, community center renovations, downtown revitalization, historical or cultural interpretive sites, and emergency service buildings and equipment. CEDA also assists in projects that will enhance the economy through direct job creation.

- Financing assistance to small start-up and expanding businesses who do not meet conventional banking requirements.

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CEDA Field Testimony:

On behalf of Clearwater Economic Development Association, thank you for this opportunity to speak to you today about the Federal Farm Policy. Dedicated to the economic and community vitality of north-central Idaho, CEDA directly serves the counties of Idaho, Lewis, Clearwater, Latah, and Nez Perce and the member communities within their boundaries. Over forty-five percent of the one-hundred thousand people in our region live in rural communities of less than 3,500 people or in surrounding non-incorporated areas that are widely disbursed within 13,000 square miles. CEDA recognizes that the region's resource-based economy, driven primarily by agriculture and timber, is highly influenced by government policy that drives forestry, conservation, and rural revitalization.

Today, my comments will be specifically focused on U.S.D.A Rural Development programs and services that are funded through the Farm Bill and guided by the Federal Farm Policy. As a non-profit organization, CEDA works with counties and communities on infrastructure development and project implementation. We also directly serve start-up and small businesses by providing financing not available through conventional banking institutions. In these two areas, CEDA partners with U.S.D.A. Rural Development. CEDA has an excellent work relationship with the Agency and relies on Rural Development programs to address economic and community needs in rural Region II. I will address the programs that CEDA most interacts with Rural Development.

Intermediary Relending Program (IRP)

The Intermediary Relending Program provides financing for business start-up and expansion projects that create jobs in rural communities, contribute to the diversification and expansion of the local economy and/or provide business ownership opportunities to members of traditionally underserved population groups. IRP loans are used to fund projects that do not qualify for conventional financing and that without CEDA participation would not have come to fruition.

The $650,000 IRP loan to CEDA in 1998 has resulted in $1.4 million of CEDA financing for 27 rural business development projects. This financing leveraged an additional $2.6 million of investment into the same projects and help to create and/or retain 154 jobs in rural north central Idaho. By managing loan losses and retaining excess earnings, the original capital remains in tact and will continue to serve the region indefinitely.

Rural Business Enterprise Grant

The Rural Business Enterprise Grant program has proved beneficial. Noteworthy projects include a feasibility study and the funding of micro-loans.

1.) The RBEG program funded a feasibility study that helped a major Clearwater County employer (Konkolville) retain over forty (40) manufacturing positions with decent wage opportunities.

2.) CEDA's RBEG funds, within the past five years, provided twelve (12) micro-loans for business start-up and expansion projects. These projects helped members of traditionally underserved population groups become business owners and in the creation of eighteen (18) jobs in economically distressed rural communities.

Rural Business Opportunities Grant

Projects important to north-central Idaho that were funded by the Rural Business Opportunities Grant include:

1. An award that assisted eight (8) small **rural** producers in their assessment of new product markets and the development of strategies for penetrating those markets. As a result, sales revenues were increased and at least nine (9) jobs were retained and/or created.

2. The funding of a regional Telecommunication Study that assessed the infrastructure of the most underserved rural communities within the five-counties of north central Idaho. This Study will be used to prioritize regional actions to address telecommunication shortfalls. The interest that this Study generated contributed to recent action by the Idaho State Legislature to set aside money for telecommunication infrastructure. Five communities in north-central Idaho will be benefiting from this funding.

Community Facilities Direct Loans, Loan Guarantees and Grants Program

Since 2001, U.S.D.A. Rural Development awarded over two million dollars in grant and loans for community projects in north central Idaho. Funded projects include fire stations, emergency service equipment, library renovations, school improvements, and more. Since 2002, $10 million dollars in loans and $6.82 million dollars in grants were also awarded in the region for water and sewer infrastructure and solid waste management projects.

In the past five years, CEDA worked directly with the communities of Bovill, Cottonwood, Culdesac, Tahoe, Kamiah, Pine Ridge, Pierce, and Weippe on community facility and community program projects that were financially made feasible because of the loan and grant programs of U.S.D.A. Rural Development. Currently, CEDA is working on three more projects that will be seeking Rural Development funding. One of the most financially challenging projects has been with the City of Lapwai and the Nez Perce Tribe on a collaborative project to construct a regional wastewater treatment plant that will serve the Lapwai Valley The U.S.D.A. Rural Development Community Facilities Direct Loans, Loan Guarantees and Grants program will be essential to the successful development and implementation of this much-needed regional infrastructure project.

It is important for those that develop the Federal Farm Policy to understand the need for R.D. funding. Looking over CEDA's five-year history with Rural Development-funded projects, we estimate that fewer than one-third of the projects would have been completed without U.S.D.A. grant and loan assistance. Grants for water and sewer projects, in particular, are critical to keeping utility rates in a $35 per month range that is affordable to low income residents.

Technical Assistance Provided by U.S.D.A. Rural Development

In addition to U.S.D.A. Rural Development's grant and loan programs, the Agency provides valuable technical assistance to communities in the areas of rate structuring, financial packaging, and budgeting for capital replacement. CEDA values its partnership with U.S.D.A. Rural Development community facilities staff and frequently makes recommendations to communities to use the RD staff expertise when complicated, infrastructure projects are developed.

Funding Considerations for Community Projects

In rural north-central Idaho, the most difficult community projects to complete are fire stations and emergency response facility projects. As more people move into the urban interface areas, fire protection and emergency response is more critical. Fire trucks, firefighting equipment, ambulances, medical equipment and personal safety equipment need dry and temperature-controlled facilities to protect them. For adequate response times, facilities need to be in close proximity to district patrons. Rural fire districts and emergency response organizations typically have limited taxing authority and very little capital revenue to fund facility construction or renovation. In the past year, CEDA has interacted with as many as eight fire districts in need of funds for facility projects. U.S.D.A. Rural Development's continued cooperation with districts to allow donated labor, equipment, and materials as match for these projects is critical. Equally, R.D. programs could be improved through increased grant funds and a program that allows for grant-only assistance.

Housing Programs

North-central Idaho is experiencing a new challenge to communities such as Moscow—affordable housing. In May, CEDA, Community Action Partnership, Sojourners' Alliance, U.S.D.A. Rural Development, and the Rural Communities Assistance Corporation met to brainstorm on the development of a Mutual Self-Help housing project and Sojourners' Alliance is currently working to submit a pre-application.

This is the first time in CEDA's history that our organization has been directly involved in addressing housing issues. As property values continue to escalate, the need for U.S.D.A. Rural Development's Housing Programs such as the Mutual Self-Help Program become more imperative to meet the needs of moderate-, low-, and very low income families. As more people move toward lower standards of living, as indicated by current trends in our region, Home Improvement and Repair loan programs and the Rural Rental Housing Loan programs that provide direct assistance to households are needed to address a very basic living issue.

Conclusion

In conclusion, I can not emphasize enough the need for the existing U.S.D.A. Rural Development programs and the hope CEDA has that the programs receive adequate funding. Infrastructure is the number ONE obstacle to economic development! Small business opportunity and financing is the other. R.D. programs address both!

Testimony of Kyle Hawley

On behalf of the
Idaho Association of Soil Conservation Districts

Before the
Subcommittee on Forestry, Conservation and Rural Revitalization
Senate Committee on Agriculture, Nutrition and Forestry

August 11, 2006

Written Testimony

Good morning, I am Kyle Hawley, President of the Idaho Association of Soil Conservation Districts (IASCD) and a farmer from Moscow, Idaho. I have served on the IASCD Board of Directors for 12 years and as a supervisor on the Latah Soil & Water Conservation District board for over 18 years. I started farming in 1978 and our family operation is located on the Palouse Prairie, one of the most productive, but also erodible rain-fed areas in the world. We raise winter wheat, spring barley, spring peas, lentils and several turf and reclamation varieties of grass seed. I'm a graduate of the University of Idaho with a B.S. Degree in Soil Science.

On our operation we use such conservation practices as long term crop rotation, direct seeding, conservation tillage, contour farming, fall chiseling, sediment basins, grassed waterways, integrated pest management and nutrient management.

The IASCD was founded in 1944 and is a private non-profit corporation having IRS 501 c 3 tax status. It is an association comprised of Idaho's 51 Conservation Districts, covering all 44 counties. Each Conservation District is managed by a board of 5 to 7 elected supervisors serving a four year term. Conservation Districts formulate both annual and 5-year business plans to carry out their own local conservation program and objectives. IASCD provides its member Districts with information and educational opportunities, technical and financial assistance, a forum to discuss natural resource conservation issues and assists them to accomplish collectively what they are unable to achieve as individual Conservation Districts.

Today, Idaho's core Conservation Partnership is strong and consists of the USDA-NRCS, Idaho Soil Conservation Commission (ISCC), IASCD, and our 51 Conservation Districts. Our mission is to work with those producers who utilize Idaho's private agricultural working lands. Our overall goal is to assist private producers to conserve and protect their natural resources (soil, water, air, plant, and animal/wildlife). As we work to achieve this goal, we must not forget that humans are also a vital part of the equation and it's not our intention to put any producer out of business, but to help make their operations more sustainable.

Idaho's Conservation Partnership has some 300 employees and nearly 285 District volunteers who are dedicated in assisting private producers implement quality

conservation practices or best management practices (BMPs) on the ground. This effort has been ongoing since 1940 when Idaho's first Conservation Districts were formed. For over 65 years, Idaho's Conservation Partnership has been cooperating to assist private producers conserve and protect their natural resources. Much has been accomplished during this period, however, there is much more to be done.

In 1995, several environmental groups sued EPA for accepting Idaho's proposed 303d list of water quality impaired water bodies as not being inclusive enough. The court agreed with these groups and ordered Idaho to develop a new 303d list. Idaho's new 303d list contained some 962 water bodies (mainly stream segments). The court gave Idaho eight years to develop total maximum daily loads (TMDL) covering the 962 impaired water bodies. The schedule started in 1997 and was to be completed by 2005. It was later moved back two years so the new completion date is now December 2007. While the TMDL issue is federally mandated, it is a state responsibility. Idaho's core Conservation Partnership is striving to meet the court ordered schedule.

TMDL implementation plans are developed to determine what conservation practices must be implemented to meet the water quality standard that will fully support a given water body's designated beneficial use. By Idaho law, the Idaho Department of Environmental Quality (IDEQ) is responsible to oversee development of all TMDLs. Under Idaho Code, the ISCC, through Conservation Districts is responsible to develop TDML implementation plans for those TMDLs having an agricultural and/or grazing component.

Our federal partner, the USDA-NRCS is being stressed to handle the mandated 2002 Farm Bill responsibilities while the other partners are dealing with the court ordered TMDL schedule. With some help from the Idaho Legislature and leveraging funds through the partnership, we have been able to meet the TMDL challenge and make a valiant effort in keeping up with all the Farm Bill programs and activities. I bring this up in this context because through the partnership we use NRCS Standards and Specifications and Farm Bill programs to holistically accomplish both Farm Bill and state TMDL needs. Whether we're engaged with Farm Bill or TMDL activities, our efforts generally center around two main purposes. Those purposes are water quality/quantity and/or habitat issues related to fish and wildlife.

I will now get down to the main purpose of the hearing. What changes need to be made to the 2002 Farm Bill to make the 2007 Farm Bill more workable, fair, efficient and effective?

As discussed earlier, Idaho's Conservation Partnership is committed to completing the state's TMDL responsibilities utilizing Farm Bill programs such as EQIP. The NRCS is committed to carrying out their responsibilities related to the Farm Bill. Conservation Districts, utilizing a locally driven process are committed to completing both. As a partnership we are finding ways to address both issues to the best of our ability.

Technical Assistance

The 2002 Farm Bill provided substantial increases in financial assistance for all conservation programs. However, financial assistance is only one side of the equation for getting high quality conservation on the land. The other element is technical assistance. While cost-share and other financial assistance programs help offset the economic costs or provide incentives to implement conservation on the land, it is the technical assistance that is the key to getting programs implemented and conservation applied to the landscape in a timely, efficient and effective manner. Technical assistance is necessary to design sound conservation practices and systems. Technical assistance is that personal, technical advise, from conservation experts in the field, supported by sound technology, that has been the foundation of locally led conservation. Without adequate technical assistance, the available financial assistance can not be effectively utilized. There is also a high demand for high quality technical assistance for measures not covered by the Farm Bill programs and by those implementing practices without any government financial assistance.

1. Farm Bill program technical assistance support needs to come from each individual Farm Bill program so they are pulling their own weight.
2. More technical assistance funding is needed to implement the Farm Bill programs. Since there is little chance in receiving any substantial increase in technical assistance funding, we need to utilize our field staff more effectively. We need to empower them to make more decisions in the field and cut the red tape where possible so they can make more efficient use of their time. These changes if enacted would help streamline the system and increase the effectiveness of our field staff.

Idaho's Conservation Partnership has been able to develop several contribution agreements leveraging state and federal funds to increase the technical assistance to districts and the NRCS in the field to carry out Farm Bill programs. These agreements have worked well and need to be continued.

Financial Assistance - Conservation Programs

Idaho has utilized most of the financial assistance programs in the conservation title. Programs such as WRP, FRLPP, WHIP, EQIP, CIG, CSP, CRP, CREP and GRP have provided producers with much needed monetary help to implement conservation practices that provide tangible environmental benefits to the general public, including cleaner water and air, healthier soil, open space and improved fish and wildlife habitat.

NRCS Farm Bill programs in 2006 will provide over $21,000,000 to Idaho farmers and ranchers through cost sharing and easement purchases during the length of these new contracts and agreements.

Even though requests from producers have far surpassed the available funding, Idaho has taken advantage of the following conservation programs during FY 2006:

WRP ($538,000)
- 1 contract & 1 easement

FRLPP ($650,000)
- Easements with 5 land trusts

WHIP ($464,000)
18 contracts targeted
EQIP ($15,500,000) - Approx. 412 contracts
Conservation Innovation Grants ($432,000)
13 applicants - 7 funded
Primary focus is on livestock odor issues
CSP ($3,600,000)
377 applications
241 contracts (76 fully funded & 165 partially funded)

Conservation Reserve Enhancement Program (CREP)
Idaho is utilizing CREP to curtail irrigation on up to 100,000 acres of cropland currently irrigated from ground water in the Eastern Snake Plain Aquifer. The Conservation Partnership will be providing technical support in determining eligibility and assisting landowners/users in implementing best management practices. The goal is to save 200,000 acre feet of ground water annually to assist in honoring senior water rights. If implemented as planned, Idaho's CREP project could be the largest in the nation.

We believe that cost share rates should be correlated to the benefits society receives from implemented conservation practices. Local Conservation District priorities should also be considered in establishing these rates. We must also recognize that producers must put their survival ahead of conservation activities. As one of our district supervisor's once said, "conservation comes after breakfast".

Conservation Security Program (CSP)
CSP is a great program that rewards those who are good stewards of our private working lands. Most producers like this program, however, a lot of friction is being caused among producers due to insufficient program funding. Those producers able to participate in the program are very pleased. Those not eligible or who are not in a selected watershed have negative thoughts towards the program. Those who are in a selected watershed, applied and eligible, but did not receive a contract due to the lack of funds feel they are being treated unfairly because it may be 15-20 years before CSP returns to their watershed. If the program was funded adequately and carried out as Congress originally intended it would most likely be a great success.

There is a need to streamline the existing process to reduce the time and amount of technical assistance needed to get eligible producers into the program. If the program continues at a seriously under funded rate, we would recommend the following:

- Give each state an annual allocation
- Give each state their allocation prior to the state making their watershed selections (the size of a watershed and its operators can be matched up with available funding)
- Make watershed selections at the state level
- Make contract selection at the state level
- Fund contracts at the state level

These suggestions mentioned above would save the NRCS National Office a lot of time and allow the states to become more effective and efficient in matching up watershed selections with available funds. It should also result in having more satisfied participants.

Energy Policy

The country needs a comprehensive energy policy. Current fuel prices are devastating agriculture in Idaho and throughout the country. Unless some relief is forthcoming, many Idaho and American farmers will not be farming in 2007. This is a very serious issue and should not be taken lightly.

We need to develop a comprehensive energy policy that:

- Emphasizes conservation measures and rewards those that do conserve
- Reduces our dependence on foreign oil
- Encourages the development of alternative sources of fuel (bio fuels)
- Encourages vehicle fuel efficiency improvements
- Removes the institutional barriers and politics of special interest groups who are hindering moving forward in developing alternative sources of fuels

Farm Policy

I'm not talking about a farm bill, but a farm policy. America needs a farm policy. We as agricultural producers need to know how our politicians and the government really feel about our future existence. Does the average American really care where their food comes from as long as it is inexpensive, tastes good and is safe? Does the American farmer fit into the long term picture of those having control of these decisions?

Recent WTO negotiations broke down in July because many nations, including the European Union and India, were not willing to meet the U.S. call for real improvements in market access.

The WTO issue is very important to us. The future survival of the American family farm depends on a world trade system that is fair for all traders. The American farmer is currently under a tremendous handicap. The European Union gives their farmers commodity support three times greater than our own. At the same time they retain tariffs on our agriculture products that are double our tariffs.

If the American farmer is to survive, we need some help and confidence in knowing that our government is behind us and appreciates what we do and what we provide for the American people and others throughout the world. We can compete with anyone if we are allowed to produce on a level playing field. Our commodities are of the highest quality and safest of all products produced anywhere in the world. Changes must be made if the American farmer is to survive!

I started farming in 1978. My production costs were fairly reasonable compared to the prices I received for my commodities produced. Today some production costs are as much as ten fold what they were in 1978, however, the price I receive for my commodities are the same or less than they were in 1978. The picture I'm painting here is not one of survival for the American farmer. Immediate changes are needed.

We need to ask: 1) What role will the American farmer play 30 years from now and where will we obtain our food? And 2) Is it possible we might find ourselves in a food dependency situation similar to our current oil dependency situation? If so, this issue should be considered a matter of "National Security".

We feel very strongly about this issue. We do not want our nation to become dependent on other nations for our future food supply. In order to keep our nation strong, we believe the American family farm must be preserved. We feel it would be in our nation's best interest to discuss these issues in an open forum. Therefore, we recommend and encourage Congress to organize a National Agriculture Summit where officials, agriculture organizations and producers could discuss these issues. The output would be a long term strategic plan establishing American farm policy which would be reviewed annually and updated when appropriate. An appropriate title for the Summit might be "The Future of U.S. Agriculture and the American Family Farm."

Conservation Programs

The 2002 Farm Bill conservation programs are good and have been well utilized by the Conservation Partnership and producers in Idaho. However, there are some adjustments and streamlining that we believe could be made to make these programs easier to implement and therefore become overall more efficient and effective. The tool box of conservation programs could be grouped into the following four major categories or programs:

- Easement Programs – Consolidate all easement options currently housed in the GRP, WRP and FRLPP programs into a program strictly covering easements
- Cost Share Programs – Consolidate those programs (WHIP & EQIP) that have a cost sharing component into one program covering all cost share programs
- Land Retirement Programs – Consolidate those programs (CRP & CREP) having land retirement component into one category
- Land Stewardship Program - Consolidate those programs (CSP) having a stewardship component into one category

Categorizing programs by their purpose would help program participants and those technicians assisting them save time in selecting an option that would meet the producer's conservation objective and best fit their operation. Under this kind of approach, program rules and regulations could be consolidated making the system easier to understand and use. With this type of system, we believe both the producer and technicians could save valuable time in selecting those program options that fit their conservation goals and objectives.

On behalf of the Idaho Conservation Partnership it was an honor to be able to testify before you today. I want to thank Senator Crapo and his sub-committee members for allowing us to testify and give you our thoughts on how the 2002 Farm Bill might be improved for 2007. We hope the ideas we brought forth will be of some value as you work towards developing the 2007 Farm Bill.

Thank you and may God bless America!

Testimony

on behalf of the

Idaho Cattle Association

with regard to

Future Agriculture Policy and the 2007 Farm Bill

submitted to the

United States Senate - Committee on Agriculture, Nutrition, and Forestry

Subcommittee on Forestry, Conservation, and Rural Revitalization

The Honorable Mike Crapo, Chairman

submitted by

Lloyd B. Knight

Executive Vice President
Idaho Cattle Association

August 11, 2006
Moscow, ID

Mr. Chairman, Ranking Member Harkin, Members of the Committee, thank you for the opportunity to present the Missouri cattle industry's perspective on the upcoming 2007 Farm Bill. My name is Lloyd Knight, and I am Executive Vice President of the Idaho Cattle Association, a trade association serving Idaho's cattle industry.

As with most agricultural producers in the country, our members have been anxious for work to begin on crafting the 2007 Farm Bill. As cattle producers, our livelihood is tied to many other agricultural commodities. Livestock consumes three out of four bushels of the major feed grains like corn and barley. Cattle in feedlots account for nearly one-fourth of the total grain consuming animal units, and all beef cattle account for nearly 30 percent. We are dependent upon this nation's agricultural system and infrastructure to feed, transport, market our cattle, and provide beef for America's table and tables around the world; and as such, we are interested in seeing this segment remain healthy and viable.

Unlike other agricultural commodity groups, however, we tend to take a different look at portions of U.S. agriculture policy. Our industry is made up of over 2 million head of cattle on family operated farms, ranches, and feedlots across the state. Cash receipts from cattle and calves in 2005 are over 1 billion dollars, and those sales account for nearly one quarter of all farm receipts. Ranchers are an independent lot who want the opportunity to run their operations as they see fit with minimal intrusion from the government. As the nation's largest segment of agriculture, the cattle industry is focused on continuing to work towards agricultural policy which minimizes direct federal involvement; achieves a reduction in federal spending; preserves the right of individual choice in the management of land, water, and other resources; provides an opportunity to compete in foreign markets; and does not favor one producer or commodity over another.

The open and free market is powerful, and as beef producers, we understand and embrace that fact. The cyclical ups and downs of the market can be harsh, but the system works, and we remain steadfastly committed to a free, private enterprise, competitive market system. It is not in the nation's farmers or ranchers' best interest for the government to implement policy that sets prices; underwrites inefficient production; or manipulates domestic supply, demand, cost, or price.

Conservation and the Environment

There are portions of Federal agriculture policy that we can work on together to truly ensure the future of the cattle business in the United States. Conservation and environmental issues are two such areas. Some of the cattle industry's biggest challenges and threats come from the loss of natural resources and burdensome environmental regulations. Ranchers are a partner in conservation. Our livelihood is made on the land, so being good stewards of the land not only makes good environmental sense, it is fundamental for our industry to remain strong. Our industry is threatened every day by urban encroachment, natural disasters, and misinterpretation and misapplication of environmental laws. We strive to operate as environmentally friendly as possible, and it is here where we can see a partnership with the government.

The goal of conservation and environmental programs is to achieve the greatest environmental benefit with the resources available. One such program that achieves this is the Environmental Quality Incentive Program or EQIP. Cattle producers across the country participate in this program, but arbitrarily setting numerical caps that render some producers eligible and others ineligible limits the success of the program. Addressing environmental solutions is not a large versus small operation issue. All producers have the responsibility to take care of the environment and their land, and should have the ability to participate in programs to assist them establish and reach achievable environmental goals. Accordingly, all producers should be afforded equal access to cost share dollars under programs such as EQIP.

Secondly, many producers would like to enroll in various USDA conservation programs such as CSP and CRP to reach environmental goals. However, to enroll in these programs requires the producer to stop productive economic activity on the land enrolled. We believe economic activity and conservation can go hand in hand. As such, we support the addition of provisions in the next farm bill that will allow managed grazing on land enrolled in CRP. This will have tangible benefits on environmental quality, for example, helping to improve lands threatened by invasive plant species.

USDA's conservation programs are a great asset to cattle producers. We want to see them continued and refined to make them more producer friendly and more effective in protecting the environment in a sensible way.

Environmental issues are also a huge challenge for our industry. We understand the need for environmental regulations to protect resources downstream, and we believe those producers that knowingly and willingly pollute and violate the Clear Air and Clear Water Acts should be prosecuted to the fullest extent of the law. However, the use of other vehicles, such as EPA's Superfund, to sue agricultural producers in an attempt to get larger settlements is egregious and it threatens the future of ag producers both large and small. This, combined with EPA's talk of regulating agricultural dust, animal emissions, and other naturally occurring substances, makes us all concerned for our industry. Although these items are not addressed in the Farm Bill, we ask that the members of the Committee step in and help ag producers in their fight to have effective and sensible environmental regulations.

Activism

In addition to dealing with the misapplication of environmental regulations, our industry is also becoming more at risk from attacks by environmental and animal activist and terrorist groups. Activist groups such as PETA and the Humane Society of the U.S. (HSUS), along with extremist groups such as the Animal Liberation Front and Earth Liberation Front, use extreme measures to try and force their views of vegetarianism and extreme environmentalism on others. Every person has a right to their own views, but to force their views on others using scare tactics, arson, and terrorism is unacceptable. It's not just the extremists, however, that threaten animal agriculture. All we have to do is

look at the issue of processing horses for human consumption. All it took was a few celebrities, horse racing groups, and misinformed politicians to pass a law that banned the use of USDA funds to inspect horse processing facilities. The processing of horses is a regulated and viable management option that helps take care of unwanted or unmanageable horses. It would be preferable if there were plenty of people willing to pay for these animals and take care of them, but there are not. Instead, a group of activists have pushed their emotional views on others, and in return are running the risk of allowing more horses to starve or be mistreated, as well as putting companies out of business. This win gives activist and extremist groups a foothold to come after other species. It's no secret that groups, such as PETA, want to put the U.S. cattle industry out of business. It may seem far-fetched, but in today's society, the rural voice is quickly being lost. The Farm Bill should not be a platform for these activist groups.

Trade

Outside of conservation, environmental, and activist issues, there are several other issues that have the potential to impact the long-term health of the beef industry. One such area is trade. U.S. cattlemen have been and continue to be strong believers in international trade. We support aggressive negotiating positions to open markets and to remove unfair trade barriers to our product. We support government programs such as the Market Access Program and the Foreign Market Development Program which help expand opportunities for U.S. beef, and we urge sustained funding for these long-term market development efforts.

We also support Congressional and regulatory action to address unfair international trade barriers that hinder the exportation of U.S. beef. We appreciate the Committee's help in working to reopen foreign markets that were closed to U.S. beef after the discovery of BSE on December 23, 2003, in a Canadian cow in Washington State. As you are aware, we continue to fight to get our product into several countries and have seen recent setbacks in places such as Korea and Japan. We ask that you continue to support the effort to see that sound science is being followed in bringing down these artificial trade barriers. To grow our business, we have to look outside of the U.S. borders to find 96 percent of the world's consumers. We encourage the Committee's continued strong and vigilant oversight of the enforcement of any trade pact to which American agriculture is a party.

Animal ID

In trying to deal with, and mitigate the effects of, animal health emergencies on our business and trade, we believe in participating in a privately held animal identification system. That system now exists and is under the administration of the U.S. Animal Identification Organization or USAIO. Formed in January, they are administering an animal movement database that has the ability to work with animal identification service providers across the country to collect animal movement data and serve as a single point of contact in the event of an animal health emergency. This system will provide real time access to USDA and their State Vets, and will allow trace-

back of any diseased animal to start immediately and be completed in less than 48 hours. Confidentiality of the information is paramount and is one of the greatest concerns for producers. This privately held database will keep the information much more safe than a public, or USDA system would. The USAIO is currently recruiting partners and building the amount of data they have in their system. It will be self-funded and will not rely on any federal funding.

Research

In regards to animal health emergencies, we see a need to keep a strong agricultural research component to the Farm Bill. USDA's research is critical in all aspects of our business. Their research and extension activities help to find new and improved cattle production methods to help make our business more efficient and effective. Animal health research helps to control and eradicate animal diseases; develop better methods to keep foreign animal diseases out; and to identify, control, and preempt new diseases. These activities keep our national herd healthy and make it easier to export our beef and cattle. In addition, nutrition research is important to show that beef is a healthy part of America's diet and plays an important role in USDA's "My Pyramid" and food guidelines.

Energy

Research is also needed to identify and develop alternative methods of producing energy. Renewable energy is going to become an increasingly important part of our country's energy supply and there are many ways that cattle producers can contribute and benefit. Research and development is needed to find cost-effective methods of utilizing manure and animal waste as a fuel supply. Gasification and other methods hold a lot of promise for our industry. When looking at ethanol, however, we must be careful not to act in a way that is detrimental to the livestock industry. Livestock consume the majority of U.S. corn. As ethanol continues to grow, we must make sure it does not do so at the detriment of the cattle feeding industry. We must take all opportunities to look at ways to balance feed demand, price, and the benefit of renewable fuels.

Property Rights

In turning to business matters, one of the biggest concerns to cattlemen right now is their private property rights. The Supreme Court's ruling in Kelo versus The City of New London sent a shockwave through the cattle community. The thought that our ranches could be taken by municipal governments and turned over to private developers in the name of economic development is disturbing. Our country is great for many reasons, but one of them is the ability to own property, use it how you see fit, and not worry about it being taken from you on someone else's terms. We believe in the rights of cattlemen to keep their property and applaud the Committee's efforts to protect those rights.

Taxes

Reducing the tax burden on ranchers has always been a top priority for our industry. We continue to support permanent repeal of the Death Tax. Regardless of how many or how few are effected, if even one rancher has to sell off part of their operation to pay this tax, it is unacceptable to us. Cattlemen pay their fair share of taxes, and resent the fact that many are being penalized for wanting to pass their operations on to future generations. Our priority is to keep families in agriculture, and this tax works against that goal. We do not see this as a tax cut for the rich. The rich can afford high priced attorneys and accountants to protect their money now. Ranchers operate in an asset rich but cash poor business environment. Ranchers must spend money that would otherwise be reinvested in their businesses to hire the resources necessary to protect their assets and pass their operations on to their children. At the same time, however, they may have several hundred acres of land whose value has been driven up by urban sprawl and the unintended consequences of Federal crop supports. We also support keeping the Capital Gains Tax at a lower rate, repeal of the Alternative Minimum tax, and full 100 percent deductibility of health insurance premiums for the self-employed.

Marketing Issues

As with the 2002 Farm Bill, we fully expect to deal with several marketing issues in Title X of the bill. Although we believe that the Farm Bill is not the place to address these issues, they continue to come up and we must be prepared to defeat them. When looking at these issues, it is important to note that we support the critical role of government in ensuring a competitive market through strong oversight. This includes the role of taking the necessary enforcement actions when situations involve illegal activities such as collusion, anti-trust, and price-fixing. The USDA Office of Inspector General's recent report on the audit of GIPSA is concerning, but we have faith in the new Administrator's ability to comply with the OIG's recommendations and tighten up GIPSA's enforcement of the Packers and Stockyards Act.

However, government intervention must not inhibit the producers' ability to take advantage of new marketing opportunities and strategies geared toward capturing a larger share of consumers' spending for food. A ban on packer ownership or forward contracting has been a part of Farm Bill debates for years. We are staunchly opposed to those efforts because by legislating those conditions, Congress is trying to tell cattle producers how and when to market their cattle. This strikes at the very basis of our business which is utilizing the market and its opportunities to improve our returns and make a living. We do not believe that Congress should tell cattlemen how they can market their cattle. Each producer should be able to make that decision for himself, whether he markets his cattle through traditional or new and progressive channels. The market provides many opportunities and cattlemen should be allowed to access all of them.

Another issue of concern is mandatory Country of Origin Labeling or COOL. Cattlemen across the country realize the benefit of labeling our product because we produce the best beef in the world. The ability to separate our product from everything else in an effort to market its superiority is a fundamental marketing strategy. There are

voluntary labeling programs across the country that are being driven by the market, led by cattlemen, and are providing a higher return on their cattle. This is what a labeling program should be about…marketing. Instead, mandatory COOL has turned this into yet another commodity type program that treats all beef the same and does not allow for forms of niche marketing. This will cost producers money, but will not provide them with any return. In addition, mandatory COOL is being pushed by some as a food safety prevention tool and a non-tariff trade barrier. COOL is a marketing tool only, and in no way should be tied to food safety. We have firewalls in place to keep U.S. beef safe. COOL should also not be used as a non-tariff trade barrier. To label our beef in an effort to capitalize on the demand for our premium product is one thing, to label it as a way to block the competition is yet another.

In an effort to enhance the marketplace for cattlemen, we support legislation that would allow meat inspected by state departments of agriculture to be shipped across state lines. Packing plants across this country, both big and small, follow all the same food safety techniques, and state inspectors are effectively trained and competent in their meat inspection skills. This type of provision would create additional competition in the packing sector and create marketing opportunities for family-owned packing companies who are currently limited to simply marketing in-state.

In short, the government's role should be to ensure that private enterprise in marketing and risk management determines a producer's sustainability and survival.

Conclusion

As you can see, we are not coming to you with our hand out. Like I mentioned before, America's cattlemen are proud and independent, and we just want the opportunity to run our ranches the best we can to provide a high quality product to the American consumer, and even more importantly, provide for our families and preserve our way of life. We are coming to you in an effort to work together to find ways to use the extremely limited funds available in the best way possible to conserve our resources, build our industry, and provide for individual opportunity at success. We ask for nothing more than Federal agriculture policy that helps build and improve the business climate for cattlemen. We look forward to working with you on the 2007 Farm Bill.

Testimony of Terry Mansfield
Deputy Director, Idaho Department of Fish and Game

Concerning Farm Bill Conservation Programs

Before the Subcommittee on Forestry, Conservation and Rural Revitalization of the United States Senate Committee on Agriculture, Nutrition and Forestry

August 11, 2006

Good morning Mr. Chairman and committee members.

I am Terry Mansfield, deputy director for the Idaho Department of Fish and Game. It is an honor and privilege to address you today. I was invited to testify before you on federal Farm Bill conservation programs. First, I want to thank Chairman Crapo for his efforts and commitment to at-risk species conservation, including salmon and sage grouse. They are just two of the many species valuable to our western economy and heritage.

Why are we interested in Farm Bill programs? States' have statutory authority for management of fish and wildlife; and U.S. Department of Agriculture (USDA) private lands programs have landscape-level effects that directly affect the State fish and wildlife agencies' ability to manage their public trust resources. Farm Bill conservation programs are valuable assets to farmers and ranchers enabling them to improve soil and water quality, and wildlife and fisheries habitat for the benefit of all Americans. Promoting ecologically healthy fish and wildlife habitats also promotes water quality important to all of us and provides environmental, societal and economic benefits to Idaho and the entire nation. According to the 2001 National Survey of Fishing, Hunting, and Wildlife-Associated Recreation conducted by the U.S. Fish and Wildlife Service, people spent $982 million on wildlife recreation activities in Idaho alone. During 2001, there were 416,000 anglers, 197,000 hunters, and 643,000 wildlife watching participants recreating in Idaho. Healthy fish and wildlife and their habitats benefits all of us.

The 2002 Farm Bill has improved fish and wildlife habitats at a landscape level. Consider the following accomplishments in the West of the 2002 Farm Bill:

- 128,000 acres of wetlands have been created or restored.
- 58,000 acres of wetlands have been enhanced.
- 498,000 general sign-up CRP acres enrolled.
- 93,000 acres of agricultural land protected by the Farm and Ranchland Protection Program.
- 39,000 acres of stream habitat improved.
- 69,000 acres of riparian buffers have been established.

I want to promote strong support for reauthorizing the Farm Bill and will share with you our perspective on the value of Farm Bill conservation programs.

Technical Service Provider

The Technical Service Provider (TSP) program allows the Natural Resources Conservation Service (NRCS) to outsource the delivery of technical assistance. Management of lands for fish and wildlife habitat requires specific expertise that is different from soil and water. For years, state fish and game agencies have been providing fish and wildlife habitat technical assistance on private lands through their own habitat improvement programs. State fish and game agencies are the natural choice as Technical Service Providers (TSPs) to deliver efficient and effective technical assistance. For example, during the past 3.0 years, two full time and 2 part time Idaho Department of Fish and Game staff has assisted 235 landowners to design and implement 331 conservation practices improving approximately 10,000 acres of private lands for wildlife and fish. Most of this assistance has been provided to landowners here in north-central Idaho. We believe the TSP program delivers cost effective technical assistance. Even more valuable are the benefits in the collaboration and local partnerships the TSP program develops and fosters among private landowners, private business, non-governmental organizations (NGOs), soil and water conservation districts, state and federal agencies. The TSP program is helping private landowners with the soil, water, and wildlife purposes of the conservation title in the 2002 Farm Bill. We recommend the TSP program be continued in the 2007 Farm Bill.

The 2007 Farm Bill may provide an opportunity to fine tune the TSP program. Currently, many state agencies are acting as a TSP through contribution agreements with NRCS. The state agency bears part of the cost burden to implement technical assistance. NRCS is constrained by the amount of technical assistance annual funds available to outsource the TSP work. Financial constraints on TSP work are causing missed opportunities to assist private landowners in a timely manner with their soil, water, wildlife and fish conservation practice requests. In short, technical assistance is insufficient to implement financial assistance. Technical assistance funds should be in balance to fulfill the backlog of landowner requests for financial assistance to implement conservation practices. An increase in TSP funds and mechanisms put in place allowing NRCS to enter into multi-year funded agreements covering 100% technical assistance would help state agencies to secure long term positions providing private lands assistance.

Conservation Reserve Program

The Conservation Reserve Program (CRP) is very popular in Idaho with approximately 817,000 acres enrolled. CRP provides many benefits to soil, water, fish and wildlife. For example, the Columbian sharp-tailed grouse has greatly benefited from CRP. A majority of the Columbian sharp-tailed grouse range west wide occurs in Idaho. Approximately 400,000 acres of Idaho private lands are enrolled in CRP within Columbian sharp-tailed grouse range. Harvest data indicates sharp-tailed grouse populations increased from approximately 1,000 birds harvested annually prior to CRP up to 9,000 birds in the late 1990's, 10 years after the start of CRP. The value of CRP for Columbian sharp-tailed grouse also is demonstrated by the 56 new leks (breeding display areas) found in 2002

occurred on CRP lands in close proximity to native shrub communities. CRP can also provide habitat benefits for certain isolated population of sage grouse.

A National Priority Area (NPA) is a tool currently available in CRP that could further benefit sage and Columbian sharp-tailed grouse. A CRP National Priority Area focuses enrollment towards identified regions of significant adverse water quality or wildlife habitat issues. Currently, there are 5 NPAs in the country, mostly in the Midwest and eastern United States. We propose a sage and Columbian sharp-tailed grouse CRP National Priority Area. The sage and Columbian sharp-tailed grouse NPA would be a voluntary incentives based approach to at-risk species recovery made available to private landowners interested in CRP. An NPA increases the eligibility of landowner offers to enroll in CRP. The grouse NPA would be a tool available within an existing program, CRP, and does not require additional funds. We expect the sage and Columbian sharp-tailed grouse NPA primarily to help maintain the current enrollment of CRP acres in grouse range rather than cause a large number of new acres to be enrolled. An NPA also recognizes at a national level the significant value CRP provides to Columbian sharp-tailed grouse and certain populations of sage grouse.

The 2007 Farm Bill is an opportunity to improve the Conservation Reserve Program in regards to the 25% county cap. Currently, no more than 25% of a county's cropland can be enrolled in CRP. The Secretary of Agriculture may grant a waiver if it can be shown there are no negative economic impacts, and the producers are unable to meet conservation compliance by other means. CRP enrollment has exceeded the 25% cap through previously granted waivers in some counties where CRP has been shown to provide important at-risk species habitat. CRP contracts not renewed due to the current 25% cap may impact at-risk species recovery in some areas. To enhance the efforts of at-risk species recover, we recommend a change in the statute to include a third alternate criterion to exceed the 25% county cap as follows: the Secretary shall be authorized to grant a waiver to exceed the 25% cap to avoid the necessity of federal listing or assist in the de-listing of a state or federally listed species as supported by the appropriate state fish and wildlife agencies and the U.S Fish and Wildlife Service.

Fisheries

Farm Bill conservation programs are valuable tools to address fish habitat needs. CRP has benefited fish habitat by reducing field erosion and sediment deposition in streams. Wildlife Habitat Incentives Program (WHIP), Environmental Quality Incentives Program (EQIP), and the Continuous Conservation Reserve Program (CCRP) are just some of the Farm Bill conservation programs that can address fish habitat needs but are currently underutilized. That trend will change, especially with the implementation of the National Fish Habitat Initiative. The Initiative, modeled after the highly successful North American Waterfowl Management Plan, was approved by the Association of Fish and Wildlife Agencies in March 2006. The Initiative is a voluntary program designed to encourage a variety of diverse partners and stakeholders to more effectively utilize existing and new resources to successfully execute conservation efforts to protect, restore, and enhance fish habitats across North America. The Initiative has strong industry and conservation organization support from the private sector. Farm Bill

conservation programs can support the Initiative by provide financial and technical assistance for fish habitat projects. In addition, the TSP program can be an effective and efficient delivery method to implement the Initiative's habitat objectives.

Open Fields

The 2007 Farm Bill provides an opportunity to address the nationwide demand for public access for hunting, fishing, and trapping. Public access to private lands and across private lands to adjacent public lands is becoming more difficult for hunters, anglers and trappers. Public access is a growing concern in the West where a majority of the landscape is federal public lands often accessible only across private lands. Providing States the financial assistance to develop and implement voluntary incentive- based programs to provide public access is appropriate for the 2007 Farm Bill. Aspects of the Open Fields legislation should be considered to address public access issues.

Summary

In conclusion, Farm Bill conservation programs are assisting private landowners with soil, water, and wildlife and fisheries objectives in the western states. Farm Bill is benefiting western states on critical conservation issues involving sage grouse, Columbian sharp-tailed grouse, mule deer, anadromous and resident native fish, and a variety of at-risk species. The need for water conservation is a common denominator in the west. CREP programs are helping to address depleted aquifers impacting our valuable agricultural community. We look to the future and the 2007 Farm Bill for opportunities to address in-stream flow issues to further benefit our wildlife and fish resources.

Thank you for the opportunity to address the subcommittee on Farm Bill conservation programs. I would be glad to answer any questions.

Supplemental Testimony of Terry Mansfield
Deputy Director, Idaho Department of Fish and Game

Concerning Farm Bill Conservation Programs

August 16, 2006

Technical Service Provider Program: State fish and game agencies are the best source to provide technical service for fish and wildlife habitat projects. Currently, state agencies may work under a competitive bid contract or contribution agreement with NRCS to provide Farm Bill conservation program technical assistance to private landowners. Competitive bid process does not provide long term security for state agencies to develop a TSP program. State agencies cover 50% of the cost associated with providing the technical service under a contribution agreement. NRCS covering 100% of technical assistance cost through a contribution agreement would enhance state agency's ability to develop and implement long term TSP programs. U.S. Fish and Wildlife Service's Federal Assistance's 75:25 federal to state match is a longstanding model also for consideration that would enhance state agency's TSP program.

Funding CSP or tradition conservation programs
Fish and wildlife habitat is a primary objective of tradition conservation programs (i.e. CRP, WRP, and WHIP). These programs have proven records of implementing fish and wildlife habitat conservation practices. Soil and nutrient management are primary objectives of CSP Tier 1. Fish and wildlife habitat receives consideration in CSP Tier 2 and 3. Fish and wildlife habitat conservation practices should be a primary objective of conservation programs receiving future habitat conservation program funding.

Grassland Reserve Program
GRP is an important asset addressing permanent conversion of rural landscapes currently providing valuable fish and wildlife habitat. Easements in perpetuity preserve intact rangelands benefiting rural communities, private landowners, fish, wildlife, and hunting and fishing opportunities. Rental contracts only provide short term hiatus from eventual conversion of rangeland to urban landscape.

Farm Bill Reauthorization Presentation to Senator Mike Crapo

Good morning (Taac Maywee) my name is Rebecca Miles and I currently serve as the Chairman of the Nez Perce Tribal Executive Committee and would like to present the Tribe's testimony in support of the reauthorization of the Farm Bill. I would like to thank the Senator for this opportunity to work towards a unified vision for the Nez Perce Tribe and the US Forest Service. In May of 2005, the Intertribal Timber Council (ITC), which the Nez Perce are a proud member of, assisted in strengthening and crafting a way for tribes and the USFS to work towards a government-to-government relationship that respected each individual tribe's unique treaty with the United States. The result was the Tribal – Forest Service Cooperative Relations Act. The act seeks to authorize Forest Service assistance for tribal governments similar to the way the Forest Service provides assistance to state governments. In addition, to addressing this issue of parity among the tribes and states, I would also strongly urge the reauthorization specifically for tribal access to Forest Service lands for certain cultural and traditional purposes. There are 6 sections that assist in achieving that endeavor and are as follows:

Section 101 would allow tribal governments to participate directly in the conservation easements provided in the Forest Legacy Program.

Section 102 would authorize assistance to tribal governments for tribal consultation and coordination with the Forest Service, conservation education and awareness activities, and technical assistance for forest resources planning, management, and conservation.

Section 202 would authorize reburial of tribal remains on National Forest System land.

Section 203 would authorize Forest Service provision of forest products from National Forest System lands to tribes, subject to a Forest Service – tribal agreement.

Section 204 would authorize temporary closure of National Forest Service land for tribal traditional cultural and customary purposes.

Section 205 would prohibit the Secretary of Agriculture from disclosing to the public any confidential information learned from an Indian tribe or a member of an Indian tribe when the tribe or member requests that confidentiality be preserved.

Section 206 provides severability and savings language for the trust responsibility, existing agreements, and reserved or other rights.

The Forest Legacy and tribal assistance programs in Sections 101 and 102 are from the 2002 Farm Bill conference in the form developed by the conferees that were accepted by the Forest Service just before they were dropped from the conference bill when an unrelated difference of opinion caused all Senate-side forestry provisions to be dropped. The assistance authorities are based on provisions for state governments in the Cooperative Forestry Assistance Act, which also includes the Forest Legacy Program.

The Title II provisions dealing with protecting tribal traditional and cultural activities on National Forest System lands are based on legislative suggestions developed and presented in the U.S. Forest Service's June 2003 Report of the National Tribal Relations Program Implementation Team.

The ITC has been diligent in working with Congress but also the National State Forester's (NSF) organization to seek support under the State and Private Forestry Office under the USFS. The NSF has met with the ITC on several occasions, and it was the intent of the ITC to clearly delineate the Tribes' efforts from the States, by communicating early on that ITC was seeking the establishment of new funding and not funding already sought by NSF. With this stated it is our hope to inform you of the ongoing dialogue and now a joint partner in the NSF that has a great relationship and mutual understanding of the ongoing forest health issues associated with federal lands.

Our hope is that the Nez Perce Tribe will be afforded funding and other resource opportunities for our original reservation of 7.5 million acres that was ceded to the United States. Now, the USFS agency bears the trust responsibility on behalf of the United States for the Nez Perce Tribe. The Nez Perce Tribe has many needs on Forest Service Lands. A few of those needs that include restoration and mitigation of fisheries habitat have been accomplished through participating agreements, but now total restoration of vegetative management needs to be included. There are huge opportunities for the Nez Perce Tribe and its people through this holistic approach, not yet realized. Our people have depended on forest resources since time immemorial. Even throughout our existence with the contemporary management of lands, the Nez Perce People have depended upon suppression of wildland fires, timbersale contracts, and other important tools in managing lands that have secondary benefits of economic stability to tribal families. Through these provisions it is my hope as the Chairman of the Nez Perce Tribe to strengthen our treaties with the United States that reflects the need to sustain tribal communities as well as non-Indian communities.

Thank you for your consideration of my presentation to you today, Senator Crapo. We look forward to the successful outcome of the Farm Bill reauthorization.

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Testimony of Laird Noh
On behalf of The Nature Conservancy
Before the Subcommittee on Forestry, Conservation, and Rural Revitalization
August 11, 2006

Good morning Chairman Crapo, and thank you for this opportunity to appear before the subcommittee and for your attention to this critical issue of conservation in the 2007 Farm Bill. My name is Laird Noh, of Kimberly Idaho. Our family has been continuously in the business of producing lamb and wool, and sometimes cattle, on rangelands since the 1890's, through five generations. I served in the Idaho Senate from 1980 to 2004, chaired the Resources and Environment Committee for 22 of those years and was a member of the Agriculture Committee for all 24. I also serve as Chairman of the Board of Director of the Rocky Mountain Sheep Marketing Association, which markets 70 to 100,000 lambs each year, mostly in Idaho, but also in four other western states. Prior to election to the legislature, I was President of the National Lamb Feeders Association and a member of the National Forest System Advisory Committee to the Secretary of Agriculture. I am here today to testify on behalf of The Nature Conservancy, for which I have been a trustee of the Idaho chapter for 20 years.

The Nature Conservancy is an international, nonprofit organization dedicated to the conservation of biological diversity. Our mission is to preserve the plants, animals and natural communities that represent the diversity of life on Earth by protecting the lands and waters they need to survive. Our on-the-ground conservation work is carried out in all 50 states and in 27 foreign countries and is supported by approximately one million individual members. We have helped conserve nearly 15 million acres of land in the United States and Canada by working in partnership with private landowners, businesses, like-minded organizations and state and federal governments.

The Nature Conservancy, through a yearlong internal process, has identified proposals that we believe will improve existing USDA conservation programs and address ongoing threats to our natural communities. Attached for the record is a copy of the complete Conservancy's Farm Bill platform. For the purpose of this hearing, I would like to highlight one particular area – our nation's grazing lands.

The Nature Conservancy has two major themes as we think about opportunities for grazing lands conservation in the new Farm Bill: 1) We want to **keep ranchers ranching** and 2) to **reward good stewardship** of our nation's grazing lands. We believe these themes address the two overarching threats grazing lands face today – conversion to other uses and degradation from threats like invasive species, altered fire regimes, and inappropriate grazing practices.

The Conservancy owns and manages approximately 1,400 preserves throughout the United States so we are familiar with many of the issues our fellow landowners and land managers face. We recognize, however, that our mission cannot be achieved by core protected areas alone.

Therefore, our projects increasingly seek to accommodate compatible human uses, and to address sustained human well-being.

The Nature Conservancy recognizes that farming and conservation work hand-in-hand to reach mutual goals. The United States has a long tradition of supporting conservation on private lands through federal agricultural policy. The Nature Conservancy believes the 2007 farm bill presents an opportunity to continue and strengthen that tradition by supporting our nation's farming and ranching lifestyles, economies, cultures and protecting our natural resources.

Conservation practices help working farmers and ranchers continue their traditional ways of life by protecting the natural resources and habitats that are vital for lasting and productive agricultural yields. Threats such as conversion of agricultural and forest lands, invasive species, declining water resources and climate change impact farmers' bottom lines. In Idaho and the rest of the West, grazing lands in particular represent an incredible resource for our people and wildlife, but we risk losing the benefits these lands provide due to economic pressures and ecological threats.

Grazing Lands Background

Grazing lands feature grasses or shrubs as the dominant natural vegetation and are often managed as natural ecosystems. In the United States, grazing lands include the prairies of the Great Plains, savannas in Texas and Florida, and shrublands and deserts throughout the West. These grazing lands cover about 40% of the United States and comprise nearly 80% of our western landscape.

Grazing lands provide many benefits to people, including clean air and water, forage for livestock, and habitat for wildlife. By some estimates, over 80 percent of the mammals and over 70 percent of the birds found in the United States use grazing lands during some part of the year. About 55 percent of US grazing lands are privately owned. These private holdings are the most productive grazing lands, accounting for more than 90 percent of the forage produced in the United States. However, these lands are also highly threatened with conversion and fragmentation.

Grazing Lands at Risk

Among the world's 13 terrestrial biomes, temperate grasslands rank at the top for being highest at risk. Over 45% of these lands have already been converted, while only 4.6% of the remaining grasslands have been protected. For example, more than 90 percent of native tallgrass prairie has already been lost. Moreover, according to USDA reports, current annual rangeland loss in the 11 western states may be as high as 2-3 million acres, with another million acres lost every year in the Great Plains.

Both globally and particularly here in the US, habitat protection has often concentrated on temperate conifer forests and montane grasslands and shrublands. This trend in land protection can be seen by the representative lands in our National Parks, Forests, Refuges and other Department of Interior holdings. I find it rather disturbing that so little has been done to protect our grasslands, especially when so much has already been lost. Certainly, as more of our grazing lands are converted to other uses, there will be far less habitat left to protect.

Role of the Farm Bill in Grazing Lands Conservation
The 2002 Farm Bill took great steps in building new opportunities for protection of our nation's rangelands, with the creation of the Grasslands Reserve Program. Under GRP, ranchers and other private grassland owners can enroll in short term rental contracts or 30-year or permanent easements that prohibit development and other activities incompatible with conserving grasslands. GRP was authorized to enroll up to 2 million acres, at a cost of up to $254 million, with additional resources available to assist landowners in restoring their enrolled grasslands. However, the program has already used up its authorized funding and is now left to languish until the next reauthorization of the Farm Bill.

The outpouring of demand for this new program was tremendous, in just fiscal years 2004 and 2005, over $147 million in financial assistance was allocated to protect 668,132 acres. At the same time another $2.5 *billion* in applications went unfunded in applications to protect over 11.2 million acres.

In Idaho for fiscal year 2005, we saw $29 million in contracts go unfunded that could have protected 47,865 acres of working rangelands. In 2003 and 2004 The Nature Conservancy worked unsuccessfully with landowner Bob Pearson to get GRP funding for an easement on Mr. Pearson's ranch near Henrys Lake. The ranch is a critical link in an area that provides habitat for Yellowstone cutthroat trout, moose, pronghorn, and bald eagles. Despite Mr. Pearson's project ranking fifth out of 130 applications in 2004, it did not make the cut. That year, just three projects GRP projects in Idaho received funding.

The Nature Conservancy believes that the Farm Bill is the most powerful tool available to help protect these important lands and to keep working ranchers ranching, while maximizing the critical benefits to clean water and habitat conservation these lands provide. Farm Bill conservation programs provide the nation's best hope of addressing the five major threats grazing lands face today - conversion to development, conversion to crops, invasive species, inappropriate grazing practices, and altered fire regimes.

Keep Ranchers Ranching
Both ranchers and wildlife require large blocks of unfragmented lands, and both benefit from healthy ecosystems. Farm Bill programs that help keep ranchers ranching provide both economic and ecological benefits to society. Farm Bill conservation programs provide critical tools to help keep ranchers ranching by mitigating the forces causing so much conversion of grazing lands to other uses. Key components of the 2007 Farm Bill that will help keep ranchers ranching should include:

1. **Increase funding for GRP, FRPP, and WRP to provide** ranch owners with income and incentives for permanently retaining grazing lands.
2. **Target GRP funds to states with the most grazing lands** and remove GRP from the regional equity provision for Department of Agriculture conservation programs. Under the current funding scheme, states like Rhode Island and New Hampshire receive more GRP funding than Idaho.
3. **Change FRPP to prevent conversion of grazing lands to cropland.**

4. **Freeze eligibility for all farm support programs (commodity, crop insurance, etc.) to existing acreage.** Newly converted land would not be eligible for support.
5. **Allow Conservation Reserve Program (CRP) acreages to be eligible for enrollment in GRP.**
6. **Create an enhancement component for GRP** similar to the Conservation Reserve Enhancement Program (CREP) and Wetland Reserve Enhancement Program (WREP) to allow state matching and targeting of protected grazing lands. A "GREP" program would allow states to develop targeted programs that could make a significant conservation difference for key landscapes or at-risk species like sage grouse.

Reward Good Stewardship

Farm Bill conservation programs provide a primary means of assisting ranchers in the good stewardship of their lands. In addition to helping protect grazing lands from conversion, the next Farm Bill could do more to assist and reward private rangeland stewards, by focusing more resources on the major challenges that ranchers face and on the actions that contribute most to the sustainability of grazing lands. Key components of the 2007 Farm Bill necessary to maintain and improve the ecological benefits of private ranching include:

1. Increase funding and incentives to **prevent the introduction of invasive species and control existing populations.**
2. **Provide funding for demonstrations and more technical assistance** for prescribed fire and grazing, mechanical treatments, and native species restoration to maintain healthy grazing lands.
3. Increase and strengthen programs that assist ranchers in adopting practices to **conserve water and to improve water quality.**
4. **Provide greater incentives and cost share for management of rangeland** under rental agreements and easements.
5. **Allow grazing and haying essential to achieving ecological management needs on CRP and WRP lands.**
6. **Increase programs that compensate ranchers for setting aside and improving lands that need rest from grazing.**
7. **Eliminate tree planting incentives for areas that were historically grasslands or shrublands.**

Biofuels

I would like to add that the Conservancy is closely watching the discussions around biofuels and changes in current program focus. We urge you to be very careful when selecting the appropriate lands for biomass production as it is critical to craft a successful alternative energy

policy that ensures we sustain our current economical food supply, positive balance of agricultural trade, and gains in quality habitat and wildlife numbers, all while improving water and soil quality.

Accordingly, as you seek ways to promote biofuels and their production, please carefully consider the impacts of diminished vegetative cover and increased stubble removal as they relate to wildlife, soil, water, and air quality. I hope you will investigate all proposals and facts available regarding the use of land enrolled in conservation programs as a source of crops grown for biofuels production. We look forward to being included as a part of the "energy solution" and respectfully request that you utilize The Nature Conservancy's wildlife-, habitat-, and conservation-based technical expertise and research-based data; and consult with us in future biofuels discussions and policy decisions.

Summary

Development, invasive species, conversion of our wildlands, poor water management and climate change all threaten our national resources and habitats, while also greatly decreasing agriculture and forestry yields. Conservation practices carried out on agricultural lands and through USDA's conservation programs can produce significant ecological benefits, including permanent habitat protection, water quality treatment, flood protection, and carbon offsets while also providing economic benefits. The 2007 Farm Bill can be our most powerful conservation tool by further strengthening existing programs that protect our grazing lands and natural resources and in turn, support working farms and ranches.

Again, we thank you for this opportunity to testify. I look forward to answering any questions you have and working with the committee as you reauthorize the Farm Bill.

THE NATURE CONSERVANCY

2007 FARM BILL PLATFORM

The Nature Conservancy

SAVING THE LAST GREAT PLACES ON EARTH

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KEY THEMES
(BY RANK ORDER)

1) **Conversion** – maintain habitat friendly agriculture and forestry and increase funding available for easement programs on working lands.
2) **Invasive species** – proactively address threats invasive species pose to agriculture, forests, and other natural habitats.
3) **Targeting** –target conservation programs to ensure that they contribute to measurable improvement in the health of ecosystems at the local level and at larger geographical scales.
4) **Water Resources** – promote practices and restoration to improve water quality and flow regimes in watersheds affected by agriculture and forest management.
5) **Stewardship/Management** – improve incentives for landowners engaged in long-term adaptive management to promote natural processes for the benefit of native ecosystems.
6) **Performance Measures** – for lands enrolled in USDA conservation programs ensure that ecological outcomes of conservation actions are measured to assess success and to refine implementation and allocations of the programs.
7) **Conservation Compliance** – improve monitoring efforts to ensure compliance with requirements of conservation programs and increase monitoring resources; create stronger links between conservation compliance and financial benefits eligibility under commodity programs.
8) **Climate Change** -- quantify carbon emission reductions of Farm Bill conservation programs and support research to better understand the impacts of climate change on crop and forest production.

I. CONVERSION

The conversion threat to native plant communities and its deleterious effect on habitat ranked as the top priority across the Conservancy. In the context of this document, conversion is multifaceted and refers to past and future modification of natural lands to urban and second home development or agricultural production, and conversion of less intensive agriculture (for example, ranching) to more intensive (for example, crop, vineyard, or orchard production). Generally, revisions to the 2007 farm bill should eliminate incentives that encourage conversion or intensified production on ecologically sensitive lands including wetlands and floodplains. In addition, revisions should strengthen existing conservation programs and create new programs for farmland in ecologically important areas to encourage conversion back to native habitat and discourage conversion to more intensive uses and development.

FORESTS

Of 1.9 billion total acres that comprise the contiguous 48 states, roughly 405 million acres are in forest land. Approximately 71% of this land consists of privately owned forests managed by individual owners in largely rural areas. In many places these lands provide important habitat for game and non-game wildlife, protect rivers and streams critical to downstream irrigation and drinking water supplies, and support timber and forest products industries critical to many rural economies. As such, the protection of native forest habitats and the sustainable management of working forestlands are important facets of the Conservancy's effort to protect key ecological systems in partnership with local communities.

The forests of the United States are under significant threat from a variety of sources. Between 1982 and 2001 about 34 million acres were lost to developed uses. The rate of this permanent loss is alarmingly high and it is accelerating. From 1982-1992 the country lost nearly 700,000 acres of forest to development per year. This rate increased to well over one million acres per year from 1992 to 2001.

Protection of forests' ecological health and economic viability is complicated by changing ownership patterns. Non-industrial private ownership is increasing, and average tract size is decreasing. In the last three years alone, 13 million acres of forestland have changed hands in the lower 48 states, with an increasing number of landowners. These changes are significant because smaller tract size and higher population densities decrease the likelihood of comprehensive large-scale forest management. Owners of smaller parcels are also less likely to take advantage of traditional cost-share programs and management assistance, which most professionals regard as critical to successful ecological and economic management of the resource. The result is an increasingly fragmented and unmanaged forest.

FOREST PROPOSALS FOR THE 2007 FARM BILL

1) Eliminate barriers for participation by small private forest landowners in all USDA conservation programs. For example, eliminate requirement that eligible forest land must be incidental to a registered farm operation.

2) Develop a broad-ranging forestry program, intended to aid in the management and protection of small (under 1,500 acres) non-industrial private forestlands. This program should include:

    a) Streamlined application process for landowners in targeted eligible geographies (selected by state foresters or USFS or another appropriate mechanism).

    b) Permanent conservation easements targeted to encourage participation within key forested landscapes, as well as for watershed and riparian protection in designated watersheds of importance.

c) Forest restoration programs focused in areas that were historically forested.

d) Incentives for management activities that promote sustainability and conservation at the ownership or landscape scales. These could include practices that:

   i) Identify and protect habitat for rare species or communities, and which maintain native species and communities.

   ii) Establish, manage and restore forests for purposes of improved health or condition of native forest communities (including planting, understory restoration, invasive species control, and other appropriate practices).

   iii) Promote restoration of native communities in heavily-impacted landscapes.

   iv) Reinstate historical disturbance regimes, such as fire (or surrogates for those disturbances, such as grazing where appropriate) to maintain forest health and diversity of native species.

   v) Remove small diameter material from forests to prevent unnatural fires and improve general forest health. Engage in and implement research to understand and create markets for small diameter material.

e) Jointly developed cooperative management plans at the landscape-scale in designated landscapes, and target incentives for participating landowners who implement plan elements in those geographies.

f) Improved coordination between the Forest Service, State Foresters, and NRCS.

g) Funding via the farm bill (permanent), not through appropriations.

GRASSLANDS

Conversion of native prairie and rangeland (here after referred to collectively as grasslands) to cropland is a key concern to The Nature Conservancy. Temperate grasslands are the least protected, and most altered major habitat type in the world. This phenomenon has been most pronounced in the Great Plains region, where over 8.4 million acres of native grassland in nine states were converted to cropland from 1982 to 1997. Reasons for this conversion include technical advances in both equipment and biological improvements in commodity crops making them more drought and weather tolerant. In addition, the farm bill and related federal agricultural policies have contributed greatly to the conversion of native grasslands to cropland. Programs that provide price supports and "floors" have encouraged production in areas not previously considered economically conducive or suitable to growing these crops. Despite generally low commodity market prices this expansion occurred, suggesting that farm policy can mask market signals and shape producer decisions related to conversion of grassland to cropland.

GRASSLAND PROPOSALS FOR 2007 FARM BILL

1) Freeze eligibility for all farm support programs (commodity, crop insurance etc.) to existing acreage. Newly converted land would not be eligible for any support.
2) Increase funding and remove the acreage cap for Grasslands Reserve Program (GRP) – at least a tripling of program resources. Focus resources on long-term and permanent easements and native plant communities.
3) Allow acres that have been enrolled in the Conservation Reserve Program (CRP) to be eligible and provide incentives for enrollment in the GRP west of the Mississippi, especially those acres enrolled in CRP because of wind borne soil erosion concerns.

4) Maintain cropping eligibility dates at 1996 – 2001 levels for CRP eligibility. This will preclude any newly cropped acres from enrolling in CRP.
5) Create an enhancement component for GRP similar to the CREP and WREP to allow State matching and targeting of protected grasslands within a state by the state.
6) Maintain the current acreage level for CRP enrollments as authorized in the 2002 farm bill.
7) Eliminate tree planting incentives in all programs in areas that were historically prairie.
8) Maintain and increase CREP, especially continuous sign-up programs.

FLOODPLAINS

Floodplains and riparian habitats are important for supporting biodiversity and maintaining healthy freshwater ecosystems. Their conversion to agriculture and development can lead not only to the direct loss of biodiversity associated with the riparian and floodplain areas, but also to drastic changes in the health of nearby and removed rivers and other freshwater habitats. At the same time, the maintenance of levees, drainage ditches, and pumping systems impose costs on floodplain landowners and taxpayers.

Floodplain conversions also contribute to downstream problems for farmers and other landowners. They can alter hydrological regimes of rivers, leading to increased magnitude and frequency of flooding downstream. They can also result in increased movement of sediment and chemical nutrients that floodplain wetlands would otherwise filter. These downstream effects can produce significant ecological and economic problems for landowners, citizens, and ecosystems.

No existing farm bill conservation program addresses the restoration of floodplains and riparian habitats currently managed exclusively for agricultural production. While the Wetland Reserve Program (WRP) and Conservation Reserve Program (CRP) can be applied to floodplain and riparian areas, they are not designed for situations unique to these habitats. For example, WRP applies to hydric soils; however, floodplains often consist of sandy soils that are not hydric, but are naturally inundated on a regular basis. In addition, while WRP and CRP may allow for certain floodplain restoration activities, they are not directed at restoring floodplain functions. These programs often focus on terrestrial habitats or waterfowl instead of restoring the vital interaction between rivers and their floodplains that are necessary for healthy freshwater ecosystems.

FLOODPLAIN PROPOSAL FOR 2007 FARM BILL

1) Establish a program that restores floodplain functions and riparian habitats and still allows cropping flexibility through a combination of easements, restoration and management. The purpose of the program is to create the ecological connection between isolated floodplains and altered riparian habitats to rivers and streams they affect. The interaction could be either passive or managed (using gates or other structures) and could be combined with restoration of the hydrology; aquatic, wetland, and terrestrial communities in the floodplain and riparian habitats.
    a. The program will target farmland (including haying and grazing land) that are in floodplains or riparian habitats, including levee districts but at least 50% of land enrolled should be cropland.
    b. Pilot test program initially to determine effectiveness.
    c. The level of restoration could range from simple, periodic interaction of rivers and streams with farmlands to complete restoration of natural floodplain and riparian habitats.
    d. Permanent easements only.
    e. Incentives for Landowner Partnerships: The program should include incentives to encourage whole levee and drainage districts or multiple landowners in large (more than 2,500 acres), contiguous areas to enroll and manage their lands in partnership to optimize ecological, hydrological, and economical outcomes.
    f. Enrollment options:

i. Restoration of aquatic, wetland, and terrestrial communities.
ii. Development of integrated agricultural crops. This involves changing cropping practices to integrated crops that can tolerate some level of periodic flooding.
iii. Management of reconnected floodplains. The connection to the waterway is managed in a manner that can support a range of functions and protect agricultural infrastructure.
iv. Restoration of naturalized flow regimes. Allowing floodplains to flood can improve timing, frequency, and volume of river flows by allowing for more flexibility in upstream dam operations.
v. Removal or replacement of artificial structures. Many floodplains, riparian habitats and their adjacent streams and rivers have been modified in conjunction with a combination of structural measures including bank armoring, levees, and channel alteration.

WETLANDS

Wetlands provide critically important habitat for a wide diversity of plants and animals. They also provide society with a number of valuable ecosystem services, including reducing the severity of floods, filtering sediment and chemicals from run-off, recharging ground water, and providing recreational opportunities. For these reasons, loss of wetland habitats is of critical importance to the Conservancy. More than half of the nation's original wetlands have been drained and converted to other uses. Between 1986 and 1997, an estimated 58,500 acres of wetlands were lost each year in the conterminous United States.

WETLANDS PROPOSAL FOR THE 2007 FARM BILL

1) Increase overall funding and raise enrollment cap for WRP and WREP.
2) Include non-hydric soils for enrollment eligibility.
3) Allow compatible burning, haying and grazing when ecologically appropriate.
4) Expand riparian zone eligibility.
5) Revise WRP appraisal standard to allow consideration of full economic value of the land for highest and best use.
6) Allow "rotational" wetlands when appropriate.
7) Expand the "farmable wetlands" component of CRP.

FARMLAND

Agricultural land is prone to development because it tends to be flat, well-drained and affordable. According to the American Farmland Trust, over the past 20 years the acreage used per person for new housing has almost doubled. Most of newly developed land is outside urban zones. Since 1994, 55 percent of new housing stock was constructed on lots of 10 to 22 acres. Landscapes with an abundance of prime or unique soils, often located just outside urban areas, are unfortunately being converted to non-agricultural uses most rapidly.

FARMLAND PROPOSALS FOR THE 2007 FARM BILL

1) Fully implement and fund partnerships and cooperation language (section 2003) of the 2002 farm bill.
2) Increase overall funding for the Farm and Ranchland Protection Program (FRPP).
3) Eliminate restrictions on forest land participation in FRPP.

4) Decrease the match requirement for FRPP, but award higher points to a proposal if the match is higher. Also, allow landowner to donate higher percentage of match.
5) Allow the easement to restrict more intensive agricultural uses, such as breaking sod to convert ranchland to cropland.
6) Allow habitat restoration and protection as part of FRPP and assign higher points to such projects.
7) Eliminate prime soils requirement for FRPP eligibility, but give higher points to land with prime soils.
8) Maintain impervious surface requirement in FRPP.
9) Increase points for lands with public grazing rights at State ranking level.
10) Higher points for lands in high priority biodiversity areas as determined through regional biodiversity assessments conducted by state or federal governments or NGO's.

II. INVASIVE SPECIES

Invasive, non-native species have been estimated to cost the United States economy $138 billion per year; they threaten the stability of agricultural harvests, sustainability of forest resources, and the diversity and health of natural systems. (Pimentel *et al.*, 2000). Invasive plants and animals are now widely recognized as second only to habitat loss as a threat to biological diversity. Unlike pollution, invasive organisms continue to spread on their own and do not degrade with time. Once introduced, invasive species can spread from site to site, region to region, with and without further human assistance. Rare species appear to be particularly vulnerable to the changes wrought by non-native invaders, but even relatively common plants or animals can be driven to near extinction by particularly disruptive invaders.

Invasive, non-native plants exact a stiff toll on the nation's farmers and ranchers as they damage crops, ranchlands, wetlands and other natural areas by out-competing and replacing desirable vegetation. Non-native weeds cause $24 billion in annual crop losses to U.S. agriculture, plus the $3 billion in herbicides used to control them (Pimentel *et al*). Introduced insects and plant pathogens are estimated to cost $13 billion and $21 billion in annual U.S. crop losses, respectively, not including the $1.7 billion in pesticides and fungicides applied each year to control these species (Pimentel *et al*). In Oklahoma, for example, eastern red cedar trees invading native prairies destroy grassland bird habitat and cost ranches more than $20 million annually in grazing revenues. (Ganguli *et al*).

Similarly, pests and pathogens wreak economic havoc on forest lands. More than 400 non-native insects and pathogens are permanently established in North American forests and woodlands (Mattson *et al.*, 1994; Liebhold *et al.*, 1995; USDA APHIS, 2000), including white pine blister rust, which decimated white pine forests in Idaho, virtually ending harvest of this valuable commercial species. Invasive species have also eliminated such iconic and valuable trees as the American elm and the American chestnut, once integral components of Eastern forests. Pimentel estimates $2.1 billion per year in forest product losses associated with introduced forest pests, and an additional $2.1 billion due to invasive forest pathogens (Pimentel *et al.*, in press). The U.S. Forest Service currently spends $11 million annually on control of the invasive gypsy moth alone (Campbell and Schlarbaum 1994).

The farm bill's conservation programs provide opportunities to successfully control many of the especially noxious non-native species and, more importantly, prevent potentially devastating future invasions. At present, the conservation programs are underutilized in abating the threat of invasive species, and in some cases current policy exacerbates the problem.

TNC supports the definition of invasive species as it is defined in the 1999 Executive Order (EO) 13112[1] (establishing the National Invasive Species Council).

The EO "invasive species" definition:

- means, with respect to a particular ecosystem, any species, including its seeds, eggs, spores, or other biological material capable of propagating that species, that is not native to that ecosystem
- means an alien species whose introduction does or is likely to cause economic or environmental harm or harm to human health.

INVASIVE SPECIES PROPOSALS FOR THE 2007 FARM BILL

1) Prohibit invasive species plantings within farm bill conservation programs – currently CRP and WRP program guidelines allow some invasive species plantings.
2) Increase funding and incentives to prevent the introduction of invasive species, to plant native species, and for the removal of invasive species.
3) Clarify, through amendments to the Plant Protection Act that preventing the introduction of invasive plants and pests is a federal responsibility.
4) Realign the operational focus of the Animal and Plant, Health Inspection Service (APHIS) from control to prevention. Also refine the mission so that threats to natural areas are given equal priority to threats to agricultural production.
5) Increase agricultural research funding to combat invasive species.

III. TARGETING

Existing farm bill conservation programs are generally not structured or implemented in a manner that effectively addresses critical resource concerns on a landscape or regional scale. The cumulative ecological outcome of the millions of dollars invested in conservation would be much more substantial and lasting if these dollars were targeted based on ecological priorities. With the exception of the CRP, most conservation program funds are instead allocated to individual states, which in turn determine where the funding is spent. The state-based approach has many positive attributes (most notably its ability to respond to localized concerns), but such an approach also poses challenges when there is a need to address ecological concerns across political boundaries. Effective watershed management, for example, must often cross political boundaries. Presently, there are not nearly enough resources available to spread them evenly across the country and still have meaningful impacts in high priority areas and landscapes.

TARGETING PROPOSALS FOR THE 2007 FARM BILL

1) Provide the NRCS Chief the ability to identify landscape and regional ecological outcomes and use them to select areas or species to target a portion of program funds where USDA programs generate the greatest landscape scale ecological benefit per dollar spent.
    a. Focus should be to keep the most important ecological areas intact.
    b. Focus should be on areas identified in regional biodiversity assessments as critical sites or on areas with concentrations of federal or state listed species of concern.
    c. Direct states to use regional biodiversity assessments (government or NGO) or state wildlife conservation strategies and plans to target farm bill dollars to priority areas.
2) Support programs that offer the ability to target specific resource concerns using public and private partnerships such as WREP and CREP. Expand this approach to include a GREP.

[1] The full EO 13112 text is available at http://www.invasivespeciesinfo.gov/laws/execorder.shtml

3) Increase points for projects that include funding, conservation priorities, or other coordination with conservation NGO's.

IV. WATER RESOURCES

Agricultural practices can have dramatic effects on the health of aquatic systems, impacting both stream hydrology and water quality of both ground and surface water. These effects range from the local level (small sections of stream bank alteration adjacent to agricultural lands) to the national level (hypoxia in the Gulf of Mexico). Agricultural impacts to water resources are widespread and can be quite variable, but many center on large and unusual changes to the amount, rate, and frequency of water moving through the watershed. In addition to the physical hydrological alterations, there are adverse impacts on water quality through pesticide and excess nutrient loading into marine and freshwater systems. Such hydrologic and chemical alterations can impact the ecological integrity of ecosystems and compromise biodiversity. The implementation of ecologically beneficial farming practices, including best management practices and new technologies, can reduce the negative impact of farming on the ecological integrity of freshwater and marine ecosystems. Many of these practices can also increase the profitability of the agricultural operation.

WATER RESOURCES PROPOSALS FOR THE FARM BILL

1) Include a statement of support for full implementation of conservation programs that address water quality and water quantity and for making water resources a priority in programs with multiple purposes.
2) Provide authority to capture efficiencies for conservation (in-stream flows) as well as agricultural production. Any application of water savings or water leases to in-stream flows or agricultural production would be governed by state water laws, and any in-stream water rights would be owned and managed by a state agency or a state approved water trust.
3) Institute a water leasing program to fallow ground for in-stream flows.
4) Target EQIP funding on a watershed basis to address water quality and quantity concerns; ensure that EQIP funds are not used to implement projects that are ecologically deleterious.
5) Allow for some flexibility for testing new conservation strategies and innovation of new practices that are developed through the Conservation Innovation Grants program.
6) Create and support a cooperative strategy to improve groundwater and surface water quality while maintaining a strong, viable agricultural industry by improving best management practices to prevent non-point and point source contamination. Encourage the use of new crops/varieties and best management practices, and related research that reduce the need for high levels of nitrogen and pesticide applications.
7) Encourage integration and coordination amongst existing agricultural environmental management responsibilities which are dispersed between several agencies.

V. STEWARDSHIP AND MANAGEMENT

A pervasive myth in the United States is that natural area management requires a "hands-off" approach and that human intervention is somehow "un-natural." Human beings have been managing the landscape for over 10,000 years in North America and to remove the influence has a devastating effect on our native flora and fauna. 16th century Dutch Mariners commented they could "smell" the America's before they could see it due to the pervasive use of fire by native people. Fire, grazing and seasonal flooding were pervasive across nearly all U.S. ecosystems and are essential to maintain the health, stability and integrity of most natural systems in North America. Many native wildlife species such as quail, turkeys, and numerous grassland birds evolved in these systems and benefit tremendously from natural processes. Without some form of disturbance the ecological and wildlife benefits of many farm programs are greatly diminished and the overall stability and integrity of our ecosystems is threatened. For example, in as little as 5-10 years some undisturbed CRP fields show substantial declines in wildlife production and without fire Midwestern WRP wetlands designed to produce waterfowl are lost as they convert to low-grade forest.

USDA has over 40 million acres under easement and short term rental agreements for conservation purposes. Many of these acres could provide greater environmental benefits if they were more actively managed for native species. Management practices (for example, prescribed burning, seasonal flooding and grazing) to mimic natural processes are necessary for the health of ecosystems.

STEWARDSHIP AND MANAGEMENT PROPOSALS FOR THE FARM BILL

1) Provide greater incentives and stronger requirements for CRP contract management.
2) Provide cost share for management of land under rental agreements and easements to:
    a. mimic natural processes, such as fire, grazing and seasonal flooding;
    b. control invasive species.
3) Allow ecologically sound haying and grazing within CRP and WRP programs.
4) Reward CRP contract holders for management activities and biodiversity.
5) Fund grazing & fire evaluations/demonstrations though the use of dedicated Conservation Innovation or Partners in Cooperation program funding.
6) Provide adequate prescribed fire training to appropriate USDA NRCS staff. NRCS should transition to National Wildfire Coordinating Group (NWCG) standards and join the federal fire system.

VI. PERFORMANCE MEASURES

USDA is beginning to establish meaningful performance measures for its programs. These efforts should be encouraged and expanded. Frequently conservation practices are put in place but not monitored adequately to measure and assess their performance in terms of ecological outcomes. The farm bill conservation programs should attempt to implement conservation practices and programs so that individual activities generate broader, more sustained synergistic benefits. The need for rigorous, science-based assessments that provide simple and straightforward information about the utility and value of the nation's agricultural conservation efforts is greater than ever. Meaningful measures of these programs will allow USDA to better refine its practices at the field level, more wisely allocate resources, and demonstrate more quantitatively the immense public benefits of farm bill conservation spending.

PERFORMANCE MEASURE PROPOSALS FOR THE FARM BILL

1) Require ecologically based measures of performance tied to the purpose of the conservation programs.
2) Require USDA to assist farmers in developing and using technological advances to evaluate nutrient and chemical needs and practices in their own fields, accounting for factors and variables specific to their own operations.
3) Increase funding for performance measures.
4) Institute a learning process for using the evaluation of performance to inform and modify program rules and implementation.

VII. CONSERVATION COMPLIANCE

The 1985 Farm Bill required farmers to engage in minimum levels of conservation activities in order to receive government payments. These requirements remained in subsequent farm bills, but monitoring and enforcement has declined in recent years. The three primary means used for ensuring farmers meet these requirements are Swampbuster, Sodbuster, and Conservation Compliance. Farmers meeting these requirements theoretically achieve a minimum level of conservation and protection of natural resources. However, enforcement and weak conservation standards have reduced combined effectiveness of these programs. A report from the General Accounting Office, April 2003, brought this issue to the forefront. Economic support of conservation actions on farm lands from U.S. taxpayers must come with expectations of full compliance with program requirements.

CONSERVATION COMPLIANCE PROPOSALS FOR THE FARM BILL

1) Require NRCS to return to the historical spot check rate regarding conservation compliance.
2) Require sampling of tracts that are higher risk for non-compliance.
3) Strengthen Sodbuster language to discourage conversion of grassland to cropland.
4) Increase the oversight of USDA field offices reviews to improve accuracy and completeness.
5) Ensure that non-compliance waivers are supported with data and reviewed by independent parties.
6) Develop an automated system to manage the data needed for reviews.
7) Require states to report conservation compliance activities including: grassland and wetland losses, penalties, and enforcement actions by county.
8) Require some non-producer involvement in county committee decisions regarding conservation compliance actions.

VIII. CLIMATE CHANGE

Forest landowners and farmers can both *reduce emissions* of heat trapping gases and *remove* heat-trapping gases from the atmosphere by protecting land and flora, or improving the way they are managed. For example, reforesting degraded lands can remove carbon from the atmosphere as the trees grow. Conservation tillage, or no-till cultivation reduces carbon dioxide emissions and increase carbon storage in the soil. Using soil tests to apply fertilizer only where needed reduces emissions of nitrous oxide and planting cover crops, minimizing summer fallow, and rotating crops can increase carbon uptake and storage in the soil. Methods for reliably

measuring, monitoring and verifying carbon benefits from land conservation and management are already in widespread use. These methods are based on commonly accepted principles of forest inventory and soil sampling and are well established and tested.

The Conservancy has long been an advocate of programs that create incentives for forest landowners and farmers to reduce carbon emissions or increase uptake of carbon through conservation and restoration activities. The Conservancy has supported the development of program criteria and rules that ensure that the carbon benefits claimed from such projects are real and verifiable, and that projects are designed to enhance native ecosystems and provide other environmental benefits.

Under the Farm Bill, the Conservancy could also play an important and unique role to ensure that programs promoting the use of biomass for the production of fuels, electricity or other products are designed to enhance the protection of ecosystems and biodiversity and avoid any negative impacts. In particular, the Conservancy could play a role in promoting the use of cellulosic biomass feedstocks as opposed to noncellulosic biomass feedstocks.

Analyses conducted by climate modelers tell us that climate change may result in increased temperatures and extended droughts in parts of the Midwest and other regions in the U.S. Some farm states are likely to experience lower yields, increased irrigation costs or other challenges. This is a side of the climate issue that seems poorly understood and underappreciated by farmers and foresters, and by the lobbyists who protect their interests. Farmers tend to hear about the costs of CO_2 regulation to farming, but not about the costs of doing nothing to address climate change. Farmers have also taken actions over the years to expand yields through increased nutrient loading and by focusing on single crops that might exacerbate their vulnerability to climate change. Farmers need information that will give them a complete understanding of the issue, including the costs of not reducing emissions and the need for adaptation.

CLIMATE CHANGE PROPOSALS FOR THE FARM BILL

Carbon Sequestration Proposals

1) Quantify the carbon emission reductions and storage of Farm Bill conservation and incentive programs to demonstrate the extensive and indisputable climate benefits of these programs. Methods of quantification should meet the requirements for registering reductions under the revised 1605b guidelines (*published in March 24, 2005 Federal Register*). The government (not the farmer) should be directed to quantify the carbon benefits and then publicize the results as a means to educate farmers as to the carbon emission reduction benefits resulting from farming activities.
2) Include carbon quantification requirements that are consistent with those for registering emission reductions and offset reductions under the revised 1605b guidelines (published in March 24, 2005 Federal Register) in any programs related to markets for ecosystem services.
3) Prohibit activities that lead to the degradation of biodiversity in any programs related to markets for ecosystem services.

Climate Impacts and Adaptation Research Proposals

1) Provide $20 million annually for climate change impacts and adaptation research under Title VII of the Farm Bill. Funds should be directed to the Agricultural Research Service's national Global Change Program and distributed through competitive grants to universities, research institutions and organizations.
    a. Of this $20 million, direct $15 million annually to understand the impacts of climate change on crop and forest production, including production costs, yields, and returns, under business-as-usual emissions and various emissions reduction scenarios.
    b. Direct the other $5 million annually toward management strategies for reducing threats, including emissions reductions (e.g. conservation tillage, decreased fuel use) and adaptation approaches (such as using more diverse crop varieties that are resistant to climate extremes, and improved irrigation to protect against droughts).

U.S. Senate Subcommittee on Forestry, Conservation & Rural Revitalization Of the Committee on Agriculture, Nutrition and Forestry

Hearing Testimony
August 11, 2006

By Lorraine Hingston Roach, Board Member, Idaho Rural Partnership

Good morning Mr. Chairman and members of the Subcommittee, and thank you for allowing the Idaho Rural Partnership (IRP) to participate in this hearing. My name is Lorraine Roach, and I am a member and past Chairman of the IRP Board.

In Thomas Friedman's book, *The World is Flat*, he describes how technology and communication have enabled a global playing field for businesses to collaborate and work in real time across national borders and continents. Friedman states that "traditional command-and-control hierarchical ways must open up to a new, horizontal 'connect and collaborate' style. Collaboration doesn't banish authority, but it does flip assumptions about how things get done."

It would be a mistake to assume that Friedman's assertion only applies to ways that businesses will survive in a global economy. The factors that are "flattening" the business world (technology, communication, global networking, service delivery and collaboration) also affect government.

In 1990, the President's Initiative on Rural America created what later became known as the National Rural Development Partnership (NRDP), a working group of federal agency representatives and a network of 40 State Rural Development Councils (SRDCs), administered by USDA. The NRDP was designed to reduce barriers to rural development through collaboration and communication among federal agencies and their state, local, tribal, private and nonprofit stakeholders. The Idaho Rural Partnership (IRP) is the State Council in Idaho.

As a business owner who lives in rural Idaho, and works in rural communities throughout the United States, I volunteer as an IRP board member because I believe that the NRDP and its concept of collaborative problem-solving works for rural communities. The NRDP model of connection and collaboration was a novel new idea 16 years ago, but it is an *essential* and cost-effective way to get things done today.

As federal budgets become leaner, the role of the National Rural Development Partnership becomes increasingly more critical, because it provides a way to leverage federal, state and private resources, and maximize the efficiency of every dollar spent to aid rural communities and residents.

Allow me to share a few examples of how the Partnership helps solve problems and reduce regulatory barriers to rural development:

- The federal government has dozens of funding programs to help rural communities; however, many communities don't have the local knowledge or capacity to access those programs. State Rural Development Councils have initiated a process called Rural Community Assessments, or Community Reviews, or Community Resource Teams. Essentially, this process allows a community to invite a team of experts to spend several days in their community and help them find ways and resources to address the community's most difficult challenges. The resource team is a group of federal, state and private experts selected specifically to provide technical expertise and resources that the community needs. Results from this process have been astounding: communities have been able to come together, agree on solutions, and then effectively tap federal, state and local resources to address problems like wastewater treatment, affordable housing, business development, growth

planning, racial conflicts, infrastructure, education, and transportation. Solutions to those problems then have resulted in more private business investment and jobs in the communities.
Another key benefit to this assessment process is that it identifies on a statewide and national level some of the difficulties that rural communities and residents face in meeting specific federal regulations or accessing federal resources. The community assessment process has resulted in federal policy changes to help rural communities, and with the number of federal regulations on the books, there are many opportunities to continue doing so!

- Farmers and ranchers are required to submit conservation management plans to several state and federal agencies. In the past, each of those conservation plans required similar information, but in different formats. The Idaho Rural Partnership convened a task force of the state and federal agencies, and worked with them to develop a "master" online planning format that could be used by farmers and ranchers to submit their conservation plans in one format to all of the agencies. The program, called "Idaho One Plan," won a national award and is being implemented across the U.S. (see attached details).

- Water quality and treatment is an increasingly "murky" problem for rural communities, as federal water quality standards have increased, and costs for water testing, treatment systems, and certified system operators continue to escalate. Stites, Idaho, a community on the South Fork of Clearwater River, has a population of only 248, most of whom are retired and living on limited fixed incomes. Stites was notified by EPA that they must upgrade their sewage treatment system or face significant fines. The cost for a treatment solution was $1.3 million, or $12,500 per household. Even after HUD and USDA grants were received to help pay for the new system, Stites residents and businesses saw an increase of 470% in their City wastewater bills.

  Engineers at the University of Idaho and other institutions have developed effective small-scale treatment systems for very small rural communities and subdivisions, but too often when federal funds are involved, those systems are not considered for use due to regulatory and liability concerns on the part of state and federal agencies and consulting engineers.

  Similar regulatory challenges are faced by small rural communities regarding senior transportation, health care, affordable housing, and other issues. The NRDP and State Rural Development Councils can help address these challenges through interagency and public-private collaborative partnerships, ultimately benefiting thousands of communities, and millions of rural citizens and businesses across the nation.

- There are literally dozens of organizations engaged in rural development work, including several represented here today: Federal and State Departments of Agriculture, Resource Conservation & Development Councils, University Extension, Federal and State Departments of Commerce, Cities and Counties, Tribal Enterprises, Chambers of Commerce, Rural Community Assistance Councils, Business Trade Associations, Commodity Commissions, etc. There is plenty of need to keep all of these entities busy, but unfortunately, these entities may not coordinate with each other and maximize opportunities to collaborate on specific issues or problems. However, each of these entities is represented around the table at the State Rural Development Councils, which provides a means for them to connect and identify opportunities to collaborate. This is a win-win situation for the federal government, for the State Council partner organizations, and most importantly, for rural communities.

The NRDP was re-authorized in the 2002 Farm Bill, and I strongly encourage your support of its inclusion in the 2007 Farm Bill. Rural communities need this collaborative model now more than ever, and the comparatively low cost of the Partnership reaps a huge return on investment for the federal government and American taxpayers. Thank you for your time today.

www.idahofoodbank.org

August 11, 2006

Written Testimony to United States Senate Committee on Agriculture, Nutrition and Forestry

By Roger Simon, Executive Director, The Idaho Foodbank

Good morning. If any of you are here from outside of Idaho, welcome to our most wonderful of states.

My name is Roger Simon. I am executive director of The Idaho Foodbank, the premier hunger relief agency serving Idaho and Idahoans in need. I have served in this capacity for 13 years and been active administering non-profit corporations for move than 30 years.

The Idaho Foodbank is a non-profit that focuses its entire resources on the acquisition and distribution of donated food. We do that throughout all of Idaho. The five northernmost counties are served through an agreement we have with our friends in Spokane - Second Harvest Inland Northwest. Over 200 front-line non profit agencies (and approximately half of them are faith-based) utilize our donated product to serve people in need in the other 39 counties. They receive this product through one of our three distribution facilities – Boise, Lewiston and Pocatello. This spring we released a study on hunger developed by Mathmatica Policy Research under agreement with America's Second Harvest, the Nation's Food Bank Network and conducted by The Idaho Foodbank which identified that nearly 90,000 unduplicated people rely on our donated food distribution system annually.

Throughout my career in service I have watched many pieces of legislation work their way through Congress and either die or become enacted. Right now, the most pressing legislation, that will impact people throughout every bit of Idaho and every part of our country is up for renewal – the Farm Bill.

This bill is thought of by many as the cornerstone of service for our farmers whether they be large or small. However, it is much more than that. The Farm Bill keeps grocers throughout Madison County in business. This is the home of BYU-Idaho and one of the top counties in the entire country in terms of production of potatoes. Also, nearly 17% of all residents of Madison County live in poverty.

In Shoshone County, one of our northern counties, retail is the largest payroll and receipts generator in the county. And with almost one of every four children living in poverty, the Farm Bill – the provider of food stamps is an essential solution there too.

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Canyon County, home of some of our more urban areas is also an area that will benefit from the new Farm Bill. With a poverty rate 15% higher than the state average, Canyon County residents need the Farm Bill.

The Farm Bill is a critical partner in our agrarian environment. Farmers rely heavily on the supports provided to continue to serve the food and nutritional needs of our country.

The Farm Bill is also the way that our country has come together to address hunger. Each year nearly 35 million Americans are threatened with hunger. This includes 13 million children. They are in our largest of cities and smallest of towns. The fastest and most direct way to reduce hunger is to improve and expand the national nutrition programs. This includes food stamps where participation among eligible people in Idaho is hovering around only 50%. The Emergency Food Assistance Program (TEFAP) redirects agricultures surpluses to non-profits and then in turn to people in need. Here in Idaho, this program is operated through a state contract with local community action programs. Also within the Farm Bill is a critical program that continually has to fight to maintain its existence – the Commodity Supplemental Food Program (CSFP). This program focuses federal commodities on key groups – pregnant and postpartum women, infants and children; and elderly people. The latter is the prime recipient. This program does not operate in Idaho and requires a state department to serve as an initial sponsor and the Congress to approve support for an identified number of "slots". Again a critical role for the Farm Bill.

Whether we want to admit it or not, the federal government is the largest supplier of food assistance in our country. And yet, hunger is America, hunger in Idaho is getting more serious.

Families seek emergency food sources when they do not have enough money to purchase food and other basic needs. The quality of the food purchased is directly related to the funds available. So, what you have is the odd situation of people threatened with hunger and concurrently suffering from obesity. Without supports, such as available through the Farm Bill, the very high fat items will continue to be the ones available.

Food pantries that distribute donated food – such as what comes from The Idaho Foodbank – fill an emergency gap. But, they are not the answer. All families should be able to purchase the food they need. Naturally this could lead to the demise of food pantries and soup kitchens except for emergency situations – the way it was always intended. But until we get there, soup kitchens, food pantries and food banks and federal commodity programs will continue to play a critical role.

CSFP and TEFAP are effective programs that should be temporarily expanded. Concurrently, federal tax incentives such as included in the recently passed Pension Reform Bill need to be permanent to provide incentives to donate to food banks and pantries. Please keep in mind that these federal programs have absolutely no direct benefit to The Idaho Foodbank. I say that to make sure it is understood that there is no self-serving intention at play here.

The Food Stamp program needs to expand eligibility. Children can qualify for a free or reduced price lunch if the family is living at 185% of poverty. But to get food stamps, a different eligibility criteria is in effect. All the programs need to be inclusive and the federal government needs to establish a compassionate base for eligibility – one that assures families needs are met.

As I mentioned earlier, among those eligible for food stamps in Idaho, only around 50% are receiving them. And according to the Idaho Department of Health and Welfare, 48% of the recipients are children. One of the wonderfully unique things about the food stamp program is that

it is a natural setting for people to receive food. Not only is our government helping economically disadvantaged and creating employment in the grocery industry, but people who are receiving the food are doing so in an appropriate setting. How many of you have had to stand in line at a food pantry or soup kitchen versus a grocery check out lane?

Along with expansion of the Food Stamp program, outreach education funding is necessary for under-achieving states along with encouragement of a multiple point of entry system to assure that food and nutrition services reach those in need.

I want to go back for a moment to the issue of obesity. It is an extremely serious problem and one that is only getting worse in our children. The Farm Bill's reauthorization should include a component addressing nutrition along with nutrition outreach and education. Again this is something that will benefit entire communities. Better nutrition and diet equal less emergency medical care and less ongoing health problems. In turn, this means lower societal costs both directly and indirectly. The 2007 Farm Bill can both prevent and intervene. As the most important piece of legislation before you, this bill impacts all Americans. I encourage you to assure it does so in the most compassionate, inclusive way possible.

In closing, I will reiterate my points in bullet form:

- The 2007 Farm Bill reauthorization is the most critical piece of legislation facing this country this year. It impacts every single person.
- The Farm Bill is essential for farmers, small businesses and low income families especially in rural communities.
- With the increasingly high cost of farming, farm subsidies from the government spell the difference between success or total ruin for many of those who commit their lives to feeding our country.
- Nearly 35 million Americans are threatened with hunger, including 13 million children, expansion of the federal nutrition programs is an effective, appropriate response.
- The Farm Bill includes a range of nutrition programs. However, in Idaho participation in the Food Stamp program among those qualified is only around 50%.
- The Commodity Supplemental Food Program (CSFP) has become a cornerstone of nutritional service to senior citizens, even though Idaho still does not take part in it. It should be expanded to all 50 states.
- The Emergency Food Assistance Program provides a way to redirect some agricultural surpluses. Partnering with food banks across the country increases supplies to front-line agencies and most importantly people in need. This collaborative partnership should be written into law for efficiency purposes.
- The federal government is more involved with food –growing, distributing, storing, etc. than any corporation in our country. They must acknowledge their role and treat it appropriately.
- Obesity is a serious problem, especially among our lower income children. It can be addressed through the Farm Bill with a focus on nutrition, fruits, vegetables, and education. It is an investment that will benefit all of society.
- Creating inclusive standards for the myriad of federal nutrition programs covered by the Farm Bill will eliminate some of the confusion associated with these programs.

- The Food Stamp program provides for the most natural method for people in need to get food for themselves and their families. The check out line is a line ALL of us stand in at one time or another.
- In conjunction with expansion of the Food Stamp program, outreach education that simplifies enrollment is necessary to help eligible people access the services they need.

Again, I wish to thank you for the opportunity to offer testimony on this backbone piece of legislation. It has been an honor to come before you today, because I know that assuring the safety and security of our children and our families is core to all of us. The Farm Bill 2007 done correctly will be the foundation to assuring a strong society.

To close I will share two quotes with you. The first one is from Dr. Thomas Herschl, professor and sociologist at Cornell University. "To be worry-free about having enough food is not the norm in the United States. Rather, the need to use food stamps is a common American experience that at least half of all Americans between the ages of 20 and 65 will face."

My last comment comes from a man often known as the great communicator, our 40th president Ronald Reagan. "All great change in America begins at the dinner table."

You are accepting testimony for the 2007 Farm Bill. When you go home and join your family, realize that you are in a position that President Reagan spoke of. Please help bring Americans to the dinner table.

Thank you very much for your time and attention.

Sincerely,

Roger Simon
Executive Director

Idaho Dairymen's Association, Inc.

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Testimony of John VanderWoude
Dairy Producer
Nampa, Idaho

Before the United States Senate Committee on
Agriculture, Nutrition and Forestry
Washington, DC

August, 2006

Mr. Chairman and members of the Committee, my name is John VanderWoude. I am a dairy producer from Nampa, Idaho, and a United Dairymen of Idaho Board Member, and presently am a republican candidate for the Idaho House of Representatives for District 21, and I am before you today representing myself and also the Idaho Dairymen's Association (IDA). IDA was formed as a dairy producer advocacy group in 1944 and has a dairy producer board of directors that is elected by their peers. All dairy producers in Idaho are members of IDA and pay a $0.001/cwt assessment to cover the cost of the organization.

I began working in the dairy industry milking cows for my father's operation, until 1976 when my wife, Judy, and I started our own dairy with 170 milking head. I now own and operate Mason Creek Dairy, in Nampa, Idaho where I milk 300 cows along with my son Glenn. I also run High Desert Dairy Lab in Meridian, Idaho with my son, Simon, and have a daughter who lives in Boise.

The upcoming farm bill debate should be utilized as a time of review to determine the long-term effectiveness of agricultural programs. Since the 1930's the government has attempted to assist agricultural producers by replacing the "signals" of the market that would impact price by keeping supply and demand in check with government "signals".

If the intent of the government "support" programs is to provide an adequate return on time and investment, then the outcomes show that the programs have failed. In 1981 the Class III price, which is the basis for all milk pricing, and presently the high water mark for pricing in Idaho, averaged $12.57/cwt. In 2000 it averaged $9.74 and in 2004 it averaged $15.39. For the 48 months representing 2000 to 2003 40% of the time the monthly Class III price was below the $9.90 support price with November of 2000 dipping all the way down to $8.57. This extreme volatility and pricing that is lower than prices producers received over 30 years ago is a direct result of failed government programs that do not allow the market system to work. The same results can be seen in the corn market the average price per bushel in 1981 was $2.92 today that same bushel sells for $2.40.

How do agriculturalists survive? They expand by planting more acres or milk more cows, and adopt technology that increases yields. Those who can't adjust leave the business. Since 1981, commercial dairies, those with licenses to sell milk, have been reduced from 225,000 to 64,000, a 72% reduction. This begs the question, are the government dairy support programs working? The short answer is "no."

An example of such a program is the Milk Income Loss Contract (MILC). I believe that it interferes with the free market system by sending false market signals. It also interferes with other government dairy price support programs, and discriminates against producers and their operations based on size. In the 2004 United States Department of Agriculture (USDA) "Economic Effects Of US Dairy Policy and Alternative Approaches To Milk Pricing" Report to Congress stated that "there is a basic incompatibility" between MILC and other pre-existing dairy-subsidy programs.

The Agriculture Department found that MILC does in fact artificially depress the price of milk by encouraging overproduction. "The price support program and the MILC program provide an example of problems that can be caused by conflicting policy outcomes." In reality, MILC distorts the market and conflicts directly with other pre-existing subsidy programs all at a cost close to $2 billion since its inception, nearly twice the $1 billion originally budgeted for it.

The milk price-support program, which dates to the Depression-era Agricultural Adjustment Act, should also be reviewed to determine if it is fulfilling its purpose as intended or inhibiting the market system to function. Under that program, the government steps in and buys dairy products when the price falls below a certain level. If that support price is set low enough, it provides some income security to farmers while allowing the market to slowly clear and production to fall to the point where prices can rise again. It is our belief that the program no longer serves its stated purpose and allows the price of milk to stay low for an extended period of time, longer than if the market system was allowed to function without government interference. As I stated above many times since 2000 the Class III price dropped below the support price. When this occurs, the pay price for Idaho producers both when we were in a Federal Milk Marketing Order (FMMO) and now that we are no longer a part of a FMMO, drops below support.

As stated above Idaho Dairymen's Association represents all of the dairy producers in Idaho and although Idaho is viewed as a large dairy producer state over 49% of our producers milk 200 cows or less and receive full benefit of the MILC program. Due to that fact, we studied the MILC program thoroughly before coming to a position of opposition. Utilizing the factual data presented by both USDA and agricultural economist we struggle to understand why those who have the best interest of dairy producers in mind, including members of this esteemed committee and farm organizations, would continue to support dairy programs that have failed the industry.

One tool that I would encourage including in the 2007 Farm Bill is permanent authority for all dairy producers to use forward contracting. Simply put dairy forward contracting provides price stability by allowing dairy producers to manage risk. USDA tracked performance during the 2000-2004 pilot program and found that forward contracts were effective in achieving stable prices.

Utilizing forward contracts, dairy producers can service debt more easily, obtain more favorable financing, expand their operations and guarantee a margin above the cost of production. Dairy producers deserve to have a tool that provides them with the freedom to price every pound of milk they sell before it is produced.

Forward contracting is extensively utilized by other commodities, even those with government support programs, because it allows the buyer and seller to mutually agree on an advance price so they can have a more predictable basis for planning their investments, financing needs and growth.

Congress provided the necessary tools for agriculturalist to control their destiny in February of 1922 with the adoption of the Capper-Volstead Act. The Act, as you're aware allows producers the freedom to work together. National Milk Producers Federation has taken the lead in the formation of Cooperatives Working Together (CWT). The program, which is producer funded, is an example of the Capper- Volstead functioning as intended. Although approximately 50% of the milk produced in Idaho is marketed directly to processors and not through cooperatives 84% of the milk produced in the state is participating in the self help program.

It is our estimation that the elimination of government-sponsored agriculture programs would allow the free market system to work with producers being protected through the ability to work together under the protection of the Capper-Volstead Act.

Another suggestion that we would like to see considered for the Farm Bill would be the addition of a Collaborative Dairy Research Center in the Magic Valley. It would be a huge help to the industry in mitigating its effects on the environment, and be a productive way to bring together schools, government agencies, and others to work together towards helping dairymen in Idaho be great stewards of the state's land and resources. We already have huge interest and collaboration between Idaho Dairymen's Association, the University of Idaho's College of Agricultural Sciences, the College of Southern Idaho, the Department of Agriculture, the Department of Energy through Idaho National Lab, and the USDA Agricultural Research Service, and we're hoping it won't be long before funds can be allocated and further plans can be made towards making this dream a reality.

I greatly appreciate this opportunity to testify before you. Thank you.

DOCUMENTS SUBMITTED FOR THE RECORD

AUGUST 11, 2006

Idaho Rural Partnership

IRP LEADS FARMERS AND RANCHERS THROUGH REGULATION MAZE

The Idaho Rural Partnership (IRP) has been extensively involved in helping Idaho farmers and ranchers meet and comply with the government's farm conservation regulations, which often require an on-farm conservation plan. IRP's support in this area began in 1997-98, when it developed an innovative website with about 750 pages of consolidated information on conservation planning from over a dozen agencies. The site presents the information in a farmer-friendly way and contains over 400 links to agriculture-related sites that take farmers and ranchers to the information they need. More than 75 demonstrations of the website have been given to a wide variety of groups in Idaho and throughout the nation. In 1997, the site was launched nationally by Idaho Lt. Governor Butch Otter and then-Senator Kempthorne. Hits on the site number over 400 per week, and 41 percent of Idaho's farmers and ranchers are now on-line. IRP funded an update of the site's appearance to improve usability, and the Cooperative Extension and the Idaho Dairymen's' Association contributed nearly $38,000 for development of a nutrient management module.

To further support compliance with farm conservation regulations, IRP also has developed One Plan, a single farm conservation plan that comprehensively meets government requirements. To gain farmers' and ranchers' acceptance of One Plan, the Council facilitated meetings, developed a concept paper, raised seed funding, identified brokering partners and funding, and marketed the plan. IRP gained local and national support, and the US EPA, USDA-National Resources Conservation Service, and the National Association of State Departments of Agriculture formally recognized One Plan as a national leader in farm conservation planning. In 1999, after IRP and its key partners met with USDA officials, One Plan became one of twenty-five USDA Business Process Reengineering projects nationwide.

Highlights

- Launched a website that helped farmers and ranchers find information they need.
- Funded a project to make the website more user-friendly.
- Developed One Plan to help farmers meet government regulations.
- Gained local and national support for One Plan, which was formally recognized as a national leader in farm conservation planning.

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Submission to:

Senate Agriculture Committee
Subcommittee on Forestry, Conservation and Rural Revitalization
Moscow, Idaho

August 11, 2006

Submitted by:

Pacific Northwest Direct Seed Association
2780 W. Pullman Rd. Moscow Idaho

Representing Direct Seed Growers from: Oregon, Washington and Idaho

Introduction:
Thank you for the opportunity to provide input to the conservation portion of your subcommittee as you develop the 2007 Farm Bill. There are three components we will address in this testimony: CRP, CSP and Carbon Trading.

Background:
Direct Seed Farming, NoTill Farming, and Conservation Tillage Farming, different names to achieve the same objectives: reduce the amount of tillage used to produce annual crops and retain crop residue on the soil surface. The movement to Direct Seeding is a global phenomenon that produces a long and widely recognized list of economic, agronomic and environmental benefits. These benefits successfully cross the boundary of all commodity production and through an integrated cropping systems approach tie agriculture sectors together with a common goal to improve productivity, energy efficiency, economic and environmental sustainability and farm stewardship. This is known as the Direct Seed Advantage.

The adoption of direct seeding technology is a significant step toward environmental and economic sustainability; however, the adoption process can expose growers to significant risk. There is a well documented two to five year period, depending on farm size and debt to equity ratio, where growers must adjust to changing and sometimes volatile economic and environment conditions. It is through this period that growers need support, requiring both sound information resources and financial safety. PNDSA believes there is opportunity to work on several fronts to meet a broad range of grower needs and ensure the adoption of direct seed technology is rewarded.

CRP: The CRP program is a valuable tool for conservation in the agriculture industry, taking fragile land out of production. It is important, however, as CRP contracts expire that appropriate conservation management practices are utilized to bring this land back into production. Growers should be strongly encouraged to utilize minimum soil disturbance practices as these lands are returned to production.

CSP: The CSP program has been a valuable step in the right direction; rewarding producers for the adoption of direct seeding and other conservation programs. The PNDSA would encourage future farm bills to utilize the philosophy "reward the best, motivate the rest" as it moves forward. To be fair and equitable throughout the community, however, this program needs to be fully funded and fully implemented. A grower not funded due to his location in a watershed will operate at a significant disadvantage to his neighbor who has qualified for CSP funding.

The decision to fund on a per farm basis should also be reconsidered. The economic inequities between a 400 acre farm and a 4000 acre farm are significant. This disparity needs to be diminished so conservation practices are equitably rewarded on a per practice per acre basis.

Carbon Trading: PNDSA is a leader in the development of a Carbon Trading market within the agriculture sector. Five years ago PNDSA aggregated the first North American carbon contract. This was the first US trade to monetize carbon sequestration benefits by leasing carbon stored in direct seeded soils as an offset to CO2 released by an energy company. This was an excellent opportunity to reward growers for the adoption of environmentally sustainable practices.

Since the initial PNDSA trade there have been considerable advances in modeling to predict and verify of the amount of carbon that will be stored in agriculture soils under specific management practices and various environmental conditions. Work on these models continues to provide refinements and will allow PNDSA and others to confidently aggregate blocks of soil carbon for trade to CO2 emitters. These trades will be used as a deferral system until the emitters can economically meet emission targets. This has been referred to the **Cap and Trade Solution** to meeting long term CO2 reduction targets.

There is some controversy around the Cap and Trade Solution.

Should agriculture soils be included as an offset?

There are many reasons to include agriculture soils as a CO2 offset. The ability of agriculture soils to store and retain soil carbon under direct seed farming systems has

been well documented. There are several decades of research from a wide variety of well respected sources. It is also well documented that once growers successfully switch to direct seed systems the percentage of conversion back to conventional farming practices (and thus the loss of soil stored carbon) is very small to zero.

Other benefits include an overall reduction in farm demand on non renewable fuel resources and growers would be rewarded for production practices regardless of the commodities they produce. This would be considered a non trade distorting revenue source for the agriculture industry.

Possibly the most important benefit would be that the incentive of this monetary reward may be significant enough to offset the risk that conventional farmers face through the adoption of direct seeding technology. PNDSA sees this as an environmental win-win-win solution.

Should the value of carbon offsets be artificially capped?

The major source of discussion regarding an artificial cap on the value of carbon offsets can generally be traced back to the CO2 producers who will be subject to paying the price. PNDSA's position is that a free market should be allowed to establish the price. Market price will likely stabilize somewhere below the level at which emitters will be fined for exceeding the limits to which they are allowed to produce CO2. Capping the value of carbon offsets essentially reduces the incentive for emitters to exceed emission reduction targets; ie: it would be cheaper to buy offsets than to invest in better technology. A free market system would create medium term strategies between investing in better technology and purchasing short term offsets.

Should large emitters be allowed to pay to pollute?

A strategy to cap emissions and secure offsets as a stop gap measure, until polluting industries can develop and invest in the required technologies to significantly reduce emissions, (the Cap and Trade solution) is a sound step in the right direction. Providing agricultural soils as a potential offset source to the emitters, allows them access to a significant offset market. It would also provide them the opportunity to help achieve a specific goal of the PNDSA to increase Direct Seed Acres in the Pacific Northwest.

PNDSA, it's Executive, Directors and leading edge grower membership thank you for serving on the Senate Agriculture Committee and for this opportunity to express our views. We anticipate the 2007 Farm Bill will provide leadership to the agriculture industry and continue its focus on conservation and innovation as a means to achieve economic and environmental sustainability.

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