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REGIONAL FARM BILL FIELD HEARING

FIELD HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

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REGIONAL FARM BILL FIELD HEARING

Wednesday, June 23, 2006

U.S. SENATE
COMMITTEE ON AGRICULTURE,
NUTRITION AND FORESTRY
Albany, Georgia

Hearing on 2007 Farm Bill, held before Committee Chairman Senator Saxby Chambliss, Chairman, and Senator Pat Roberts, reported by Debbie Paulk Mixon, CCR, RPR, CRR, at Albany State University Academic Building Auditorium, Albany, Georgia, on the 23rd day of June 2006.

Senator CHAMBLISS. Good morning. This hearing of the Senate Committee on Agriculture, Nutrition & Forestry will now come to order. As Chairman of the Committee and Senator from this great state, I welcome each of you and thank you all for joining us this morning to hear each of our witnesses testify. I know many of you drove a long way to get here, and I appreciate you taking the time to travel to this hearing. What a great crowd we have this morning. And I see a lot of familiar faces out there. And this is going to be a critical year for agriculture. Your participation in this today and as we move toward the rewriting of the Farm Bill next year is critically important. So to all of you I say, on behalf of Senator Roberts and myself personally, thank you for you being here.

I want to thank Albany State University for hosting us this morning. Dr. Everette Freeman is out of town this morning, could not be here. But Dr. Freeman and his staff have been most gracious in having us here this morning.

We have a couple of our good friends who are strong supporters of agriculture in the audience this morning that I want to recognize. First of all is my longtime dear friend and neighbor from Mitchell County, Representative Richard Royal. Richard, where are you? Right here. Richard, thank you very much for being here, and thanks for the great work you do for our state.

Also, I saw him outside, Representative Gene Maddox from Cairo. Gene, right here in the middle. Thanks to both of you guys for the great work you're doing in the Legislature and for what you do for agriculture as well as otherwise in our state.

Also, my longtime dear friend former Congressman Mac Collins. I saw Mac outside. Mac's back here in the back. Mac, thank you very much for being here, and thanks for your continued interest in what's going on in the world of agriculture.

I also want to thank my longtime dear friend, my colleague, my former House Agriculture Chairman, Senator Pat Roberts from Kansas, for being here today. Pat and I go back a long ways when

it comes to dealing with farm bills and trying to make sure that we look after farmers and ranchers all across America. And there's nobody who has their heart in agriculture more so than Pat Roberts. He's my dear friend. We serve on several different committees together. And, Pat, I want to welcome you to the state of Georgia.

I want to tell everybody here something you already know, and that is that we're blessed in the Southeast to have a very diverse agricultural economy. And I'm pleased to host our Committee's first Farm Bill field hearing right here in the southwest part of our state in Albany.

This is the first in a series of regional field hearings that we will hold in preparation for the next Farm Bill. The next scheduled hearings will take place next month in July in Pennsylvania, Iowa, and Missouri. We will also hold others in western states. During these hearings, we hope producers will express their thoughts on what the next Farm Bill will look like. It will be important for us to know what has worked in the 2002 Farm Bill and specifically how we might improve farm policy for producers in a manner consistent with our trade obligations and budget needs.

It's interesting in agriculture to see things change over time. We no longer live in an era of mules pulling plows. Technology has moved us into a time where GPS tractors can assess the specific needs of soils in order to maximum yields. We no longer farm in a time in which the government dictates what you should or shouldn't plant. Thanks to planting flexibility provided in the 1996 Farm Bill under the direction of then Chairman of the House Ag Committee Pat Roberts and retained in the 2000 Farm Bill, you can choose what is best for your farm and your bottom line.

The environment in which we write the next Farm Bill will be considerably different than when we wrote the 2002 Farm Bill, especially with respect to trade and the budget. As a Subcommittee Chairman in the House and a conferee on the 2002 Farm Bill, I was one of many who believed that our commodity programs were compliant with the World Trade Organization rules.

Having dealt with the outcome of the case brought forth by Brazil against U.S. cotton, I'm not as confident now as I was back then. As a conferee on the 2002 Farm Bill, I was pleased to help write the Farm Bill in a time of budget surpluses. That, of course, has changed, and we are unsure of what the future will hold with respect to the budget.

While times have changed, one thing is for certain: This Committee will be a strong advocate for American agriculture. Through our trade negotiators, we will continue to affirm our role as authors of the Farm Bill, and we will continue to implore the need for trade agreements benefiting, not sacrificing, our producers.

As we did during the budget reconciliation proceedings of last year, we will continue to argue that the Federal farm policy is not only good for rural America, it's good for the American taxpayer. And I think that has been proven over the course of this current Farm Bill. Federal farm programs provide this nation an abundant affordable food supply at a cost of $12.9 billion less than originally projected through the fiscal year 2005.

Agriculture accounts for only 3.7 percent of the Federal budget, and the majority of this, 57 percent of the total ag spending, is not

for commodity programs, as some believe, but for nutritional programs that are valuable and viable and are critically important to America.

As policymakers, we have an obligation to provide producers a safety net into open markets. We have an obligation to promote land stewardship. We have an obligation to provide nutritious meals in schools and assist in providing food to needy families. While nutrition programs will be discussed in depth at a later date, we look forward to hearing from our witnesses today about how we can achieve these producer-oriented goals in the next Farm Bill.

Before I turn to our witnesses, I want to turn to Senator Roberts and any comments he has in an opening statement.

Senator ROBERTS. Well, thank you, Mr. Chairman. And good morning, ladies and gentlemen.

Audience. Good Morning.

Senator ROBERTS. That's just a mumbled good morning. I'm sure you can do a little better than that. Let's try it again. Good morning.

Audience. Good Morning.

Senator ROBERTS. That's a good Georgia welcome.

I want to thank you for the opportunity to join you here today for this first hearing on what's going to be a very aggressive schedule of Farm Bill hearings as we prepare to write the next Farm Bill in 2007. I noticed you mentioned Missouri. If you go to Missouri, you've got to come to Kansas.

I do not envy the task you are in charge of as you work to put together this very important legislation, with everybody in the audience as partners, while making every effort to address the needs and complexities of agricultural production all throughout this nation. I think you're exactly right in regards to the challenge that you face. During the previous years, I think many farm groups and many agricultural organizations, many commodity groups, I told them at the time, when I said show me the policy, they said show me the money. And I understand that.

And I certainly understand it with the energy costs that we're going through and some of the crop losses we're going through. We're about 25 percent down in our wheat crop in Kansas with about a 75 percent increase in energy costs. So we really have a tight vice, and a lot of farmers are really considering whether or not they ought to sell while the farm has value. And that's not a good thing, not a good thing for them, not a good thing for the next generation of farmers.

As indicated by Saxby, I have served as the Chairman. I have put together a Farm Bill. It's a lot like pushing a rope. And there's been six Farm Bills I've been associated with. I don't know; that might be a record for some of us. And it is not an easy task, by any means.

And with the budget pressures that we face and with the trade talks looming over us—and that's not exactly fair play or a two-way street—you have my commitment to work with you, to work with the Chairman, and all the members of the Committee to write the very best bill possible that we can to provide you stability, consistency, and to keep production of agriculture in a healthy situation. That's not only for our benefit but also the benefit of the country.

Mr. Chairman, I want to thank you for holding the field hearings all throughout the nation. I've always believed the most important thing we can do when crafting agriculture policy is to get out of Washington, travel out in the countryside, sit on the wagon tongue with our farmers and listen, and basically find out exactly what they need to keep their operations on the profit side and to allow the next generation of producers to enter the business. And that's probably the most important question that we face in agriculture today: Where is the next generation of farmers going to come from?

This is exactly what we're doing here today. I look forward to the testimony from our witnesses. I want to thank you again for taking us out of Washington and actually bringing us to speak firsthand with producers that feed and clothe not only this country but a troubled and hungry world.

Finally, Mr. Chairman, I want to thank you for your strong and active leadership of this Committee. He won't say this. I will. I keep referring to him as the new sheriff in town in charge of the powerful Senate Agriculture Committee. I used to be the Chairman of the sometimes powerful House Agriculture Committee. And I want the farmers and people in rural communities of Georgia to know that they can have no stronger champion in Washington than Saxby Chambliss.

Senator ROBERTS. That applause would also occur in Dodge City, where I'm from, Dodge City, Kansas. And they would be giving the same kind of applause because of your efforts on behalf of not only Georgia's producers but Kansas's producers or, for that matter, somebody out in California in the fruit and nut section of the world. In behalf of all America's producers, he's second to none.

Now, I've got to tell you a little story about this fellow. We do serve together. We have the privilege of serving together on the Intelligence Committee. I happen to have the obligation or the responsibility and privilege to be the Chairman of the Senate Select Committee on Intelligence, right in the middle of the war against terrorism.

And I've got a point guard sitting to my left who has served on the Intelligence Committee in the House, hit the ground running, hit the ground running at a gallop when he hit the Senate. And I don't know what I would do without Saxby's common sense and his support as we try to keep America safe.

We also serve together on the Armed Services Committee. And both Saxby and I know that healthcare, education, agriculture, all the things that affect our daily lives and pocketbooks are terribly important. But the first obligation that we have as Members of Congress is to do what we can to guarantee our national security and our individual freedoms.

This man is a stalwart on the Armed Services Committee and the Intelligence Committee and on the Agriculture Committee. He may get a little sick of me. I won't with him. But at any rate, in regards to those three committees that we serve on. Just the other day, he won a vote in the U.S. Senate—I think it was over 70 votes—to have a 3–year purchase agreement to save taxpayers money for something called the F–22, which is our most modern fighter and brings us up to date with what the Russians have.

Now, that's tough, because some people want to buy it on an annual basis, 60 planes. But if you do it that way, you're going to cost the taxpayer one heck of a lot more. And at the same time, we're finally moving ahead in terms of the production of that airplane that we sort of need for our national defense. The author of that amendment, Saxby Chambliss. The vote, over 70 votes. It shows you the respect that the Senate has for your Senator.

Second thing that he did that I didn't know until I was riding on the plane when we came down and I was asking about the health of the peanut program and a little thing about paying the peanut producers for their storage and things of this nature. And I thought that that was not in the Bill. As a matter of fact, they fuss about it over in the House. And he just got it done.

I didn't know about that. That was below the radar. That was covert, man. And so here's a guy who got an amendment in behalf of the peanut producer in Georgia and got an amendment on the Senate floor with over 70 votes. And so he is doing an amazing job in your behalf.

Let me just say that we have a coalition of my legislative director, who is sitting to my left, and I will not embarrass him, and his wife, who is from Georgia, and their new baby. Is that baby half Kansas and half Georgia? I don't know quite how that works out. But Mike is down here visiting his in-laws. And we're just delighted with both of them. And I would say, being a Kansas wheat, corn, soybeans, livestock producers fellow, I have learned a whole different world from his wife in peanuts and rice and cotton and everything else. So we're very happy about that, that combination and that partnership.

There, I've gone on longer than the Chairman has by 2 minutes. And, you know, you're not supposed to do that in Washington. So I'm eagerly awaiting your testimony. And thank you, Mr. Chairman, for the opportunity to be in Georgia. Thank you.

Senator CHAMBLISS. Well, if you're going to say good things about me: Pat's right, we work very closely together on the Armed Services Committee and the Intelligence Committee. And I'm pleased to ride shotgun with him. And you talking about having a point guard on agriculture on any issue, there's no better point guard for me to have than Pat Roberts.

We're in the Second Congressional District this morning. And the Congressman from the Second Congressional District has been a dear friend of mine for many years, since before I became an elected official. Sanford Bishop does a great job in representing the Second District of Georgia in the U.S. House of Representatives. He brings not only a common sense opinion of issues, but he works hard to make sure that the interests of the Second District are put before the U.S. House of Representatives in a very positive way.

He is my great friend. And he and I served on the Agriculture Committee in the House under Pat for several years. And he now is an appropriator, which means that he's the one that signs the checks that come out of Washington. So anytime you're running low on funds, Sanford is the one that you need to talk to.

But Sanford Bishop is a great American, a great member of the U.S. House of Representatives. I'm pleased to have you here. And

I'm going to ask Sanford to come forward at this time and make some comments and introduce a very special guest.

Representative BISHOP. Good morning. And thank you very much, Saxby and Pat. Thanks so much to you for bringing the Ag Committee to Albany, Georgia, to the Second Congressional District. And I certainly want to welcome all of the people who have come, and especially our witnesses, to this event. It's so vitally important. Agriculture is so important.

And I'm not going to take my time, because I want to introduce a special person, Niki Newberry, who is a University of Georgia agriculture intern. We have a joint program with the University of Georgia and our Congressional offices, along with the Georgia Agribusiness Council, to provide special agricultural training experiences for ag majors at the University.

And we have Niki Newberry, and I want to yield my time to Niki at this point. Niki, would you come forth? And she will be speaking for me and for our office.

Ms. NEWBERRY. Good morning. Like the Congressman said, I'm Niki Newberry, an agricultural intern from the University of Georgia's College of Agriculture & Environmental Sciences.

First, I would like to thank Senator Chambliss and the Senate Agriculture Committee for holding this field hearing in Albany, the heart of Georgia's Second Congressional District. I would also like to thank all the witnesses who came to speak on behalf of American farmers and agribusiness owners. With help from people like you, the 2007 Farm Bill has the potential to improve upon the 2002 Farm Bill. Also, thank you, Congressman Bishop, for the opportunity to speak about the importance of the Farm Bill for rural Georgia and the agrarian way of life.

Agriculture has been the most important issue in my life. I grew up on a farm only about 50 miles from here, and I grew to love and appreciate this experience. My father is still a farmer in Wilcox County, and I'm honored he is in the audience here today. Because of my upbringing, I chose to major in agricultural communications.

Agriculture is the most vital component of the Southwest Georgia economy. According to the Georgia Farm Gate Value Report, the total 2004 farm gate value for Georgia was over $10.2 billion. For Georgia's Second Congressional District, it was over $90 million. One in six jobs in the state are in the agricultural sector. The 2007 Farm Bill will have a dramatic effect on communities in rural Georgia.

Although the state of Georgia remains a proven leader in the production of cotton, peanuts, poultry, and timber, farmers and agribusiness owners are facing economic hardships. Operating a farm requires scores of workers, and many producers support a reformed H2A guest worker program which, when it is properly administered, will help improve efficiency. The success of the seasonal fruit and vegetable harvest in the Second Congressional District would not be possible without those workers who participate in the H2A program.

The rising cost of fuel and other input costs is one of our greatest concerns. Because of challenges like fuel costs, farm programs instituted by the Farm Bill are extremely important for the livelihood of farmers and agribusiness owners. The emergence of alternative

fuels such as ethanol and biodiesel has created a potentially limitless market for agricultural products. In the future, our farmers will not only feed America but fuel her as well. The new Farm Bill should contain provisions and support for biofuel development.

The farmers of south Georgia are resilient. They're willing to change and adapt their farming practices to become more efficient and environmentally friendly. They use conservation tillage practices and variable rate irrigation systems to reduce the impact of farming on the land, made possible by the current Farm Bill. Agriculturalists are stewards of the land, stewards who want the land they cultivate and the natural resources on their land preserved. Please continue the strong conservation programs that are provided for in the current Farm Bill.

The technology of farming is advancing. Researchers at land grant institutions like the University of Georgia have found ways to produce higher yields while lessening farming's impact on the environment. It is crucial that funding for these research centers, like the National Peanut Laboratory and others, continue to further develop ways for America to stay competitive in the world market.

Although the heart of the Farm Bill is the farmer, surrounding the farmer are the rural communities whose economies rely on success of their local farmers. Programs that support rural economic development are important to the lives of the people who live and work in these communities. Whether it's broadband technology or local medical centers, we owe it to rural Americans to invest in the places they work and call home.

It is our goal to secure a Farm Bill which will serve all aspects of agriculture, from livestock and poultry producers to row crop and vegetable farmers covering south Georgia to California and all in between. The next Farm Bill should ensure that the agrarian way of life that this country was founded upon is preserved. We must protect America's farmers. They protect us by satisfying our most basic needs: food, clothing, shelter, and jobs. We must make sure to give them a Farm Bill that will enable them to compete on a level playing field in the global marketplace.

Thank you for your time today and for holding this important hearing here in Albany. We all look forward to working with you to draft the best Farm Bill possible.

Senator CHAMBLISS. Niki, thank you very much for that fine presentation. I assure you your boss could not have said it that well. And he doesn't look nearly as good as you do. So the audience particularly enjoyed that.

Speaking of that, Niki being Sanford's Georgia agricultural intern, I guess most of the House members now have a program like this. Let me just quickly tell you what we do. We started this program modeled after a program that Thad Cochran has. And we work with the University of Georgia and the Georgia Agribusiness Council to bring an intern from the University of Georgia College of Agricultural Sciences to Washington every summer and to stay with us the whole summer.

And the idea is that we want to let folks, young folks, who want to be involved in agriculture figure out what goes on in Washington and how Washington works and bring that knowledge back to

Georgia, because if they're involved in agriculture, they need to know how agricultural policy is set. And by the same token, we try to create a pool of young people that we can hopefully bring to Washington and get them to work on our staffs up there and bring the knowledge of southeastern crops to the Ag Committee or to our personal offices, whatever it may be.

The very first person that I had as my ag intern from the University of Georgia was a young lady named Christy Crumley. Christy is from Brooklet, Georgia. She is the daughter of Chap and Barbara Crumley. And Christy worked for me that first summer, and she came back and graduated. And just so happened that my ag LA, who now directs my Senate Ag Committee, left me to go make money somewhere else. And we immediately brought Christy back to Washington. And now Christy is on my Ag Committee staff. And she is the one that put together this hearing this morning. Christy, stand up so everybody can see you.

Senator CHAMBLISS. I am very proud of Christy. If you don't like your crop insurance program, you can blame Christy, because during the writing of that reform package, Christy headed up my shop that helped write that.

Now, the end of this story is that I was told by Barbara, when Christy came back to Washington to work for me, she said, "It's OK, Saxby, for Christy to come back and work with you, because we want her involved in agriculture. But," she said, "don't let her marry somebody from outside of Georgia that she meets in Washington."

Well, lo and behold, a year or so later, I hear she's dating this guy. And I happen to know this guy she's dating because he works for my good friend Pat Roberts. Well, lo and behold, another six or 8 months later, I hear that they're getting married. And I said, "Oh, my God. I'm in trouble with Chap and Martha."

But Mike Seyfert, who is also here this morning—stand up, Mike. We're going to introduce the whole crowd. Mike has worked for Pat for a long time and is in charge of his ag policy on his staff and is a terrific young man. And I got to see this morning the little Seyfert. They have a brand new daughter. And grandmama couldn't be here. I don't know whether Chap is here or not. But grandmama is baby-sitting this morning, and she's having a ball. She said she was really going to miss hearing a bunch of farmers talk this morning but she would rather opt to go be with that little granddaughter.

But this is a great example of what happens with this program that Sanford and I both have, Jack Kingston has, I know. And it's a great program. And we appreciate the participation of the University of Georgia and the Agribusiness Council with us.

Now, we're going to get down to what everybody's here for. We've got three panels this morning, and we're going to ask these presenters this morning to take about 3 minutes each to make a presentation relative to their particular expertise. And then Pat and I will be asking questions to the panel.

First panel this morning consists of Mr. Mark Detweiler from Rome, Georgia, who represents the American Soybean Association. We have Mr. Chuck Coley, whose son Matt was also one of my ag interns from the University of Georgia and who we also brought

back to Washington. And Matt is with us this morning. Matt is now a member of my Ag Committee staff, and I'm very proud of that. Chuck is from Vienna, Georgia, represents the National Cotton Council. Mr. Ray Cobb is from Davisboro, Georgia, and he represents the Georgia Corn Growers Association. And my longtime good friend, Armond Morris, from Ocilla, represents the Southern Peanut Farmers Federation.

Gentlemen, thank you all for being here. Mark, we're going to start with you, and we'll just go right down the line. And if you all will make your presentation into the microphone where everybody can hear, we look forward to hearing your comments.

STATEMENT OF MARK DETWEILER PRESIDENT, GEORGIA/FLORIDA SOYBEAN ASSOCIATION BOARD OF DIRECTORS, AMERICAN SOYBEAN ASSOCIATION

Mr. DETWEILER. Good morning, Mr. Chairman and members of the Committee. I am Mark Detweiler. I am a farmer, diversified farmer, from Rome, Georgia, growing corn, soybeans, small grains, and livestock cattle. I appreciate very much the opportunity to speak to you today. I am president of the Georgia/Florida Soybean Growers Association and serve on the Board of Directors of the American Soybean Association.

Mr. Chairman, soybean producers in the Southeast, as well as other regions of the country, support the safety net we now have under the 2002 Farm Bill. Most soybean farmers would also support extending the current farm programs when Congress considers new farm legislation next year. Unfortunately, current budget baseline for farm program spending declines over the next 10 years and will probably not accommodate expected outlays based on current support levels. We would need additional funding as was done in 2001 for the 1902 Farm Bill. Given the outlook for the Federal deficit, in coming years we will be fortunate to keep the level of spending that we currently have now. After facing budget cuts in the agriculture budget last year, we can expect Congress to consider further reductions in spending after the election occurs this fall.

A second reason we need to look at alternatives to the current farm program is the potential additional WTO challenges of current farm programs. We are familiar with the results of Brazil's case against cotton. In order to avoid sanctions, the U.S. will need to change the direct payment program to eliminate planting restrictions on fruits and vegetable crops. But, also, the marketing loan and counter-cyclical programs were found to cause serious prejudice and could be subject to other cases for other crops, including soybeans.

We're also watching the WTO negotiation agreement, which entered in with the Administration last October, when the Administration has made an offer for 60 percent reduction in outlays permitted under the most production and trade-distorting programs, including the marketing loan and dairy and sugar price support programs. ASA and other farm organizations are insisting that importing countries make equally aggressive reductions in their tariffs, including on soybean and livestock products. If an agreement

is reached and approved by Congress next year, we will need to make major changes in current farm programs.

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

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

Neither ASA nor any other farm organization involved in this Task Force has endorsed a revenue guarantee concept at this time. Instead we are now working with other groups to see how a revenue guarantee could be combined with one or several other farm programs to create a more effective safety net for producers. These include crop insurance, permanent disaster assistance, the three main components of the current Farm Bill, which is the marketing loan, counter-cyclical payments, and direct payments. We are working to have recommendations to put forward to the Committee sometime this Fall.

We're also very supportive of the conservation, energy, research, and trade titles in the 2002 Farm Bill. We're particularly interested in looking at programs that would support soybeans as a biodiesel alternative, renewable energy source, and to promote biodiesel production in the United States. The CCC has operated a bioenergy program since 2001. It is providing payments to biodiesel producers who utilize feedstocks that are domestically produced, such as soybean oil. This program has facilitated expansion of domestic biodiesel production, but the program sunsets after 2006. Therefore, we are asking Congress to extend that provision.

Also, the CCC program is justified because imports already have subsidized biodiesel programs coming in that will undermine the U.S. industry since they're eligible for a tax incentive, too, also in our current law. Higher premiums should be placed on domestic biodiesel production and expansion. The prospective cost of a biodiesel program could be offset by reduced CCC outlays under the soybean marketing loan and counter-cyclical programs.

With regard to conservation and research, we are concerned by recent actions that have depleted funding for these programs in order to pay for disaster assistance and to cover budget reduction commitments. ASA supports increased funding for conservation payments to producers on working lands such as through the Conservation Security Program. We also believe that a significant

number of acres currently locked up in the Conservation Reserve Program could be farmed in an environmentally sustainable manner given the enormous increase in no-till farming practices that have been implemented over the past 10 to 15 years. Finally, we strongly support maintaining funding for promotion activities under the foreign market development and market access programs and for international food aid.

Thank you, Mr. Chairman, for allowing me to appear before you.

Senator CHAMBLISS. Thank you very much. Chuck?

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

STATEMENT OF CHUCK COLEY OF VIENNA, GEORGIA

Mr. COLEY. Mr. Chairman and members of the Committee, welcome to Georgia. And thank you for holding this hearing and providing me an opportunity to present testimony on current and future farm policy.

My name is Chuck Coley. I'm a third-generation cotton and peanut farmer from Vienna, Georgia, and I currently serve as vice chairman of the American Cotton Producers. Mr. Chairman, thank you for your positive efforts to develop and maintain sound agricultural policy, which is so important to this area and to this nation.

Georgia is the third largest cotton producing state. The principle reasons for the resurgence in cotton production in Georgia are the eradication of the boll weevil and an effective and stable farm program. Cotton farmers are deeply concerned with the loss of our manufacturing customer base and have committed to continue to work with them. The manufacturers have indicated strong interest in making revisions to our Step 3 import policy and in developing a possible WTO compliant replacement for Step 2.

While the cotton fiber is our principal product, we also continue to seek ways to enhance the value of cottonseed and its products, which account for 12 percent of the value of the crop at the farm gate. As ethanol production increases, one of the byproducts—dried distillers' grain—has depressed the value of cottonseed.

We believe the current farm law has and continues to provide a stable and effective national farm policy for our country. The combination of direct and counter-cyclical payments provide an effective means of income support, especially when prices are low, without distorting planting decisions. The direct payment provides financial stability required by our lenders and suppliers.

I would caution that those who promote replacement of the counter-cyclical payment with higher direct payments risk taking the land out of the producers' hand, so it is important to continue to maintain a balance. It is also important to recognize the difference in regional impacts that can occur due to program changes. In the Southeast, payment yields for direct payments are lower than other regions, so a rebalancing toward direct payments would be a competitive disadvantage for the Southeast.

We strongly support continuation of the marketing loan. The marketing loan responds to low prices; it does not cause low prices. It ensures that U.S. cotton farmers are not residual suppliers in world markets because they are unable to compete with the treasuries of foreign governments.

It is also critical that all production remain eligible for the marketing loan. Sound farm policy is of little value to the cotton industry if we have arbitrary, unworkable limitations placed on our benefits. We believe limitations should be eliminated and, at the very least, limitations in future law should not be more restrictive or disruptive than current law.

Frankly, Mr. Chairman, most cotton farmers and a majority of the industry would be satisfied with an extension of the current farm law. We are increasingly concerned that the Doha negotiations are turning against U.S. agriculture in general and against U.S. cotton in particular. They want more U.S. concessions while refusing to provide adequate market access. Worse, China, the largest cotton market in the world, wants to be exempt from any further market access commitments. If other countries cannot match the U.S. level of ambition for market access, we should either withdraw or reduce our offer on domestic support. I also want to emphasize that an agreement that singles out U.S. cotton for additional inequitable treatment will not be accepted by U.S. cotton producers.

Finally, we are deeply disturbed by claims that 80 percent of all program benefits go to fewer than 20 percent of the producers and that only the so-called program crops receive direct benefits from farm law. Virtually every commodity receives some type of support, whether through direct income payments, price support programs, or barriers to import. Favorable tax laws are used to provide support for certain products, but the benefits are not directly attributed to the individual farmers. Today's payments are an important safety net and not a windfall of profit.

I am pleased to assure you and your colleagues that the cotton industry is prepared to continue to work with all interests to develop and support continuation of a balanced and effective policy for all of U.S. agriculture. Thank you for the opportunity to testify.

Senator CHAMBLISS. Thank you, Chuck. Ray?

[The prepared statement of Mr. Coley can be found on page 69 in the appendix.]

STATEMENT OF DOUGLAS R. COBB, PRESIDENT, GEORGIA CORN GROWERS ASSOCIATION

Mr. COBB. Good morning, Chairman Chambliss and other members of the Committee. It's an honor to be here before you as president of the Georgia Corn Growers Association. We appreciate your efforts to gather input to help with the development of the new Farm Bill. I do not envy the monumental task that you have before you, and I pray that God will give you wisdom to do so.

Agriculture has always been and will be the backbone of a strong United States economy. With the recent terroristic activities both here and abroad, I do not believe it is possible to overemphasize the need to keep a strong domestic supply of food and fiber. This is a must for the health and well-being of our nation.

Southern farmers need a bill that favors diversification. Crop diversity is important for the economy of our rural communities. Diversity helps us control pests and keep our yields up. Corn fits well in this rotation. In general, the 1902 Farm Bill has worked well,

and I believe we can use our current bill as a foundation to develop an even better Farm Bill.

First, farmers need some kind of safety net at a level that will allow them to survive. Depressed commodity prices, tremendous increases in input costs, unfair competition from world markets, and natural disasters, such as droughts, floods, insects, create severe financial problems for farm operations whose profit margins are very small even in good years. A combination of good crop insurance programs, counter-cyclical payments, and loan deficiency payments could be worked in combination to create a safety net. Crop insurance should be amended so that disaster years do not erode the farmers' protection levels.

Payment limitations should not penalize farmers. With the necessities of economics of scale, we have had to get larger and larger just to stay in business. Therefore, with smaller profits per acre, it is taking more and more acres just to survive.

Conservation is important to everyone, especially farmers. The farmers who have survived in agriculture know the best conservation practices for their operation and are using these practices. We should continue to receive credits for our efforts and leeway in the conservation practices that we implement.

There has been a tremendous effort in the development of biofuels. We have led the way with corn/ethanol production. And there is a concern that an orchestrated drop in world oil prices could undermine these endeavors. This would disrupt not only the corn and ethanol production efforts but the development of other biofuels as well. We need protection as we build the technology and infrastructure to become independent of other countries' energy sources.

It is imperative that we continue to provide funding for agricultural research, extension, and educational endeavors. Without the contributions from these important people, United States agriculture would be years behind where we are now and many of us would be out of business. Thank you.

Senator CHAMBLISS. Thank you, Ray. Armond?

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

STATEMENT OF ARMOND MORRIS CHAIRMAN, GEORGIA PEANUT COMMISSION SOUTHERN PEANUT FARMERS FEDERATION

Mr. MORRIS. Good morning, Chairman Chambliss and Senator Roberts. It's great to have you in the state of Georgia here with us today. Thank you all for having this hearing here in Albany.

I'm Armond Morris. I'm a peanut producer from Irwin County, Georgia. I am chairman of the Georgia Peanut Commission. I am here today representing the Southern Peanut Farmers Federation. The Federation is comprised of Alabama Peanut Producers, Georgia Peanut Commission, Florida Peanut Producers Association, and also, within the last month, the Mississippi Peanut Growers has voted to join the Federation. So we're excited to be here representing three-fourths of the nations peanuts. So I'm here to testify for them this morning.

First, I want to thank you, Mr. Chairman, for bringing the Senate Agriculture Committee to South Georgia, for the Committee's leadership in moving the U.S. peanut program from a supply management program to a more market-oriented program.

The new peanut program has encouraged peanut product manufacturers to develop new products and spend more money on marketing these products. And the domestic demand has increased like 25 to 30 percent since the new program has been implemented. The 2005 peanut crop was valued at $370 million, pushing about 50,000 jobs into Georgia's economy.

The Southern Peanut Farmers Federation has met with other segments of the industry, including buying points, shellers, manufacturers, and each having indicated they are pleased with the 2002 Farm Bill. While Congress has passed a very respectable peanut program in 2002, the administration of the peanut program by the Department of Agriculture has not been as successful. While the domestic marketplace has seen a healthy increase in demand from consumers and production growth for producers, this has not been the case for the peanut export market.

The USDA continues to set the loan repayment rate for peanuts too high. Despite language to the contrary in the 2002 Farm Bill, the Department has relied far too much on data unrelated to the price other export nations are marketing peanuts for in the world.

We are encouraged by a recent meeting in Washington with the USDA Farm Service Agency economists. At this meeting, the peanut producers offered options for achieving a more accurate posted price. I have included these detailed options in my written statement. The Southern Peanut Farmers Federation will continue to work with our industry partners to develop more specific suggestions for the next Farm Bill and refer that to your Committee.

When the 2002 Farm Bill was drafted, peanut producers did not envision record high energy prices that impacted our major crop inputs, including fuel, fertilizer, and chemicals. The 2006 peanut crop will feel the impact of these increases. In Georgia we anticipate a 30 percent reduction in peanut planting for the 2006 crop year. High energy costs and weak contract offers are the primary variables for the less acreage. Weak contract offers are a direct result of the loan repayment rate being set too high. With a declining export market, peanuts are not moving out of the loan quickly enough, resulting in a buyers' market.

As the Committee is aware, the storage and handling fees provided in the 2002 Farm Bill, they are to be eliminated for the 2007 crop. Producers consider this an integral part of the peanut program. Without these fees, the marketing loan will be produced for the producers in excess of probably $50 per ton. With a projected 30 percent reduction in Georgia production in 2006, peanut planting could fall below pre-2002 levels in the 2007 crop year if these fees are not restored. The $355 per ton marketing loan rate in the 2002 Farm Bill would then be reduced to approximately $300 per ton.

Producers in the Southeast will not plant peanuts at these levels. If the storage and handling fees are eliminated in the next Farm Bill, the Federation requests that the Committee consider options

for replacing these fees through an increase in marketing loan rate or other options.

And, Mr. Chairman, we appreciate the Committee is concerned about the Doha Round negotiations to the Administration, conveying that message, and Congress should set the ag policy and not our trade negotiators. And I'm grateful for the opportunity to be here today representing the Southeastern peanut farmer/growers.

[The prepared statement of Mr. Morris can be found on page 111 in the appendix.]

Senator CHAMBLISS. Well, thanks to each one of you for those presentations. I've got a series of five questions that I'm going to ask at every field hearing we have this year. And I'd like to address it to all four of you and have you respond to it.

As we approach the 2007 Farm Bill, the budget situation is much different than when we wrote the 2002 Farm Bill. If the World Trade Organization agriculture negotiations are successful, the commodity title will require changes in order to comply with the new commitments. How would you prioritize the programs of the Farm Bill generally and the commodity title specifically? How would you write the relative importance of the direct payment program, the marketing loan program, and the counter-cyclical payment program? Mark?

Mr. DETWEILER. That's a loaded question.

Senator CHAMBLISS. Intended to be.

Mr. DETWEILER. In my opinion, we're going to have to look more toward an insurance-based formula to sustain our safety nets versus the counter-cyclical direct and marketing loan payment programs we now have currently in place. That may or may not cause more financial outlay to Congress, depending on the year, depending on the insurance payment programs that would be used or utilized, considering whether it be net farm income based or gross farm income based or crops-specific based. There's many options in that insurance scheme that we're currently looking at. But I personally believe we're going to have to look closer toward an insurance program to solve or to ensure our safety net than our current programs that we have now in place.

Senator CHAMBLISS. OK. Chuck?

Mr. COLEY. I think the marketing loan program is vitally important to the crop industry. I think it's one of the most forward-thinking laws that have came back to help us market our crops when they're low. I think the safety net of the counter-cyclical is very important. And like I said in my statement, the balancing of direct and counter-cyclical is vitally important to the whole cotton industry.

Senator CHAMBLISS. Ray?

Mr. COBB. Like Mark says, that's a loaded question. But I think what we have is working, has worked well. And as Chuck said, you know, I think the counter-cyclical payments are most important. And I also agree with Mark, insurance. I don't know the answer. I know that's what you're looking for. But it's very important that we do something for the American farmer and keep the American farmer, the true American farmer, in business.

Senator CHAMBLISS. OK. Thank you.

Mr. MORRIS. Mr. Chairman, we in peanuts, we've tried to conform like other commodities. Back in 1996, I believe, you reminded us of the fact that you couldn't get us another Farm Bill similar to what we had with the quota system. So we've tried to transition to conform to the other commodities and to make our program work and work well. And you've done a great job of orchestrating that and helping us to do that.

I think the marketing loan is very important to us in peanuts and, of course, the counter-cyclical, also. I realize that the legislation that you all brought forward in setting up our Farm Bill, last Farm Bill, that USDA has faltered in some of the ways. I feel that had they set the prices right, we'd have been able to move our peanuts forward.

But to answer your question, basically, the program has worked well and we would like to see it continue to work in that effort. And, of course, we want to make it better in any way that we can.

But another thing that concerns me, when we look at other countries around the world and look at what their food cost is related back to their income, I think in America we're like 9.4, 9.5, somewhere around 9–1/2 spendable income of the American people for food. And in France, I believe it's like 18, 18–1/2. If the American consumer was paying 18–1/2 percent of their income for food, I don't think we'd have a problem with what the farmer receives for his commodity. We wouldn't be facing the chaos and the low prices and the problems that we have. We'd probably be able to pay for our fuel, even though it's high.

Maybe I'm wrong. But I'm a consumer. I want us to get the best quality food that we can on the American consumers' table at the cheapest possible price. So that's very important. And you gentlemen, in writing a new Farm Bill, I know that that's you all's goal.

Senator CHAMBLISS. Second, we can expect an effort to further reduce payment limits in the next Farm Bill. In fact, in its recently released Risk Management Farm Bill Theme Paper, USDA suggests that an alternative to the current farm program could be to better target farm programs to producers in greatest need of assistance, that is, target payments toward smaller and mid-sized farms. Do you believe this would be a good idea, or do you believe that farm programs should support those with a greater risk to a greater degree? Do payment limits need to be modified in the next Farm Bill? Mark?

Mr. DETWEILER. I'm going to get in trouble no matter what I say on this one. I believe the greatest risk factor on the larger farmer needs to be the one insured. Generally, looking from a smaller farm—and I would be considered a smaller farmer—you're going to look at assistance from off-farm income, supporting your income farm—family, live-farm income, from off-source farm income, a net. And I believe it would be better targeted toward the larger and more risk-factored farmer.

Mr. COLEY. I definitely don't believe we need any more payment limitations. We were talking about the marketing loan. We need to have all our crop eligible for marketing loan in order for it to work properly. We also have to remember the definition of small and medium-sized farms. Years ago, when I was a little boy, if you had 250 acres, it was a large farm. Now, with the consolidation of farms

and the expense it takes to run a farm and the amount of investment, you have to have a lot larger farming operations than you did in the past. And they're the ones out there taking the risk. And, you know, we got into people hollering about 20 percent of the people getting 80 percent of the payments. Well, those 20 percent of the people are producing over 80 percent of the crops.

Senator CHAMBLISS. Ray?

Mr. COBB. Chairman Chambliss, I don't think we need to cut payments to farmers. As Chuck said, you know, we've been forced to produce more and more. And the inputs that we're putting into farming, it's tremendous. And the income, we're getting 1950 prices. So I think the country's got to make a decision: You want to cut the backbone of the nation, or you want to look at some other things?

Mr. MORRIS. Mr. Chairman, I don't feel like we need to reduce the payment. The limitation probably even needs to be raised because the size of the farms have increased. And why should we penalize someone that wants to expand to stay in business?

And if you are a true family farmer now, it's hard for you to exist on 300 acres or less land. You have to have larger farms. For instance, fuel prices, look how it has increased in the last 24 months, fertilizer prices. So all these prices has increased, too. So you've had to increase your farming operation. So I think it's important that we look at that.

And, second, we want to be sure that we've got the best quality food in the nation. We want to be sure that we have an adequate supply. So all these things play an integral part of the farming operation.

Senator CHAMBLISS. As we speak, there are conversations going on in Geneva relative to the Doha Round. And agriculture has finally achieved the profile that folks like Pat and I have long believed it should, and that is that we're not going to have an agreement coming out of Doha without a strong agricultural agreement that's going to be beneficial not just for American farmers but it should be beneficial for other folks around the world. But, frankly, I'm a lot more concerned about a farmer in Paris, Texas, than I am one in Paris, France. So, naturally, we are determined to make sure that the American farmer comes out in the best shape possible.

We also have a trade negotiator in Susan Schwab who understands the importance of agriculture to America. And she understands that we're not going to unilaterally disarm. If we're going to get any trade agreement through the U.S. Congress, it's going to have to be fair and equitable, it's going to have to be balanced, it's going to have to provide our farmers with true market access, real market access, if we're going to have a reduction in domestic support.

With that being said, the Doha Round of negotiations seeks to provide additional market access for U.S. agricultural goods in exchange for reductions in trade-distorting domestic support programs. How dependent are your farm operations on exports? And to what extent do you believe your future profitability will depend on exports rather than domestic markets? Armond, let's start with you this time.

Mr. MORRIS. Well, I think that, Mr. Chairman, definitely exports are very important. I know it's very important to the peanut industry. And we was hoping the new Farm Bill would address that, and it did. You and legislation addressed it, but then USDA has not implemented it right.

And we're spending probably a million and a half dollars, or the USDA is spending a million and a half dollars, for peanuts to develop the export market. Our exports has went down 300,000 tons since the 2002 Farm Bill. Had we set our prices right, we would have been able to retain that 300,000 ton market, probably wouldn't have a surplus today of peanuts in the warehouse.

But I think it's very important. I think it's very important. And as we've moved into the new era that you all have helped to write legislation for, it's been directed toward the export markets. And I think that we need to be able to fit into those markets. But I think that we're an industrialized nation, and I think that it's going to take involvement from you all and through USDA to help the farmer to be able to fit into that market and for us to keep the cheap food here on the American table, too.

Senator CHAMBLISS. Ray?

Mr. COBB. I think exports are very important. I don't know to what percent. But farmers need to have—our competition, they're able to use a lot of things we're not able to at cheaper cost. So the exports, again, are very important. And I don't know how—I'd like to get back to you on that in writing, maybe.

Senator CHAMBLISS. OK. That would be fine. Chuck?

Mr. COLEY. Well, Mr. Chairman, you know it's vitally important to the cotton industry for exports. Three out of four bales now are exported. Of course, there's the demise of our domestic industry, which has hurt the cotton industry as a whole, where just a few years ago was spinning 11 million bales, is only spinning a little over 5 million bales now. We're exporting some 16 million bales. As I mentioned in my oral statement, the access to China is vitally important for the cotton industry, and China trying to go behind the scenes and limit cotton's access to their market would not fare well for the cotton industry.

Senator CHAMBLISS. Mark?

Mr. DETWEILER. Mr. Chairman, I would say that exports are extremely important to us in soybeans. In the Southwest, we are a protein-deficit area, which means we consume the majority of our soybeans here domestically for our broiler production and livestock production facilities. But if you look toward the Midwest, Illinois, Iowa, Missouri, they are totally dependent on export beans out of the country, through the Mississippi. And that would directly affect us and our market price for soybeans if that export market dries up. It's also critically important for us, in balance of trade, increasing export market availability for us in all products.

Senator CHAMBLISS. In its recently released Risk Management Farm Bill Theme Paper, USDA suggests replacing marketing assistant loans and counter-cyclical payments with a program that pays producers based on revenue shortfalls as an alternative to the current farm program. What do you think about a revenue-based approach to a safety net as a replacement for the current commodity programs? Armond?

Mr. MORRIS. Of course, Mr. Chairman, we would have to, I reckon, review that and look at it. But it could work. But we do have to have the revenues that would repay the loans that we have with the banks and also support any expansions and new development and support the farmer himself.

So I couldn't answer that question until, I reckon, we studied it a little bit more. I know the program we've got now is working. With all the increase in cost of production, it would be hard for the farmer to take any decrease in his commodity prices. And I do like to see the commodity prices be high enough that the farmer be paid on what he produces, production. And that's a good incentive, if he's getting a good price for his commodity.

Senator CHAMBLISS. Ray?

Mr. COBB. Well, we don't need to increase the payments again. And you sure do ask some good questions. Like Armond, I'd have to do some studying on that. I think it would work, but it doesn't need to be decreased, as far as what we're getting.

Senator CHAMBLISS. OK. Chuck?

Mr. COLEY. I think, you know, there could be a possibility for the revenue-based. I think, as the others agree, I think what we have is working well. I think when you look into a revenue-based program, I think each section of the country has to be considered. The Southeast has some crops that require pretty intensive management, plus high capital outlay, such as cotton and peanuts. And they would have to be designed in an equitable manner so certain regions would not be behind other regions in the country.

Senator CHAMBLISS. Mark, you addressed this in your opening statement, but you might want to expand on it a little bit.

Mr. DETWEILER. I will try to, Mr. Chairman. We have had an analysis done on revenue options and future farm program design by two companies, Risk Management and DTB Associates. And I've not had time to thoroughly go through the 64–page report since the other night.

But it is a possibility. Of course, WTO is linking us not to yield but to income to be compliant. In that case, an insurance program is going to be based on your expected loss, financial loss, not in a yield-per-acre gain or loss in bushels or pounds. It is possible.

There's several different scenarios, as I said, to look at. There's many options through that, through gross farm income, through crops-specific income. And these two are—the gross farm income level, using that, using a farm basis as taking all the products you have—and, you know, I have a diversified farm—but taking all those products and having a gross income level. And basing it off that loss, you would have to get to over a 30 percent loss before it would be triggered for an insurance payment and up to 70 percent.

And the situation that I think would be hard for us to swallow in the agricultural industry is that we've been used to direct payments. Going to an insurance-revenue option would eliminate most of those payments. That would be a hard thing for us to comprehend. A larger operation, the more dependent we are on these direct payment programs. I think that would be a way we're going to have to rethink, refinance, the way we do farming operations if we go with that option.

Senator CHAMBLISS. Last, should an increase in conservation or bioenergy resources come at the expense of commodity programs? Can you envision conservation or bioenergy incentive programs providing an adequate safety net for production agriculture? Armond?

Mr. MORRIS. I don't think it should come at the expense of the commodity programs, because the commodity programs relate right back directly to the producer himself. So, you know, I'd rather it come from other revenues. But I think it would be good. I think we need to study. And I think that we need to develop other methods of using our commodities. I think it's very important, yes, sir, Mr. Chairman.

Senator CHAMBLISS. Ray?

Mr. COBB. Would you repeat that question again, please?

Senator CHAMBLISS. Should an increase in conservation or bioenergy resources come at the expense of the commodity program? Chairman Roberts says no, and I agree.

Mr. COBB. No.

Senator CHAMBLISS. Can you envision conservation or bioenergy incentive programs providing an adequate safety net for production agriculture?

Mr. COBB. I agree, no, it shouldn't come at the expense. You know, you mentioned it in your statement to start with: Who's going to be farming, the next generation? In all this, we've got to promote agriculture. And there's very few young farmers in my community. So again, we don't need to—stick with the 1902 program, better it, and don't decrease, but still promote the biofuels. And I think this is a place we can—you know, maybe 1 day a farmer can produce his own fuel and promote things like that, rather than decrease.

Senator CHAMBLISS. OK.

Mr. COLEY. The answer to the question would be no. I think the conservation program is an important component of an effective farm policy. I don't think it could replace what we have now. I think it could—should be continued like that on a voluntary cost-share basis like we do now.

I farm. I'm in the CSP and EQIP programs, familiar with those. And they are a complement to the commodity programs, I think.

As far as bioenergy, I don't think any bioenergy money should come from the commodity programs, specifically. I think they should add to the commodity programs from the energy department area.

Mr. DETWEILER. My personal opinion is no. The situation with the bioenergy, I believe we should look at the situation with our dependency on foreign oil, foreign energy. We have got to start looking at how we can fund ourselves in energy in this nation without being dependent on foreign suppliers. Ethanol/biodiesel are a component that would be an aid. It would not be a solution to the whole energy crisis, but it would be a solution to a partial fulfillment of that. It would help the farmer in the long run of moving excess product. Also, it would be utilized or the money would be turned around in the United States instead of given to foreign countries. This situation would also be a renewable resource versus a finite resource. And these are, I believe, alternatives that we

need to look at of renewable bioenergy resources to be utilized by our country.

Senator CHAMBLISS. Senator Roberts?

Senator ROBERTS. Thank you, Mr. Chairman. Since I have been a chairman before, it took us about 18 months to write a Farm Bill. It was vetoed twice by President Clinton. And then we finally got it done, whereupon President Clinton personally congratulated me for helping to pass our Farm Bill. Asked if I wanted my picture taken with him. And I said I sure would and had a picture taken. I was sort of overawed there in the Presidential Oval Office. And I walked out there, and I said, "Wait a minute. He's the one that vetoed that bill twice."

But what this man to my right has to put up with is what I call the Dutch uncle people or the green eyeshade gang or the people from the Office of Management & Budget or the people from the Congressional Budget Office or people who don't know anything about farm programs and, quite frankly, think their food comes from grocery stores.

I am reminded of my great conversation with Congressman Gus Savage, who came from Chicago. As usual in Chicago, Mr. Savage served several terms and then had some problems and then left. So I went up to Gus, and I was trying to appeal to the other side of the aisle. I was trying to get as many votes for the Farm Bill as I possibly could, because it was tough. We were trying to fit it under budget. The forty-year farm bills of the past were not fitting into the budget, wouldn't work. So we settled for the 1996 rubric of the Farm Bill at that particular time.

And I asked Gus, I said, "Can you help me on the Farm Bill? We need your vote. Everybody in Chicago, more especially those who are very disadvantaged, are only spending 10 cents"—now it's 9 cents—"out of their disposable income dollar for the market-basket food. You know, could you help us? Because, you know, the Farm Bill really does that."

And he says, "Now, what are you talking about?"

And I said, "The Farm Bill."

He said, "Hell, just pay it." I marked him down as undecided.

So I may give you sort of Dutch uncle kind of questions here. And some of them are going to be repetitive of what the Chairman has asked. But they're on his behalf, because he's got to answer to these folks. It's easy for all the rest of us on the Committee. I'm his wing man, so I'm a little more, I guess, serious or responsible. But at any rate, here's what you get. So this is not in order.

But Mr. Cobb, Ray, you're prepared comments discuss the need for a strong combination of crop insurance and the counter-cyclical payments and the LDP's. And you also discussed the need to modify crop insurance so that your disaster years don't count against your APH. Everything has to be an acronym in Washington. That's your average production history. And I have a two-part question.

First, we put in place a plug for crop insurance that can be used for years of significant crop loss. We did that, we meaning Bob Kerry and myself, a former senator from Nebraska. Other than the increase in the premium subsidies in the 2000 crop insurance bill, the plug was the most costly provision of this bill. It cost money. So during these times of budget deficits, the budget people are sit-

ting over the shoulder of Saxby saying, "If you're going to increase this one, you've got to decrease that one within the parameters of your bill." So do you have any recommendation for modification or reductions to other programs that could be used to pay for this change?

Mr. COBB. Another loaded question. No, sir.

Senator ROBERTS. OK. That's not a bad thing. That's, you know, for us to deal with. You know, that's reality. You know, that's what we're facing.

We also know that our counter-cyclical program is faced with some challenges from a WTO perspective. The Chairman's already gone over that, you've already gone over that. Do you have any recommendations on ways that we might develop a counter-cyclical program that might be better withstanding the challenges through the WTO?

Now, this Chairman has just met with Pasqual Lamy. I guess that's how you pronounce that. I've met with him on several occasions. And he's right, we want market access, we want an end to the state trading enterprises, we want a two-way street. We've already lost Step 2. We've lost export credit programs. They're after our food aid programs. They're after the Dole-McGovern school lunch program, which is one of the biggest tools we have to fight terrorism. I'm not very happy about that.

Is there anything that you have thought about that we might be able to develop a counter-cyclical program that might better withstand these challenges? You know, we're into green and amber and I guess it's red. What's the other one, red? Blue. We want to be in green, by the way, in the green box.

Mr. COBB. No, sir, not right here, right now. I'd have to think on it some more.

Senator ROBERTS. Put your mind to it. Chuck?

Mr. COLEY. Yes, sir.

Senator ROBERTS. American Cotton Producers, President of Coley Gin & Fertilizer, did you know that Kansas is one of the fastest growing cotton producing states in the United States? You probably didn't.

Mr. COLEY. Yes, I did.

Senator ROBERTS. You do?

Mr. COLEY. Yes, sir.

Senator ROBERTS. Good. Briefed by my staff, huh? Cotton is one of the largest crops in production in Kansas. We now have over 100,000 acres of cotton planted in Kansas. I just want you all to know down in this country that when Stephen Foster wrote that song "The Old Cotton Fields Back Home," he was talking about Kansas. It's the most cost-efficient cotton in America because it's so damn cold it kills the bugs and we don't have to use insecticides and everything else. Also helps when we get rain.

Chuck, in your prepared testimony, you mentioned the concessions that have occurred in the cotton program, i.e., the elimination of Step 2 as a result of our good friends in Brazil and last year's budget reconciliation bill. You mentioned the possible interest by the industry in restructuring Step 2 in a WTO-compliant manner. So again, in light of the deficit changes we face today, any such

changes are going to require funding cuts from another program area. What are we going to cut?

Mr. COLEY. That's why we elected Senator Chambliss, sir.

Senator ROBERTS. I see. I tell you what we have cut: the CSP program, the conservation program, which was huge. God knows how many billions of dollars we gave to that. But you had to have a U-Haul trailer to fill out all the paperwork to sign up in regards to all the environmental requirements. But when push came to shove and farmers going broke and farmers having a tough time, which seems to happen more often today because of the higher risk of it, the CSP program became a bank. I'm not advocating that, but that's what happens, and also rural development, also research, which I don't think we can cut back on in regards to keeping our technological advantage.

All right. In your prepared testimony, you discuss the importance of the counter-cyclical program. This is one area of the current program where we have had some of the WTO challenges, most notably from Brazil, in regards to cotton. However, the other commodities, all of our commodities, could very well be in the bull's eye. Do you have any recommendations we might be able to consider that would allow us to continue the counter-cyclical program while making it more WTO compliant?

Mr. COLEY. Sir, whenever I think about being WTO compliant—and I'm not a politician, and I don't intend to answer this question like a politician. But seems like to me every time the U.S. is challenged in WTO or WTO negotiations, the American farmer, American agriculture, and American Farm Bill is sitting up there and everybody's shooting at it. I think—I don't know what you do. We've got to maintain the counter-cyclical payment. We feel like the counter-cyclical payment is WTO compliant. And you all may feel that way, but we've got to convince WTO of that. And when you have people deciding your fate that's from Yugoslavia or Croatia or where that committee came from, they're prejudiced against the U.S., I feel.

Senator ROBERTS. Well, I would agree with all that. We do get into a real jam where they appeal it, then the ruling is in their favor, then we have to fight through that. I think the bloom is off the lily in regards to the trade talks. I think trade talks are always oversold. I think they're always overcriticized. But my farmers that I visit with in Kansas, that's not the Number 1 issue they're talking about. And so I would agree with your comment that we do have to take that into consideration.

Your prepared testimony recommends some adjustments that may be needed for the calculation of a loan rate schedule and the world price. I am not familiar with the function of the LDP's for cotton as I am for some of our other crops. Could you expand a little on what you think those changes should be?

Mr. COLEY. Yes, sir. I think they ought to take into consideration more of the cost associated when they're delivering the export. We're exporting three out of four bales. And adjusted AWP, adjusted world price, is highest determinant of the LDP on cotton. And I think that some of the cost of delivering this cotton overseas should be in that, too.

Senator ROBERTS. Should be factored in?

Mr. COLEY. Yes, sir.

Senator ROBERTS. Mr. Morris, I understand you're going to tell every consumer representative in America that they ought to increase their food cost by 100 percent.

Mr. MORRIS. Well, no, sir, I wouldn't——

Senator ROBERTS. Why don't you come with me to New York and we'll walk the streets? I tell you what: Come up with me and Hillary and Schumer and we'll make that pitch.

Mr. MORRIS. Well, what I was really trying to point out there, I think, is this, that American consumer is getting a bargain.

Senator ROBERTS. He's getting a hell of a bargain.

Mr. MORRIS. That's exactly right.

Senator ROBERTS. It is the best quality food at the most inexpensive price, not cheap, the most inexpensive price in the history of the world. It is one of the greatest success stories that you can imagine.

I told Saxby this the other day. When I was toting the 1996 bill and had to go through security up in New York—they figured out that we should have security in New York at that time. But at any rate, we went to the Wall Street Journal. And some guy with a neck tie with stripes on it and he came from some Ivy League school, he said, "Well, if we had a company that made widgets, why would you not subsidize widgets as opposed to agriculture?"

I said, "Have you ever put a widget between two slices of bread and tried to eat it?"

Mr. MORRIS. Correct.

Senator ROBERTS. And what are you going to do with that disadvantaged youth that unfortunately lives in unfortunate housing in a part of New York that's in pretty bad shape, that youngster still gets, i.e., food stamps and a lot of other support, but they still only pay 10 cents or less out of their disposable income dollar? So I'm sympathetic, but I don't think that's going to work, to say we're going to have you pay 18 percent, plus the fact I don't know if it will ever go to the farmer. So it's just a thought.

Mr. MORRIS. Yes, sir.

Senator ROBERTS. In your prepared testimony, you identified several concerns with the way the USDA is currently administering the loan program for peanuts. You have several suggestions. I'm going to skip right over that because this man took care of you covertly. So everybody is classified top secret. I'm the Chairman. And if you go out of there and say that, you're going to be taken to Dodge City and hung by the neck until you're dead. So, at any rate, I think I'll probably skip that one. And I understand that on the storage business.

But we had hard white wheat incentive payments—hard to say—that expired at the same time as the peanut handling and storage assistance. At the time, I told our wheat industry that during this time of budget deficits, I needed suggestions on where we should take the money out of the wheat program—OK?—in order to pay for an extension of the incentive. So my question to you is for the same guidance. If we were to fund this provision, from what other peanut or Farm Bill program should we shift the funding for that purpose? Now, the miracle worker here did it. See what I'm saying?

Mr. MORRIS. Yes, sir.

Senator ROBERTS. Each one of our commodities has this same problem.

Mr. MORRIS. Yes, sir.

Senator ROBERTS. And we've either got to hang together or hang separately, so——

Mr. MORRIS. Well, we want you to be able to do that for the wheat farmers, also, because we want to keep that cheap bread on our table, also. And I grow some wheat, too, about 500 acres of wheat.

Senator ROBERTS. Well, you shouldn't do that, but that's all right.

Mark, you responded to the payment limit. And my staff's going to go nuts over here behind me. But this man prevented—along with trying to convince Chuck Grassley, who's a hard man to convince, from Iowa, who's on the payment limit posse. Every time you have an ag appropriation bill, this damn thing comes up and we should consider that in the Farm Bill in the context of what's going on with agriculture and moving to larger and larger farms.

Now, you know, my typical farmer out there in western Kansas, probably, when I started off back there in the Dark Ages, was about 2,000 acres. That's 10,000 now, that's 15,000 now. It isn't the farmer with two sons and a daughter. It's a farmer with one son and a daughter that's in Denver and the other son's in Kansas City, maybe involved in agriculture, but that's what we're into, high risk agriculture, make a hell of a crop 1 year, loose it in the next two, and we're dry, 25 percent less in terms of our crop, and, as I indicated earlier, 75 percent increase in energy costs. And so we have people that say we're going to have to limit payments.

Ken Cook, through the FOIA Act—you know, God bless Ken—basically has indicated that all those payments end up on the front page. So you don't go into town for coffee for a month. And that's where we are. And so, basically, if you reduce those payment, I do have a problem with it in that why can't we talk about, instead of farmers, why can't we talk about production agriculture, as opposed to the hobby farmer? Nothing wrong with being a hobby farmer. Don't misunderstand me. A lot of us exist because of the off-farm income.

But a lot of folks in Congress say small family farm. I used to argue with Tim Penny of Minnesota all the time. Small family farmer defined by Washington is somebody about 5 foot 4 and he comes from Vermont and he has an orchard with about six trees and a farm pond, sits on the front porch, he's a retired airline pilot, he subscribes to Gentlemen's Quarterly, his wife works downtown as a stock broker, and he has a three-legged dog named Lucky. But he ain't into production agriculture. That isn't the same fellow.

So somehow we have to change this around to get out of this nostalgic Saturday Evening Post on what is a family farmer, what I call Walden Pond agriculture. OK? So if you could pick that up, you could help us. And again, this fellow was responsible for delaying that and going through that laborious exercise. And it's not that we're trying to shut Chuck Grassley out. Every morning Saxby Chambliss, Pat Roberts, and Chuck Grassley sits down, we have a peanut butter sandwich to honor Georgia, and then we have a glass of ethanol. And it just warms you right up.

Senator ROBERTS. Mark, have I got to you, or did I just do you?

Mr. DETWEILER. I think you said it for me.

Senator ROBERTS. You say that ASA's still working to develop its final Farm Bill recommendations. Did you mention you're looking at the possibility of a counter-cyclical program—you did—on the revenue triggers?

Mr. DETWEILER. Yes.

Senator ROBERTS. We're really thinking a lot about this out in Kansas. It's a concept. I know that. You did expand on some of the ideas that you are considering. But the thing that I haven't been able to get my hands around: Is this national, is it state, is there individual triggers, crop specific, whole farm? I'm intrigued by the idea. Do you have a preference?

Mr. DETWEILER. Do I have a preference?

Senator ROBERTS. Yes. Is it by region or what?

Mr. DETWEILER. It is by state and it is by local farm, depending on the farm production history, the income history. We've looked at every option you can think of. But we're looking at varying state by state, also county by county, down to individual farm net income or gross income in that area. To be honest with you, I don't know if I can really answer your question because we're still trying to compile everything and look at it.

Senator ROBERTS. I know. You're trying to put the pieces together, just like we are in Kansas.

Mr. DETWEILER. Right. The problems we see is being able to provide a safety net for the farmer, which is the bottom line, is to provide a safety net for the farmer that will be economical for the United States in a financial situation but would also be WTO compliant, would not be in a legality system, having to change a farm program somewhere through the middle of its course of life.

This situation with the counter-cyclical payments, it's difficult. We may not be able to work out a feasible solution for that—I do not know personally right now whether we can or not—and still be WTO compliant to a green box situation. We're already in an amber. And the problem in triggering that has been—and, really, with the cotton case, the trigger was not because of counter-cyclical or market loan but it was because they added in the direct payment because it was coupled with the restriction on food and vegetable production.

Senator ROBERTS. Right.

Mr. DETWEILER. So that's what really triggered that situation. So I haven't answered your question, really.

Senator ROBERTS. Well, no. But there isn't an easy answer for this. But all four of you said we ought to continue this program under the banner of consistency and predictability. It's like one old boy told me in Hutchinson, Kansas, at the State Fair. He said, "Pat, I don't care what you do to me. Just let me know."

If we were to simply extend the Farm Bill, as some have suggested—and I'm not for that—how serious do you think the threat is both to the soybean program and the overall commodity title of the Farm Bill as a whole? Somewhat, very?

Mr. DETWEILER. Very.

Senator ROBERTS. I agree with you. Now, 2002, there's the Cochran Roberts alternative. Didn't get too far. You've got to have a

Farm Bill. So I waited until the last minute. I'd never voted against a Farm Bill. Some of them I sort of had to hold my nose. You never get the best possible Farm Bill. You get the best bill possible.

But on this time around, my studious staff over here noted that under the counter-cyclical program that was being proposed, seven out of the last 10 years prior to 2002, when we had some of our worst years, we'd never get a payment. Now, it works damn fine if you have a crop. If you don't have a crop, you're out of luck.

Now, why would I want to vote for that in Kansas when we're 25 percent down with our wheat crop and you folks sit here and tell me, "We want to continue the counter-cyclical payment," when we haven't got a payment in many of the years that we have? And we have to rely on crop insurance as best we can. And there's a small direct payment. Why wouldn't we think about going more to more direct payments. Which is green. Help me out on this.

Mr. COLEY. Well, from the cotton standpoint in the Southeast, more direct payments would hurt producers in Georgia because we have a lower direct payment yield than we do counter-cyclical yield.

Senator ROBERTS. I see. Well, I just thought I'd let you know what we're thinking about from the Kansas perspective. Thank you, Mr. Chairman.

Senator CHAMBLISS. Well, thank you, Pat. And, gentlemen, thank you all very much. You understand now why I serve on three committees with Pat. He's always this entertaining. Usually his comments are directed at Hillary or Diane Feinstein or somebody just as conservative as he is.

Pat was very generous in his comments to me starting off, relative to looking after agriculture across the country. And I want you to know why I do that. And the way I'm going to tell you about why I do that is I learned a lesson from Pat Roberts when he was Chairman of the House Agriculture Committee and I was a lowly freshman Member of Congress, sat in the next to the last seat on the House Agriculture Committee, right next to Ray LaHood, who was last.

And we had a heck of a battle my first year in Congress during the appropriation process. And the battle was over the total elimination of the peanut program. Well, you all know how many peanuts they grow in Kansas. He doesn't want Armond growing wheat because we don't want him growing peanuts in Kansas. He has none.

But in the battle over the peanut program that year, which was 1995, we won that vote by two votes. The man who secured the last two votes to get us over the hump was Pat Roberts. So I learned a great and valuable lesson from him, and I'll always be indebted to him for working hard for American agriculture while he was Chairman. And we're going to continue to work hard for American agriculture while I'm Chairman.

Gentlemen, thank you all very much for your testimony, for your comments. And we look forward to staying in touch and continuing our dialog. Our next panel—

We're going to take about a 5–minute break—and I literally mean that—as we bring our next panel forward. That's Mr. Bill

Brim, Mr. Carl Perry, Mr. Tom Thompson, and Mr. Murray Campbell.

(BREAK)

Senator CHAMBLISS. We're going to move ahead with our second panel. Our second panel consists of Mr. Bill Brim of Tifton, Georgia, representing the Georgia Fruit & Vegetable Growers Association; Mr. Carl Perry of Moore Haven, Florida, representing the Florida Sugar Cane League; Mr. Tom Thompson of Eatonton, Georgia, representing the Georgia Milk Producers; Mr. Murray Campbell of Camilla, Georgia, representing the First United Ethanol LLC.

Gentlemen, thank all of you all for being here. We will submit your full statement for the record. But we will turn to you now for any opening comments you wish to make. Bill, we'll start with you.

STATEMENT OF BILL BRIM LEWIS TAYLOR FARMS, TIFTON, GEORGIA

Mr. BRIM. Good morning, Chairman Chambliss and members of the Committee. My name is Bill Brim. I'm a vegetable grower from Tift County, Georgia. Our farm is a diversified operation of 352,000 square feet of greenhouse production space and 4,000 acres of vegetable production. Our fruit and vegetable industry is growing at a rapid pace, but this growth is not limited to just Georgia. We also have to include those people from the land of fruits and nuts. Specialty crop growers produce approximately 50 percent of the farm gate value of total plant agricultural production in the United States.

Despite the impact of the U.S. economy, specialty crop growers receive a very small percentage of Federal resources aimed at promoting and sustaining agricultural production. We hope the Committee will take a hard look at a balanced Farm Bill that will include an increased emphasis on specialty crop producers.

In addition to growers, consumers also benefit in the Federal investment of specialty crops. By expanding access and availability to safe, wholesome, and healthy fruit and vegetables, the Farm Bill is a critical component to reaching the 2005 Food Pyramid goal of doubling fruit and vegetable consumption in the United States.

I am not here today to tell you that we want or need a new Farm Bill for fruit and vegetables; however, there are several areas in the Farm Bill that should address issues of concern to our specialty crop industry. A written testimony I've filed with the Committee may fully discuss the details of the issues.

Number 1, as a matter of fair competition, we support continuation of the restrictions on planting flexibilities.

Number 2, we support a thorough review of all farm programs to ensure that specialty crop producers have access to benefits comparable to other farmers rather than being excluded or limited simply due to a higher cost of production.

Due to the wide diversity and localized needs in specialty crop production, we support an expansion of the state block grants for specialty crops. Georgia producers believe this is the most important component to be considered in the 2007 Farm Bill debate.

Number 4, increased funding for specialty crop research is critical. Fruit and vegetable growers need assistance and support from

USDA researchers to find practical production solutions for problems such as methyl bromide alternatives, pest management, production practices, water conservation, and plant variety improvements.

And Number 5, nutrition, we support a strong new focus within the new Farm Bill for increasing the access of availability of fruits and vegetables, particularly in children. We appreciate the recent inclusion of Georgia in the Senate ag approach markup. We hope this program can be expanded nationwide in the 2007 Farm Bill.

Most fruits and vegetables are not covered by a crop insurance program. We would like to see the increase in pilot projects and studies that determine the feasibility of specialty crop coverage. Our pecan growers have a specific need that should be addressed in the new crop insurance policy such as 10 percent cup, tree thinning, and exclusion of the tree due to disasters and loss.

I want to thank the Committee for giving us, the organization, an opportunity to testify. And, Mr. Chairman, as you know, my farm is located just east of here. And I would be remiss if I didn't mention something about immigration and the debate that's going on here and in Washington, too. And I just wanted to let you know how much we appreciate what you've done for immigration and border security and hopefully what we can get accomplished in this coming year. Thank you very much.

Senator CHAMBLISS. Thank you, Bill. And that's an issue we could have a whole hearing about. And you and I have worked very closely on this for all of my 12 years in Congress. And I appreciate your input, your patience, and your expert advice in counseling me personally, as well as to the Committee, on the issue of immigration. I will be a Conferee on the immigration bill. And we're going to continue to work very closely with you to make sure we craft good, sound policy there.

Mr. BRIM. Thank you, sir.

[The prepared statement of Mr. Brim can be found on page 60 in the appendix.]

Senator CHAMBLISS. Carl?

STATEMENT OF CARL PERRY FARMER OF SUGARCANE, BEANS, CITRUS AND CATTLE ALBANY, GEORGIA

Mr. PERRY. Good morning, Mr. Chairman and Senator Roberts. Thank you for deciding to hold one of your Committee farm policy hearings in the southeast U.S., for agriculture is the backbone of our states' and rural communities' economics. I'm a fourth generation farmer. My family and I grow sugarcane, cattle, citrus, and beans. Florida is an extremely agriculturally diverse state but has few program crops compared to most other states. Although Florida is the ninth largest agricultural state in the U.S., only 4 percent of Florida crops are row crops.

The Florida sugar industry has a $3.1 billion economic impact on the state. It provides 25,000 direct jobs. The U.S. sugar policy, is it working? I can enthusiastically say that like most of the provisions in the 2002 Farm Bill, absolutely. The program operates at a no-net cost to taxpayers and provides a fair price to farmers and consumers alike. Look no further than this year to see how effective the program performs. Hurricanes devastated the sugar crops

in Florida and Louisiana. We had a loss of nearly 30 percent, which is unprecedent to our industry. Immediately following Hurricane Katrina, the sugar policy gave the USDA the flexibility it needed to address supply interruptions. Domestic stocks were quickly made available, and USDA increased the imports to address the domestic shortfalls.

Other countries aren't quite so lucky. They don't have that type of flexibility when disaster strikes. Thailand and Australia both have experienced weather disasters that left them with short supply. It doesn't take an economist to figure out that this had and are continuing to have a dramatic effect on the world sugar market. America cannot become dependent on such unreliable foreign sugar supplies. This country needs homegrown sugar, and American sugar farmers need a strong sugar policy.

Many people believe that sucrose ethanol may be a great opportunity for sugar producers. While this has intrigued us and we are researching this issue, we do not want to lose focus on maintaining a sound sugar policy like the one found in the current Farm Bill. This is our No. 1 priority.

We are gravely concerned about talks of buying the U.S. sugar program and converting it to a traditional row crop program, especially in times of tightening Federal budgets. The yearly cost of a conventional program possibly as high as $1.3 billion would be in addition to the billions of dollars that the buyout itself would cost.

I can't go without noting that the sugar is the single most distorted commodity in the world. Because so many countries' treasuries are involved in sugar policy, the WTO is the only forum where true and fair reform of the world sugar market can take place.

In addition to discussing sugar policy, I feel I would be remiss if I did not take the time to thank you, the Senator, for leading the charge to provide needed disaster relief for the Gulf coast producers in the wake of the hurricanes. On behalf of the sugar farmers in Florida, I'd like to thank you.

The current sugar program is working well. It keeps prices low and stable for grocery shoppers in times of national emergencies. It is not costing taxpayers anything. It makes sure that we are not dependent on foreign supplies, and it helps support thousands of sugar farmers and factory workers across the country. As Congress looks to reauthorize the new Farm Bill, we humbly ask that the current sugar program be extended. Thank you.

Senator CHAMBLISS. Thank you. Tom?

[The prepared statement of Mr. Perry can be found on page 118 in the appendix.]

STATEMENT OF TOM THOMPSON PRESIDENT, GEORGIA MILK PRODUCERS, INC.

Mr. THOMPSON. Thank you, Senator Chambliss and members of the Ag Committee, Senator Roberts. I'm Tom Thompson. I am a dairyman from Eatonton, Georgia. I'm also president of the Georgia Milk Producers, who represent all Georgia dairy producers.

Georgia dairymen and indeed dairymen located in the Southeast are in danger of extinction. According to trend lines from the Federal Milk Market Administrator's office in Atlanta, without a

change in the rules, the present trend lines would indicate that virtually no dairies will exist in the Southeast in the next 10 years. And it is not drought, heat, and high humidity that are the culprits, although all of those certainly make dairying in the Southeast a challenge.

In an area where population growth is one of the fastest in the United States and our deficit grows greater each year—by the way, Georgia is now importing 1,000 tanker loads of milk per month—we find that the system is taking a lot of the sales dollars paid by these local plants that should be going to dairymen who are supplying those plants on a daily basis. Through pooling and touch base provisions, these dollars are then redistributed to producers who in many cases may be riding the pool.

A look back at the history of milk marketing in Georgia will be informative. In the late 1960's, the Georgia Milk Commission was ruled unconstitutional and Georgia subsequently got its own Georgia Federal order. Co-ops were local and represented Georgia dairymen, and the Georgia Federal Order served the industry well. It included a base excess plan that rewarded dairymen who supplied milk when the market needed it and penalized those who produced excess when it was not needed. Class I utilization was normally in the high eighties and the low nineties. Subsequent years added a state here and a state there to the order that originally was the Georgia order. Plants merged. Co-ops merged. Each geographical increase in the former Georgia Federal Order, now called the Southeast Federal Order, resulted in small declines in Class I utilization, primarily because the states added had a higher ratio of milk to their population than did Georgia.

Disaster struck first in 1995 when Congress failed to reauthorize the base excess plan that had been in existence for almost 30 years. Now there was no incentive to produce milk when the market needed the milk, and the door was open for producers to ride the order, dumping excess milk on the order when it was not needed.

Disaster struck a second and even deadlier blow on January the 1st, 2000, when USDA added a huge geographical area to the Southeast Order, extending it to include a portion of Missouri. It is interesting to note that this was done without any public discussion, and it is probably just coincidental that a national co-op with a small minority of its members in the Southeast is headquartered in Missouri. The drop in utilization from pre-January 2000 to the subsequent months shows a dramatic Class I utilization decline of 15 to 20 points on a month-to-month comparison. This has been widely viewed as a $1.50 to $2.00 per hundred pounds of cost to Georgia and other geographical Southeast producers. The combination of these two disasters have cost Southeast producers untold millions of dollars.

Which brings us to the issue of: How could this happen? Don't co-ops operate in a Democratic manner and represent their producers in Federal Order hearings and on Capitol Hill? Absolutely. Just as plants have merged, co-ops have also merged due to economic pressures. The problem is that the majority of milk in the Southeast is controlled by co-ops whose majority membership and directors live outside the Southeast and whose farms are in less

populous areas with subsequently lower utilization. You can be sure that they understand that working the system to get their milk pooled on a higher utilization market puts money in their pockets.

Management is only too happy to oblige working the system to accomplish that, for that is their job security. They understand only too well the importance of representing the majority interest of their boards. The problem is compounded by the move by some co-ops to lock up supply contracts with major processors, thus locking out other producers and their co-ops.

The present system of using a formula that locks Class I pricing to manufactured pricing is adversely affecting markets that are primarily Class I. The expansion of milk production west of the Rockies propelled by the explosion of megadairies results in an adverse impact on dairymen producing for fluid markets. A system needs to be developed that would partially decouple Class I.

Our nation is rightfully concerned with our dependence on foreign oil, air pollution, highway congestion, and biosecurity. I would submit that the current system of milk pricing and marketing is increasing our dependence on foreign oil, increasing air pollution and highway congestion, and placing our nation at greater risk of biosecurity. Locally produced fluid milk for local consumption just makes good, common sense.

In summary, we recommend: Number 1, Geographical reduction in the Southeast Order, restoring the relationship between plant utilization and production in the geographical proximity to those plants; 2, Tightening of touch base provisions and a review of order rules that would discourage riding the pool; 3, Congressional restoration of the authorization of base-excess plans in the Federal Order system that was omitted in the 1995 Farm Bill; and 4, Development of a plan to partially decouple Class I.

Thank you for the opportunity to submit our plea for help and a call for drastic change, both for the survival of Georgia and Southeast dairymen as well as for the ultimate benefit to our consumers, our region, and our nation. Thank you, Mr. Chairman.

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

Senator CHAMBLISS. Thank you very much, Tom.

Murray Campbell is, again, as are all of these gentlemen, a longtime good friend of mine. And Murray is a producer in Mitchell County, Georgia. He grows a variety of crops there and has for many years, comes from a longtime farm family. Murray has embarked on a new project that is novel to the Southeastern part of the United States. And we asked Murray to come today to talk about this new project rather than talking about row crop production. So, Murray, welcome to the panel, and we look forward to hearing your comments.

STATEMENT OF MURRAY CAMPBELL CHAIRMAN, FIRST UNITED ETHANOL, LLC

Mr. CAMPBELL. Thank you, Chairman Chambliss. And we really do appreciate the invitation. I'm here today on behalf of the 33 founding Board members, representing 13 counties, of First United Ethanol LLC, which we like to call by the acronym F.U.E.L. Our

company, which is based in nearby Camilla, is one of the first in the Southeast to embrace ethanol production. Our friends in the Midwest have been focused on renewable fuels for several years. Fortunately, the economics have finally aligned for other regions of the country to contribute toward our nation's energy independence.

As Congress considers various policy initiatives regarding renewable fuels, it is important to note that the incentives in current law are working. Some will argue that the industry has moved beyond the need for Federal assistance; however, this line of thinking is premature. The United States remains dependent on foreign oil, and companies such as ours are in the beginning stages in various regions around the country. Bankers and investors that are financing the industry need a certain amount of stability as they expand this homegrown industry.

The passage of the 2005 Energy Policy Act provided new incentives for renewable fuels through the renewable fuels standard. These incentives, coupled with the growing consumer demand for domestically grown energy, lead us to believe that ethanol and renewable fuels have a great future. Although most of the current ethanol plants in the country are located in the Midwest, opportunities are emerging for other regions.

It stands to reason that demand for ethanol will track large population centers across the Nation and the Southeast will offer numerous marketing opportunities. I'd like to caution Congress to avoid the rush in investing in every new renewable fuel technology that comes along at the expense of the existing industry.

Do not misunderstand me on this: We firmly support new technologies and welcome opportunities for more efficiency. However, many of the new renewable fuel technologies often discussed in the press are far from commercially viable. And if and when new options are available and prove commercially viable, F.U.E.L. tends to embrace and implement them. We are currently investigating a biomass gasification component of our project that will be fired by juvenile pine tops. For now, we're focused on the traditional conversion of corn to fuel and urge Congress to continue to support this industry.

Many myths have been spread about ethanol increasing in the country. And what I'd like to tell you today is that corn yields are increasing and ethanol production leaves a substantial portion of that corn as a feed byproduct that goes back into the animal feed markets. Even though our facility is not in the Corn Belt, we have a viable plan to meet our supply needs to operate a 100 million gallon facility by bringing in corn on rail shipments and hoping over time to encourage local production. And we think within five to 7 years we'll be able to meet our goal, and this will be a huge benefit to our row crop farmers in southwest Georgia. The continued trend in increased ethanol efficiency, coupled with increased corn yields, and new genetics for highly fermentable corns is leading to tremendous gains in ethanol per acre.

By including a new energy renewable fuels title in the next Farm Bill, Congress is sending the appropriate signal to the agriculture community and the nation. Farmers can and should be supportive in their efforts to provide energy independence for America. We are ready to answer the nation's call.

For now I encourage Congress to stay the course on RFS and tax incentives. I also encourage Congress and the Committee to resist the push to lift the tariff on imported ethanol. Such a move is shortsighted and sets back the domestic industry at a time when we are finally turning the corner on success. Instead, the Federal Government should be enhancing the support of the domestic industry by working with the industry to solve the distribution problems that have occurred and to get over some of the hurdles that we have to overcome to accomplish energy independence.

According to the Renewable Fuels Association, the industry's positive impact on world communities is huge. And that is a part of my written testimony. And, Mr. Chairman, I think, knowing Southwest Georgia as well as you do, you would understand the importance of those kind of numbers and what it would mean for our rural economy down here. With that, I thank you all for coming to southwest Georgia to hear about it. Thank you.

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

Senator CHAMBLISS. Thank you very much, Murray. Bill Brim, in the Brazil cotton case, a ruling panel found that direct payments are not green box because the planning and flexibility provisions restricted fruit and vegetable production on base acres. This provision affords market protection to producers of fruits and vegetables. And if we move toward Farm Bill reauthorization, I expect considerable discussion will occur around this provision of the Farm Bill and the finding from the Brazil case.

Do you have any thoughts about relaxing or eliminating the planning restriction or to reduce the likelihood of future WTO challenge? What would be the impact of relaxing or eliminating this provision? And how does this provision benefit the fruit and vegetable growers.

Mr. BRIM. No, sir, I wouldn't relax it at all. Basically, what it would do is destroy the fruit and vegetable industry if it's relaxed and just an open market. We're open market based already as supply and demand. And, of course, we have too much supply as it is already, because you've heard about the pricing we received this spring on all of our production. It's been devastating. It's probably been the worst spring we've ever had as far as the cost of production being high and our sales being cheap. So I would say flexibility, if you open the door for everybody and still be able to receive their payments, then it would devastate the fruit and vegetable industry.

Senator CHAMBLISS. Proposals have been made to provide more money to the specialty crop industry. These proposals range from state block grants to research money to counter-cyclical programs. Which of these ideas or others would benefit the industry the most? And what ideas do you have for funding such proposals?

Mr. BRIM. We'd like the money to come from you. Basically, I think the state block grant gives us a little bit more flexibility as far as what we do our research on in Georgia, whether it be California, North Carolina, South Carolina, Florida, or whatever. With the state block grants, it gives you that flexibility, if you have different problems, to be able to work on marketing problems or disease problems in specific vegetables. Of course, all research is very

important to us in the vegetable industry. And, unfortunately, we have a lot more disease pressure and more problems than most of the cotton and row crop people because of humidities and variability in rain and so forth and all. So I would think that the state block grant would give us a little more flexibility. And as far as where the money comes from, I'll let you work that one out.

Senator CHAMBLISS. To you, Mr. Perry and Mr. Thompson, both, with respect to trade, the reported aggregate measure of support for both dairy and sugar total 5.5 billion. If the WTO negotiations are successful, the United States will be restricted to 7.6 billion in what we call the amber box or the most trade-distorting domestic support. The 60 percent proposed reduction will require proportional cuts in all commodities requiring structural changes to the traditional program crops of dairy and sugar. How would dairy and sugar producers adjust to such a new scenario? Mr. Perry, we'll start with you.

Mr. PERRY. Well, as noted, we do not grow enough sugar in this country to sustain us already, so we are importing sugar. The program operates at a no net cost to the government. We have to have the program in place to continue farming like we are.

Senator CHAMBLISS. Tom?

Mr. THOMPSON. Senator Chambliss, the support program, of course, is a safety net for the United States dairy industry. The program has worked well. It works at a level way below the cost of production, so it basically does not stimulate production. Milk production, as you know, is a perishable product. We cannot store fluid milk, which the Southeast and especially Georgia is focused on.

And the program certainly needs to be compliant, but at the same time we have to provide a safety net for the volatility in the market. Not many people understand that if we have a 2 percent national surplus, the price at the farm drops 30 percent. And that 30 percent takes us below the cost of production because we don't normally have a margin above just a few percent. So we would have to be compliant, but at the same time, we have to be respective of the fact that there can be a devastating effect without a safety net.

The industry has come forward through the National Milk Producers Co-op, which represents about 70 percent of the milk in the United States. We have a producer-funded program called the CWT, Cooperatives Working Together, that is very, very efficient in promoting the exporting of products. And it does it in a world trade framework that is compliant and is legal. Our problem there is that there is 30 percent of the milk in the country that does not support that, that are not members of the co-ops, and, therefore, get a free ride. Nevertheless, the program is working well, and hopefully we can expand it.

As far as the government program is concerned, the primary program, I think, that is a safety net, especially to small producers, is the MILC program, which is direct payment when prices drop below a certain level. We don't think that, from Georgia's perspective, that we need to have a few megadairies across the country producing milk. It's good for the land, good for the people, and good for our nation to have small dairy farms scattered across the coun-

try. And as I said in my prepared remarks, it's especially important to have local milk for local consumption. And all this is inextricably tied together.

Senator CHAMBLISS. So are you in support of an extension of the milk program in the next Farm Bill?

Mr. THOMPSON. Yes, we would be.

Senator CHAMBLISS. Mr. Perry, what's the sugar industry's outlook for commercial production of ethanol from sugar? And do you envision a market for ethanol from sugar ever, particularly in this part of the country?

Mr. PERRY. Well, the sugar industry is looking into that; however, they have not decided whether it is a viable option for them. Therefore, we need the current Farm Bill as is for us to survive long enough for us to look into the ethanol.

Senator CHAMBLISS. Mr. Thompson, currently only dairy producer cooperatives have the ability to forward contract with their members. In 2000, USDA established a pilot project to examine forward contracting. This voluntary program, as you know, ended in 2004; however, there has been continued interest in the making of forward contracting a permanent option for producers and processors.

Does forward contracting provide producers with an additional risk management tool to manage price and income volatility in the marketplace? And should this option remain available only to dairy producing cooperatives, or should processors and non-cooperative dairy producers also be able to utilize this risk management tool?

Mr. THOMPSON. Senator Chambliss, I have some personal experience with the forward contracting. Our dairy used it on two different occasions. On the first occasion, I think we came out with a net of a few thousand dollars. And on the last occasion that we used it, we, along with most everyone else that I know, had substantial losses in it. That could have been a timing issue. But it's a tool that probably should be made available, but at the same time, we don't think that it should undermine the basic pricing system that exists. And under the minimum pricing of the Federal Order system, that can be used to subvert and negate the effect of that. So it does have its drawbacks.

Senator CHAMBLISS. Mr. Campbell, there is significant potential for all segments of agriculture to help supply this nation's energy needs. Where should Congress focus its efforts and limited resources in the Farm Belt to try to help farmers across the Nation participate in this potential growth?

Mr. CAMPBELL. Senator Chambliss, I think that we need to sort of follow along the lines of recommendations of former CIA Director Jim Woolsey, who says that this is an integral part of national defense and the war on terror that we have in dealing with our energy independence. So agriculture is ready and is poised on many different levels. We can make biodiesels out of cottonseeds. We can make biodiesels out of soybeans. We can make corn-based ethanols now. In the future, we hope to be able to make cellulose-based ethanols. We have a lot of different opportunities that we can focus on.

I think what most people would be concerned about is that we don't approach it as a whole and that we try to, you know, promote

one technology over another. I can grow soybeans. I grow other things. I can grow corn. I can grow cotton. I have timber. Senator Roberts, we don't have any switchgrass in the area on the prairies, but the prairie and the switchgrass is a viable alternative at some point in the future.

Our project grew out of a Mitchell County Development Authority project about what we could do now. And we focused on the corn-based, and I think that's the proper thing to do at this time. But I think we need to look at it as a whole and just do it as an entire agricultural industry, as a challenge.

Senator CHAMBLISS. How should we balance agriculture's potential in renewable energy production with wildlife, environmental, and feedstock concerns? And I emphasize the last issue as the most important.

Mr. CAMPBELL. Yes, sir, I understand. I read an article just this week on some of the potential if CRP lands come out or switchgrass goes into more production and we have a reduction in some of the, you know, wildlife habitats. That's a real issue. It becomes something that you all gentlemen are more eminently qualified than I am because that's a political issue where we have to make the hard choices as to what's important to our country. We certainly don't want to be decimating our wildlife. I have 300 acres of timber. I want to have a market for it. But I also hunt that timber. And I want to be able to take advantage of it.

So it becomes somewhat of a national decision as to how we want to pursue it as a balancing act. I think that we've had these type of challenges in this country before, and I think we can balance it and move through our agricultural land base toward more energy independence.

Senator CHAMBLISS. Senator Roberts?

Senator ROBERTS. What CIA director was that?

Mr. CAMPBELL. Sir? Jim Woolsey.

Senator ROBERTS. Oh, Jim Woolsey. He's from Kansas, by the way. Well, basically, he had troubles, you know, gaining access to the White House. And there was always that story that when that little plane, you know, flew into the White House, that was Woolsey trying to get in. Saxby and I have had damn near intimate relationships with the last CIA directors here for the last several years. But at any rate, your point is well taken. Bill?

Mr. BRIM. Sir?

Senator ROBERTS. You have voiced your support for establishing crop insurance for the products. My question in regard to this is twofold: What risk management tools do you currently employ? And, furthermore, crops currently using crop insurance are involved in some very significant conservation and land management practices that are mandatory. Could you elaborate on how the fruit and vegetable industry might take similar steps to improve management practices—I'm saying sort of beware what you ask for, be careful what you ask for—in working toward a participation in a crop insurance program?

Mr. BRIM. Yes, sir. Well, as far as conservation, there are some growers—my particular operation doesn't. We do conservation as far as doing cover crops and so forth. But we're on plastic with drip irrigation. It's kind of hard to do conservation with that. We do

have watermelon growers that do no-till watermelons and other crops that tried no-till. But with the pressure, disease pressure, with no-till, it's too hard to grow and too costly to grow fruits and vegetables, or especially vegetables, with no-till.

We would like something from RMA. I've worked with RMA in the past, and we've tried to ask them to see if they could define some kind of cost of production coverage, just to cover our cost of production, not any profit in our production but just the cost of covering our losses of what our cost of production is. And that's what we've been working on in the last few years.

Senator ROBERTS. What's been their response?

Mr. BRIM. We haven't gotten much.

Senator ROBERTS. Well, we fired the guy that was there for a long time. Or fired. We asked that he perhaps seek other employment.

Mr. BRIM. That was a good idea.

Senator ROBERTS. And we've got a new fellow in there now, so I urge you to go in there. And that would be basically just your basic coverage as opposed to buyouts that we have in other programs.

This sort of gets into the farm program in the field. And I always hear from the Senators and Representatives who represent specialty crops, "Hey, how about us? We don't have any farm program payments."

And I always say, "Are you willing to go through all the regulations and paperwork at the FSA office"—thank goodness we don't have as much as we use to—"and conservation compliance?" And that's the other—you know, that's the rest of the story, as Paul Harvey says. So be a little careful in terms of what you're asking for. But I do think that you have a good concept in there for basic coverage.

Carl, we've gone over the WTO business here, I think, enough. I think the Chairman covered that. I've got to tell you: I'm a little concerned with the posture of farm country when it comes to these free trade agreements. And it used to be we either, you know, hung together or hang separately or swam together or sank together. But there is a growing trend toward singling out one industry and asking for exceptions. And I'm talking about the Australian trade agreement and then CAFTA.

And I can tell you that when sugar was exempted—and I understand why you want it to be exempt—our cowboys and our corn producers and our wheat producers said, "Whoa, wait a minute. I thought we were in this all together."

So I guess my question is: If you come to Kansas and testify there in Dodge City—I won't drag you out there. But at any rate, I think the question would be: What is your industry doing to really try to collaborate a little better with the other commodity groups within the agricultural community to work together?

Mr. PERRY. Well, the sugar——

Senator ROBERTS. You seem like a reasonable fellow. I think you can do that.

Mr. PERRY. Yes, sir. Some of the other commodities aren't quite as distorted as sugar is. Sugar seems to be—well, as I said earlier, it is the most distorted commodity in the world, I believe. And,

therefore, we do need special consideration when it comes to trade agreements with other countries that are distorting it. We are a very fragile commodity.

Senator ROBERTS. All right. I'm not going to press you on it.

Let's see here. I'm ready for Tom. Tom, I like your suit, I like your shirt, and I like your haircut.

Mr. THOMPSON. We make a good team, sir.

Senator ROBERTS. You show eminent taste and great wisdom. You, in your prepared remarks, are discussing some potential changes to the existing dairy programs, including the modifications of Federal milk marketing orders. And I can certainly understand your frustration with the distribution, the pricing, the challenges associated with the current dairy program. I am concerned about making some significant changes like modifying the geographic size of the price functions within our current set of programs through legislative action rather than running through the typical course of hearings at the USDA.

Legislative action in dairy are an oxymoron. I've been through six Farm Bills. At the 11th hour and 59th minute, we have to sit down with Pat Leahy and make a deal. He's from Vermont. He's got that little three-legged dog named Lucky. He doesn't even come to the rest of the farm hearings. He just shows up with dairy. We stayed in Washington, in 1996, over the weekend for 3 days, Friday, Saturday, Sunday. That's back when Newt Gingrich and Khmer Rouge were part of the revolution. And we were trying to settle dairy. And the balanced budget and saving Western Civilization and everything else took second place to dairy, especially with New York.

And I finally just said to Newt—he says, "Roberts, you've been in this business a long time. How do we solve dairy?"

I said, "You don't. You punt." And we did. We punted to the Senate.

And at the 11th hour and 59th minute, here came Leahy with a deal. He said, "I've got a compact. It's really not a compact. But if you pass it, it's OK because I can say it's a compact." And then you have a revolution in the industry, where you have dairy factories. You don't have dairy farms. You have dairy factories. Some people have farms, and they have a damn tough time making it.

Mr. Chairman, I don't do dairy anymore. There's a lot of things I don't do at my age, but one of the things that I don't do is dairy. It is very, very, difficult to do, very difficult to get all the sections of the dairy industry to get together. And you face some of the most complex regulations of any of the commodity programs—makes my head hurt—in regards to the Farm Bill. So I'm going to suggest that the answer to some of the issues you've raised is not a matter of making modifications to the existing structure but rather to try to streamline the programs, workforce, and limits on the regulation of your industry, which I know are very counterproductive.

So what are your thoughts about such an effort to reduce rather than to change regulation?

One other story: Herb Kohl, Pat Leahy, dairy, we're on the floor. I think you were there then. We couldn't get out. We couldn't adjourn based on dairy.

Trent Lott came to me and said, "You've got to come in here."

I said, "OK. What do you want me to do?"

He said, "How do I get out? How do we adjourn? How do I fix dairy?"

I said, "Punt, put it off, do something, because, you know, you're just not going to get, you know, that put together." And he did, finally punted and we finally worked out something down the road. But, boy, is that difficult. And I don't want to put the industry through that. And I don't want to put the declining dairy industry in Kansas, who are having a real tough time, through that ever.

So what do you think about my suggestion, streamline, less regulation, do a USDA expositive plan, don't toss that in Saxby's lap?

Mr. THOMPSON. Senator Roberts, I totally understand where you're coming from. I was also involved in that 1996 Farm Bill and the frustrations that were involved in that. In fact, we had a subcommittee chairman from Wisconsin who had a plan to pool all the revenues of all the Class I sales across the country and divide it up evenly. And we were very concerned with that.

Senator ROBERTS. Yes, I remember that. And he's no longer there. And he made that ultimate sacrifice, and he ended up on the altar of not being in public service.

Mr. THOMPSON. As far as Congressional action, I think we're the victims of a couple of things that happened in that 1996 Farm Bill. One was the Congressional mandate to reduce the number of Federal Orders, which gave USDA a license to basically extend the geographical area of the Southeast Order, which costs the producers in the Southeast—in the geography that I learned as a fifth grader, there was a Southeast—tens of millions of dollars. That was, I think, probably an unintended result. But, nevertheless, it gave the license for that to happen. I think Congress can perhaps rectify that as well.

There was also an oversight, either intentional or by omission, of not including the authorization for USDA to include base excess in the orders. That still has to go back to USDA to have the hearings, to gather the evidence, to substantiate whether or not that is needed. And we would certainly beg you to reauthorize that so that it could go to USDA for the hearing. USDA tells us that that cannot be done without Congress acting. And it was just a one-liner that was left out. And Congressman Solomon realized that after the bill had been done, gave me a call and said that it would be corrected, but unfortunately he had health problems and it was not done.

Senator ROBERTS. Yes, he did. I appreciate that.

Murray, thank you for your efforts in regards to alternative fuels. We have seven operating ethanol plants. We've got probably two or three more coming on board. We have an outfit that wants to do the same thing with sorghum. We have a university, Pittsburgh State University, which is probably, I think, on the cutting edge of what we call polymer science with soybeans. You're right, the President is into switchgrass big time, came out to Kansas State. Saxby, that's the home of the ever optimistic and fighting Wildcats. But at any rate, he was very impressed with all the prairie grass. And he's into cellulose and all that. So I think we've got a lot of opportunities for some biodiesel plants. I said it was going to be the biggest thing to hit our country since the railroad.

Kansans are facing sticker shock at the pumps. E–85, equipped stations are selling E–85 as much as 60 cents a gallon higher than regular unleaded gasoline. Many stations are struggling to get any supply at all. Much of the ethanol that is produced is going to California. In states that have ethanol mandates, because there is a limited supply of ethanol, states that must use it are willing to pay a higher premium. That's understandable. Our Kansas ethanol producers can sell ethanol for $2.50 in Kansas or $4.50 in California.

Who is going to buy ethanol when it's more expensive than gasoline? I realize that in the long run, increased production and additional infrastructure will solve the problem. This Chairman brought in all the automobile manufacturers and brought in all the retailers and said, "How can we get this infrastructure working together? How fast can you bring these automobiles online that are hybrids?" Then to the convenience stores, "How can you set up these pumps so that people can get fuel?" I think Saxby told me that these convenience stores said, "Well, costs $100,000 a pump." Oops. So I'm a little concerned about that.

What is the incentive for folks to pay up to 60 cents a gallon for E–85? What efforts can be made to promote the consumption in face of higher prices? And then what can this discrepancy do to undermine some advances we've made in getting consumers to accept the ethanol land fuels finally? And do you share these concerns?

Mr. CAMPBELL. Well, Senator, I respect your understanding and agree with you as far as the prices we have now. A lot of that is a disruption in the market. We're suffering from somewhat of a bubble that was caused by the oil industry deciding to drop the MTBE's. They had hoped to get the MTBE liability protection in the Energy Policy Act and they did not. And I don't think anyone anticipated that they would just all of a sudden say, "OK, we're not going use any more." That took about 4 billion gallons of MTBE out of the mobile fuel molecules that are used within this country.

And it's really a little bit unrealistic to expect that the ethanol industry could move fast enough to be able to take up that much slack. The industry at that time was only producing about 4 billion gallons of ethanol. And so it was, you know, basically saying that we need to double our production overnight. And it really is not practical, is not doable.

I think as we begin to move some of the new plants online and as we move forward and have more ethanol available, this bubble will come down. That's why our numbers are based off historical averages. We're certainly not making any business decisions based off the price of ethanol right now. To quote Alan Greenspan, the irrational exuberance in the tech bubble, we think it is going to pull back and fully anticipate it to pull back. But we think it will still remain a problem.

This country is using about 142 billion gallons of gasoline a year. It's a mobile fuel molecule. We think that over time ethanol is going to pull back, but we think as long as oil prices stay high, we can go out on the futures markets. December 1909 crude oil futures are trading at around $69 a barrel. So you're not anticipating any immediate—the Department of Industry is saying we're going to stay around those prices for at least five or 6 years, not expecting any immediate pullbacks.

I think that as we produce more ethanol, it will move back toward the price of gasoline. And as it moves back toward the price of gasoline, the E–85 will once again begin to have a premium, as far as being cheaper, you know, to the consumer. And I think then you'll see people choose it because it will be a preference. That's what they've had happen in Brazil.

Senator ROBERTS. I appreciate that answer. And I certainly hope you're right. And I don't mean to be Mr. Doom & Gloom in regards to alternative fuels. I think it's an exciting field, and I think it's going to have a big economic impact.

Audience, I want you to raise your hand: If you're growing corn, OK, what's the primary mission of you or what's the primary goal? Why are you growing corn? And I want you to list it. Is it because of, in terms of priorities, human consumption, feed stuff, or fuel? Who believes our No. 1 priority is for human consumption? Gee, nobody raised their hand. Eat any corn on the cob around this country? OK. Feed stuff? Some cowboys in here, are you? Fuel? Still no hands.

Well, my cowboys are going to be really happy. What happens if we have droughts? Actually, in Iowa and Illinois, they don't happen very often. They just put the seed in the ground and farm. Now, out in Kansas, we have to farm because of the moisture we take in. But what would happen if we had a drought in Illinois and Iowa? Would we import from Brazil? What do you think?

Senator CHAMBLISS. I think we would.

Senator ROBERTS. That ain't going to be very popular.

Senator CHAMBLISS. No.

Senator ROBERTS. I'm glad that's your deal, not mine. I just think we have to stop and think a minute and hope, as the gentleman has indicated, that the infrastructure catches up with this exciting new concept. And I'm all for it. I just don't want to be back in the 1970's when the Alcohol Fuels Commission and a lot of farmers got burned. So let's do it step by step, and I think you're right on the money.

Mr. CAMPBELL. Could I comment on that?

Senator ROBERTS. Certainly.

Mr. CAMPBELL. Thank you, Senator Roberts. We have certainly looked, as far as risk management, in dealing with those issues. And eternally we've been dealing with it through a hedging program. But as a farmer, we're also looking at downhill we may begin to grow more corn. December 1907 corn futures traded as high as 3.13, a 50 cent positive basis. That would put us in the 3.50 range. And I would think we might have more acres of corn that would be devoted to this, you know, effort of the country to have more corn.

We have an awful lot of interest in our area from our vegetable producers about putting grain sorghums, which can be used to make ethanol, behind sweet corn and such and, you know, having more production through that. A lot of the companies are developing more drought-resistant varieties now. And you're seeing more of the corns move back into some more arid regions, areas that have not been the No. 1 corn producing areas but they have the capability to produce quite a bit of corn, with good varieties and if the price dictates it.

So it's going to be market driven as far as the price, because on my farm, I'm going to grow on my acre what I can make the most money for my farm. And that's just the way every farmer in this country thinks about it. And we love the flexibility of being able to do that.

But there's some opportunities for us to increase corn production in this country. We were talking about conservation a while ago. I understand there's 344,000 acres, I think, comes out of CRP next year, about 16 million acres. I know all of those are not suitable lands, and we certainly don't want to do away with any of our highly erodible lands and our conservation gains. But there is a great reserve of land out there that could go back into production if this country needs it to. And so I think we can begin to grow more corn that could be used as a fuel.

And as one last point, it seems to always be lost in the equation that 18 pounds of a bushel of corn will be returned into the feed markets as a distillers' market. It can be used—we've had dairymen already contact our economic developer in Mitchell County about the possibility of locating some large dairies in southwest Georgia because of the availability of a modified wet grain that can be used as a feed ingredient.

So it's not a tit for tat. You don't use up every bushel of corn in producing fuel. You are going to return at least a third of it back into the feed markets. And I think that's important. Thank you.

Senator ROBERTS. Thank you for great confidence in this. I think that pretty well does it for me, other than to say I do recognize that Georgia is a premier producer of cattle and poultry and I'm not surprised by the hand raising. Thank you.

Senator CHAMBLISS. Well, thank you. And, gentlemen, thank you very much. Before we switch panels out, there are a couple more introductions I'd like to make. First of all, a longtime good friend of mine, the president of the Georgia Agribusiness Council is here, Gary Black. Gary, if you'll stand up. Where is Gary? Somewhere in the back there.

Unidentified Speaker. He had to leave.

Senator CHAMBLISS. He had to leave. All right. Well, I mentioned the Agribusiness Council earlier when I was talking about our ag intern program. They have been vitally important to us, have been a very good partner in that.

Two other folks I want to introduce: First of all, a lady who has been with me since I first got elected to Congress. She was my ag LD back in my original years in Congress, Martha Scott Poindexter. She now is the staff director, might add the first female staff director, of the Senate Ag Committee. Martha Scott, stand up.

Senator CHAMBLISS. The Ag Committee has always been very bipartisan. We have to be. We work very closely with members on the other side of the aisle because agriculture is one of those industries that if you don't stick together, you're going to really see the demise of agricultural programs. And it's certainly true with my ranking member, Tom Harkin, and myself. Tom is from Iowa. I'm from Georgia. We have different interests, but he is very supportive of programs that I desperately believe in from a parochial standpoint, as am I of his. His minority staff director, Mark Halverson, is down with us. Mark, stand up and let us recognize you.

Senator CHAMBLISS. All right. Gentlemen, again, thank you all very much. We appreciate you being here, and we look forward to staying in touch with you.

We're now going to call our third panel, Dr. Jim Strickland, Mr. R.C. Hunt, Mr. Mike Giles, Dr. Elizabeth DesPortes Dreelin, and Mr. Jim Ham, if you all will please come forward.

We'll continue with our next panel. First of all, Dr. Jim Strickland from Glennville, Georgia, representing the Georgia Cattlemen's Association; Mr. R.C. Hunt from Bailey, North Carolina, representing the National Pork Producers Council; Mr. Mike Giles from Gainesville, Georgia, representing the Georgia Poultry Federation; Dr. Elizabeth DesPortes Dreelin from Columbus, Georgia, representing The Nature Conservancy; and Mr. Jim Ham from Smarr, Georgia, representing the Georgia Association of Conservation District Supervisors and the National Association of Conservation Districts.

So welcome to each of you for being here today. Again, we'll take your whole statement for the record, but we look forward to any opening comments you wish to make. Dr. Strickland, we'll start with you, and we'll move right down the row. Thank you.

STATEMENT OF JAMES E. STRICKLAND, DVM PRESIDENT, GEORGIA CATTLEMEN'S ASSOCIATION MEMBER, NATIONAL CATTLEMEN'S BEEF ASSOCIATION

Dr. STRICKLAND. Thank you, Chairman Chambliss and Senator Roberson for being here. Thanks, Senator Roberson, for feeding our cattle. So we appreciate you holding hearings and allowing us to be a part of it. I am——

Senator ROBERTS. I think you said Roberson, now. That's Pat Roberson.

Dr. STRICKLAND. Yes. OK. It's Roberts.

Senator ROBERTS. Yeah. He's the preacher. I'm the Senator.

Dr. STRICKLAND. OK.

Senator ROBERTS. But if you all want to tithe in a brown paper bag up here for Saxby Chambliss, I'd sure be happy to hold it. And God bless you, sir.

Dr. STRICKLAND. Thank you. We'll try not to turn this into a 500 Club. But I am Jim Strickland. I have been a practicing veterinarian and then served 15 years with the University of Georgia as a beef cattle specialist. And, of course, back in semiretirement doing some food animal practice and, of course, have the honor now of being a cattleman and severing as the GCA president and also an opportunity to be in other agricultural enterprises, a member of NCBA Georgia Farm Bureau. So I thank you for this opportunity.

And as cattle and beef producers, our livelihood is tied to many other agricultural commodities. And we stress the organized and united effort as we try to produce the food for the people of the world. And livestock consumes three out of about four bushels of the major feed grains that are produced. And cattle in feed lots account for one-fourth of the total grain-consuming animal units, and all beef cattle count for about 30 percent of this. So cash receipts from cattle and calves in 2005 almost went to $50 billion. And these sales account for nearly 40 percent of livestock sales and, of course, almost half of farm receipts.

In Georgia alone, there are about 1.2 million head of cattle on about 21,000 operations. Of that group, roughly two-thirds of them operate herds of less than 50 cattle and 17 percent have between 50 and 100. So a lot of ours are made up of small operators. It's the largest diversified enterprise for Georgia, and cattle are found in almost every county in the state in conjunction with the other enterprises that we have. And, of course, we feel like cattle are not only a farming operation but there are areas where they can be used as an agricultural operation and keep this opportunity before our young people as they carry out their projects in this urbanized society that we live in and looks like is increasing.

As cattlemen and beef producers, we understand and embrace the fact that open and free market is powerful and it's necessary and we can survive on that. But cyclical ups and downs of this market can be harsh. But the system works and we remain steadfastly committed to this as a free, private enterprise and competitive marketing system. It's not in the nation's farmers' or cattlemen's best interest for the government to implement policies that set prices, that dictate or manipulate our domestic supply or demand and cost or prices, and underwrites inefficient production in other areas that affect our marketing area.

In the conservation and environment area, we see two areas there in the CRP program and also in the EQIP. In the animal ID, we are aggressively engaged in an issue of working with the southeastern area marketing. And, of course, we want to be sure that the data's held in an area there where it's confidential and the producers are assured that that's so. And, of course, we can use it in times of disease in other areas.

Research, we want to be sure that we continue research, especially in the animal area, where we can keep down any health emergencies that might occur and see a need to keep a strong research component—and this could relate into zoonotic diseases—and, of course, especially ensure the safety of our food supply. Property rights, that has been spoken there.

So in concluding, we are continuing to see pressure from economics on ours and want to be assured in the Farm Bill that we can be a part of the U.S. agricultural enterprise and work with the others. Thank you.

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

Senator CHAMBLISS. Thank you, Dr. Strickland. Mr. Hunt?

STATEMENT OF R. C. HUNT PORK PRODUCER, WILSON, NORTH CAROLINA PRESIDENT OF THE NORTH CAROLINA PORK COUNCIL

Mr. HUNT. Thank you, Chairman Chambliss and Senator Roberts. I am R.C. Hunt, a pork producer from Bailey, North Carolina. My family and I operate Andrew Hunt Farms, raising cattle, swine, and tilapia fish. My operation produces feeder pigs and finishes market hogs.

I am currently the president of the North Carolina Pork Producers Council, and I'm here this morning testifying on behalf of the National Pork Producers Council. We are very grateful for you for holding this field hearing and for the opportunity to provide you

with the pork industry's views on what is working and what we need to do to improve as we consider reauthorization of the 1902 Farm Bill.

Pork producers have been actively engaged in discussions relating to the 1907 Farm Bill. We have organized an 1907 Farm Bill policy task force that is in the process of reviewing and evaluating many of the Farm Bill issues that will affect our industry. As pork producers, our livelihood is tied to many other agricultural commodities.

This morning I would like to share some general comments and thoughts of the nation's pork producers and what we have for the 1907 Farm Bill. Pork producers make an investment in the industry to maintain a competitive edge domestically and globally. The 1907 Farm Bill should make that same investment in allowing us to stay competitive. Taking these important steps will maintain a vibrant agricultural sector that provides a safe and secure food supply, innovative fuel options using our natural resources, and a continued abundant feed for our animals.

We know the members of this Committee understand better than anyone, you know, the significance of the economic contribution that pork producers make to the U.S. agricultural sector and how important it is to grow our international markets and maintain our global competitiveness. The U.S. pork industry enjoyed its 15th consecutive year of record exports in 1905. We exported 905 million metric tons of pork and pork products that were valued at over $2.28 billion. In addition, we exported 164,000 metric tons of pork and variety meats. These shipments amounted to approximately $25 per head processed.

Pork producers, along with other livestock and poultry producers, are the single biggest customers of the U.S. feed grain producers. Our single largest expense by far is the feed that we purchase for our animals. USDA estimates that the livestock feed will account for 6 billion bushels, 54 percent of the total corn usage this year. While USDA does not have a specific estimate on the soybean meal used for livestock feed, we suffice it to say that the livestock will use the vast majority. Of the total, pigs consumed just over 1 billion bushels of corn and meal from nearly 418 million bushels of soybeans in 1905. Pork producers are strong and vital contributors to the value-added agricultural economy in the U.S., and we're deeply committed to the economic health and vitality of our business and communities their livelihoods help support.

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

As the U.S. pork industry evaluates reauthorization of the 1902 Farm Bill, we have formulated some guiding principles for consideration: Principle Number 1, We must maintain a competitive advantage; Principle Number 2, We must strengthen our competitive-

ness; and Principle Number 3, We must prevent harm from our industry.

The next Farm Bill should help U.S. pork industries maintain current points of competitive advantages. These include low production costs, unparalleled food safety, and further advancements in animal health. In addition to maintaining our competitive advantage, the next Farm Bill should strengthen that position by expanding and including such elements as trade assistance, research, risk management tools, and science-based conservation programs and environmental regulations.

Finally, the next Farm Bill should not harm the competitive position of the U.S. pork industry by imposing costs on the industry by restricting the ability to meet consumer demands in an economical manner. Government intervention must not stand in the way of market-based demands.

Mr. Chairman and members of the Committee, we must be cautious of allowing activist groups which do not represent the best interests of our livestock sector to push their particular agenda by adding regulations to our business practices. This will severely alter the intent of the Farm Bill, a piece of legislation that has worked for the past 50 years.

In conclusion, Mr. Chairman, members of the Committee, while my comments today have been preliminary, together I believe we can craft an 1907 Farm Bill that meets our objective by remaining competitive both domestic and in the world. And on behalf of the National Pork Producers Council and many pork producers around the country, we thank you for the day.

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

Senator CHAMBLISS. Thank you. Mr. Giles?

STATEMENT OF MIKE GILES SENIOR VICE PRESIDENT, GEORGIA POULTRY FEDERATION GAINESVILLE, GEORGIA

Mr. GILES. Thank you, Chairman Chambliss, Senator Roberts, Committee staff for the opportunity to present the views and recommendations of the Georgia Poultry Federation regarding reauthorization of the Farm Bill.

My name is Mike Giles, and I am senior vice president of the Georgia Poultry Federation. The Federation's primary mission is to advance the position of poultry producers in Georgia by advocating the interests of poultry growers, companies, and allied industries.

Georgia is the top producer of broilers in the United States, last year producing more than 1.3 billion broilers weighing over 6.7 billion pounds. These figures translate into farming opportunities for approximately 4,000 poultry growers throughout the state. We are hopeful that the next Farm Bill will set the foundation for expanded opportunities for existing and future poultry growers.

We have been pleased with the focus on conservation programs over the life of the current Farm Bill. The most common direct connection with the Farm Bill for many poultry growers is through conservation programs such as the Environmental Quality Incentive Program (EQIP) through USDA NRCS. Well-managed farms, we believe, are our best hope to ensure clean air and water for generations to come. Cost-share programs such as EQIP allow poultry

producers to be proactive in practices that have a benefit to the public.

Access to exports are vital for Georgia poultry growers and companies. Competing in international markets is becoming more intense, especially for U.S. poultry producers who see lower cost countries, like Brazil, gaining in the world market. At the same time, meeting international obligations and responsibilities of being a leader in the World Trade Organization will be even greater in the future.

Given these factors and other concerns, such as energy and the environment, we think it is time to think broadly about crafting a new Farm Bill that provides a different approach to helping protect a farmer's income while expanding agriculture's ability to meet new marketing opportunities. A farm policy that is more compatible with World Trade Organization rules and obligations, while very challenging, as we discussed and acknowledge, is prudent and necessary.

A critical component to help ensure cost competitiveness of U.S. animal agriculture is encouraging sufficient cropland to meet feed grains and oil seed users' needs for domestic demand and export sales, especially considering increased demand for grains and oil seeds due to biofuel production. With continuing loss of land to urbanization around major cities and the large amount of farmland currently enrolled in the Conservation Reserve Program, the ability of U.S. agriculture to expand crop acreage is limited. We think the use of land enrolled in the Conservation Reserve Program should be an option available in the event the market signals for more production. Deciding between crops for fuel and crops for animal feed is not a decision that needs to be made in a time of crisis.

With regard to the Federal crop insurance program, we think it is appropriate to build on the evaluations already begun by USDA's Risk Management Agency in the area of insurance products for animal agriculture. Various hazards, such as weather and disease, pose a risk for animal agriculture producers. We believe that insurance products designed to protect against these risks would be helpful to poultry growers and other animal producers.

Underpinning these recommendations and considerations is the ongoing need to adequately fund USDA's critical responsibilities, including the Foreign Agricultural Service's role in enhancing farm exports and the Animal and Plant Health Inspection Service's role in responding to animal disease threats and foreign governments which use non-science based veterinary provisions to slow or halt U.S. agricultural exports.

Thank you again for the opportunity to share the thoughts and recommendations of the Georgia Poultry Federation. We look forward to working with the Committee to assist in crafting a new Farm Bill that not only meets the current challenges and opportunities but helps set the foundation for generations of American farmers to thrive and enjoy the success of an expanding world demand for food and fiber. Thank you.

[The prepared statement of Mr. Giles can be found on page 84 in the appendix.]

Senator CHAMBLISS. Thank you very much. Dr. Dreelin?

STATEMENT OF ELIZABETH DESPORTES DREELIN

Dr. DREELIN. Mr. Chairman, Senator Roberts, and members of the Committee, thank you for the opportunity to testify before the Committee today. My name is Beth Dreelin. I'm a private forest landowner, one of about 650,000 here in Georgia where my family has been growing trees for several generations. Together these individual families own about 60 percent of Georgia's forests.

Georgia's forests produce our highest valued crop, timber, supporting over 68,000 jobs and generating nearly $23 billion for our state's economy. However, today the owners of our forests are facing a crisis. It is becoming increasingly difficult to remain in business and to keep our forest land forested. This is because we no longer have adequate markets for our products to sustain ourselves along the way to growing a full rotation of saw timber for which we still have a market.

Growth, which I consider a good thing for Georgia, is driving land values up. And, hence, we're paying much higher property taxes than ever better. Therefore, it costs us more to grow our timber and we have fewer products that we can sell, resulting in many private forest landowners being forced to sell their forested land for development usage. This is occurring at the rate of about a million acres per year throughout the South. Certainly, for some forest owners, selling their land is the right choice. But I fear that we're rapidly traveling down a road that will lead to no other option than to sell out.

Only forest land and growing trees is a deeply ingrained family tradition and one that I personally love. However, I think most of us private forest landowners are asking ourselves: How long can we keep doing what we are doing? We need to know that every acre of timber that we plant will be worth something some day.

I have a great deal of hope for the future of our forests in Georgia, and much of this hope is riding on the 2007 Farm Bill. The 2007 Farm Bill will critically impact if not determine this future. Our current crisis can be resolved, I believe. Let me suggest four broad strategies.

First, forest landowners should earn a return for all of the products they produce, not just the ones that we can chip or saw. We desperately need to create and facilitate real markets for ecosystems services, ranging from carbon to clean water. It is only right and responsible that the public help support the benefits they enjoy. We need robust cost-share programs that both assist and reward forest owners who make investments to improve water quality, protect wetlands, and provide wildlife habitat. Many Silva-culture practices, such as planting longleaf pine, are a great ecological benefit, providing important wildlife habitat as well as hunting and other recreational opportunities. But asking forest landowners to provide these benefits for free while they wait 80 to 100 years for any return is simply unrealistic.

Second we need to do a better job coordinating the alphabet soup of Federal programs. We need to identify and prioritize critical forest resources and make sure programs support each other and don't duplicate each other. These programs need to be aimed at the highest priority conservation goals and need to mesh well with the state and local levels.

Third, I hope the 2007 Farm Bill will re-energize existing vehicles and spur development of new and creative delivery systems for outreach, education, and technical assistance. A well-funded forest stewardship program will be critical, along with new approaches to knitting together the work done by the Forest Service, NRCS, Extension Service, and the various State agencies that connect with family forest owners. This will help us sustain our forest and conservation practices.

Fourth, we need to take a hard look at what is working and what is not, making certain that every dollar we invest in public for family forests does at least a dollars worth of work where it counts, in the woods, for the good of us all. We hope Congress will seek ways to assess the impact of programs based on outcomes, not just number of acres or contracts. It is the only way to see where we're doing the best job and where we might have unnecessary duplication.

I am a realist. I know this is going to come down to money and there's not much of it, if any, to spare. But I also know that investing in Georgia's forests is not a zero sum game. It benefits everyone who cares about strong and robust rural communities, a growing economy, and a healthy environment. I cannot think of a more important goal for the 2007 Farm Bill. Thank you.

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

Senator CHAMBLISS. Thank you. Mr. Ham?

STATEMENT OF JIM HAM, GEORGIA ASSOCIATION OF CONSERVATION DISTRICT SUPERVISORS AND THE NATIONAL ASSOCIATION OF CONSERVATION DISTRICTS

Mr. HAM. Good morning. I'm Jim Ham. I'm a middle Georgia farmer, Monroe County commissioner, and president of the Georgia Association of Conservation District Supervisors. I'm pleased to be here today representing not only Georgia conservation districts but also the 3,000 districts nationwide.

For over 60 years, conservation districts have played an important role making sure local leaders help make decisions regarding the use of natural resources. Districts across the country just like mine are active in the delivery of Federal, State, and local conservation policies and programs.

Mr. Chairman, I want to personally thank you for holding this hearing today in Albany and for including conservation issues on the agenda. I fully understand much of today has been and should be focused on the farm programs and the Farm Bill. However, I'm pleased you and the Committee understand the value and importance of the conservation title.

The conservation title has grown over the last decade to now represent significant funding and meaningful technical assistance to farmers and ranchers across this country. This commitment allows farmers like me to not only protect my soil and water but also be a better neighbor and citizen. The 2002 Farm Bill has also resulted in new participants coming to the conservation table and has created new partnerships both at the local and national level.

I farm in an area that is changing. My friends from the city are moving out to enjoy our open spaces, fresh air, and wildlife. While

most do want to live in the country, many are not ready to be neighbors with a chicken farmer. Applying nutrients on my farm, it can be a little interesting at times, a not-so-pleasant activity for some of my new friends. My neighbors understand this but are also pleased that I use the latest technologies and most current and best management practices to complete the application process as well as other activities such as spraying.

I have an EQIP conservation contract that has allowed me to cross-fence pastures to better utilize my grass, fence out ponds and streams to protect water quality, install stream crossings, renovate heavy use areas to prevent soil erosion, and manage animal waste. Row crop producers in Georgia have benefited from such practices such as conservation tillage, pest management, and irrigation management plans under the EQIP program, resulting in better management of land and other resources.

The conservation programs and policies in many ways help keep me on the farm. While I get other support from the commodity programs, the conservation tools, both technical and financial, have helped me and many others avoid regulation and continue to be able to farm in an ever changing environment.

I know my time is limited here today, and there is much more to say on the conservation. So with the Chairman's permission, I'll submit more details in March for the record. But I do want to leave you and the Committee with several thoughts regarding the conservation provisions in the Farm Bill, because they are critical to the success and productivity of agriculture.

First, there must be a continued commitment by Congress to provide much needed and much used technical and financial assistance to farmers and ranchers. We appreciate the increasing awareness that there needs to be a balance of programs that both address lands that are in active production of food and fiber as well as lands that are retired and protected. Lands need and use both, and we hope Congress will continue to recognize that no one program meets the needs of all farmers and ranchers.

The Committee should also remember Federal conservation programs that allow local and state conservation groups and governments to multiply the benefits. Program dollars are leveraged many times over. For example, the state of Georgia's investment in agricultural water metering is being leveraged with Federal funds to provide farmers with cost-share opportunities to upgrade their irrigation systems, properly schedule application of irrigation water, and construct offstream reservoirs to provide supplemental irrigation. We also have an initiative working with State government providing an increased commitment to farmland protection.

Also, Mr. Chairman, we hear a lot of talk that the next Farm Bill will include a strong renewable energy title. We, too, recognize the needs and benefits of energy production in the U.S. on our lands. However, we just caution the Committee not to minimize the conservation gains in all programs we've achieved over the last 20 to 25 years. We see potential for renewable energy production in Georgia through our forestry resources that could be a valuable source of cellulosic energy production with available biomass. We support continued research and development on the viability of these renewable resources.

And, Mr. Chairman, while conservation Farm Bill programs have often been championed by your colleagues in the Midwest and other parts of the country, I want you to know that we in Georgia see you as the next leader on these issues. I know you love the land just like I do and so many others here today. I know that you are committed to make sure the conservation title stays strong and vital in the 2007 Farm Bill. So I thank you in advance.

We all have a great opportunity in the 2007 Farm Bill to build on the good programs and policies that were advanced in 2002. I pledge to you that the Georgia conservation districts and those of us around the country, too, want to do and be an active player in this next Farm Bill process. We want to work with you to make sure the next conservation titles provide some meaningful assistance to producers and results the taxpayers can appreciate and enjoy. Thank you. I'm sorry I went over.

[The prepared statement of Mr. Ham can be found on page 91 in the appendix.]

Senator CHAMBLISS. That's all right. Good stuff, Jim.

Let me direct this first question to Mr. Strickland, Mr. Hunt, and Mr. Giles. What's your most pressing environmental or conservation concern, such as soil erosion, air emission, or manure management. Do the existing conservation programs help you address your concerns? And how could they be improved to help you? Dr. Strickland, we'll start off with you.

Dr. STRICKLAND. One of the most pressing we had was the recent conflict between Arkansas and, I think, Oklahoma, when they were trying to sue one another. And maybe this didn't have much effect on the Farm Bill, but I think it shows us the extent that the between-state standoffs can be a problem. And we need to put something maybe in the Farm Bill that will address this, where this is covered and won't be thrown in the hands of other people that maybe interpret our laws.

Senator CHAMBLISS. Mr. Hunt?

Mr. HUNT. Specific to the pork industry, I think our pressing issue environmentally would be manure management today. We've made a lot of strides in that area, making tremendous improvements, but that still is a pressing issue for our industry.

Senator CHAMBLISS. OK. Mr. Giles, farmers in Georgia have seen a huge increase in poultry production. And folks like Mr. Ham have been utilizing some of your excess material there. And that's a growing problem, I know, around the state. Is that your most pressing problem or one of these others?

Mr. GILES. I think it would probably be. For the last five or 10 years, it has been an issue that we've addressed and it is pressing. We all know that chicken litter, manure, is a valuable fertilizer. It's a great organic fertilizer. Sometimes it's not produced in the state exactly where it needs to be. So one thing that the NRCS State Technical Committee has developed a pilot project last year through EQIP to develop a program that provides incentives for moving the litter from an area where it's high production to an area where it's in greater need. And this has been, I think, good timing because of energy costs and commercial fertilizer costs. It has provided another option for manure transfer for farmers in south Georgia.

Another emerging area there are also in terms of manure management, innovative ways to address and utilize manure energy production, which there is a plant in north Georgia which has announced that they will use chicken litter to produce energy. And we have some other opportunities in that way, so research is important.

I think an issue that is growing in importance and on the horizon for us is ammonia. As you know, there was an air emissions agreement that was proposed by EPA. And that process is ongoing. There will be a study that will be looking at risks associated with ammonia emissions and what are the actual risks and what are the actual emissions. So that's an issue that we think is something we really need to keep an eye on. And research, again, is going to be important there.

And third, I'll just echo what Dr. Strickland said about the manure, the court case in Texas and Oklahoma and Arkansas which characterizes manure as a hazardous substance. I realize this may not be a Farm Bill issue particularly, but it is a very important issue, not only for our animal agriculture but also for any farmer who uses manure as a fertilizer. The risks associated with Superfund laws, we think, are tremendous, and we don't think it was initially intended to cover manure.

Senator CHAMBLISS. To Dr. Strickland and Mr. Hunt, during the last Farm Bill debate, there was considerable discussion on competition in the livestock marketplace, and this included marketing issues such as bans on packer ownership of cattle and forward contracting as well as mandatory country of origin labeling. What effect would these sorts of restrictions or mandates on marketing have on cattlemen and pork producers? Should Congress reauthorize the livestock mandatory price supporting program? And if so, are there any needed changes to that program?

Dr. STRICKLAND. Well, we believe in a free market system. And there's been some suits on some of those. And, of course, some of those might have been settled. But we feel like that right now, there's not really anything that needs to be in the farm program as far as the market controls there.

Senator CHAMBLISS. How about the mandatory price support issue, though? Do we need to reauthorize that, in your opinion?

Dr. STRICKLAND. Well, I don't know as we necessarily do. We have a marketing reporting system that gives us information. That might be more important in some of the feed lot areas, you know, than maybe it would be with ours.

Mr. CHAMBLISS. OK. Mr. Hunt?

Mr. HUNT. Your question on the concentrated livestock with packer bans, you know, just look back over the years and look at the evolution that our industry has taken. It didn't happen by choice. It just was predicated on different issues dealing with our antitrust laws. Every industry that I know of today, there's just a tremendous amount of consolidation, unfortunately.

In our business today, I think food safety is our No. 1 priority. And what we see is a company or a packer out there producing pork products, their goal is to ensure the quality all the way from the bottom line, from the farm. And that's, I think, been a major contributor to our consolidation, having that product produced,

having a hands-on impact through the whole step of production all the way to the table.

So it's certainly an interesting structure that we have in our country today, and it would be detrimental to change that at the current times. Specific to mandatory pricing, we would not be in favor of that, just simply because of the economics and expense involved in that process.

Senator CHAMBLISS. OK. Dr. Dreelin, everybody's going to have to keep in mind that any new program efforts will most likely take away from existing programs, given the fact that the Federal deficit obviously continues to be a problem. You alluded to that. But given these budget constraints, what can we do, in your opinion, that's going to be most helpful for landowners? Is there any kind of new concept, new idea, that we should look at as far as developing or take some of our existing programs and do a better job with those programs?

Dr. DREELIN. In terms of incentives?

Senator CHAMBLISS. Yes.

Dr. DREELIN. I like the programs that are there. I think do a better job in coordinating what's there that so we know they're being used efficiently and not being duplicating and coordinating with the other agencies. I think, also, there are other organizations, for example, The Nature Conservancy, that has been extremely helpful in coordinating these types of programs.

Senator CHAMBLISS. Do you use CRP at all in your personal family operation?

Dr. DREELIN. We have received incentives to plant longleafs and prescribed burning through the conservation program, yes, sir.

Senator CHAMBLISS. Mr. Ham, what's the right balance between land retirement programs like the Conservation Reserve program and working land programs like EQIP? How do we need to look at this both financially as well as otherwise in the next Farm Bill?

Mr. HAM. I think we're pretty close to the right balance now. Most of our land in my part of the county is already in CRP and will remain in CRP. I don't think it will ever come back out. You're dealing with mostly beef cattle in my area of the state and poultry producers who can take advantage of EQIP real easy, in-fence and outstreams and trying to help the water quality. So I think you have the balance in my area of the state. I'm not as sure nationwide, but I'd be glad to get that information to you.

Senator CHAMBLISS. OK. Senator Roberts?

Senator ROBERTS. Jim and I want everybody in the audience and all members of the panel to know that Saxby Chambliss has been leading the way to convince the Japanese, from a sound science standpoint, that they should reopen their markets to the American beef industry. And that applies as well to other countries in Asia, not only Japan but China and also Korea. And we've got a problem. You have the Japanese government—is he a prime minister or premier? I can't remember which. But at any rate, Koisumi, is going to be stepping down. They've got an election in September. And they've got two outfits. One is very similar to the USDA and AFIS and FDA but looks at it from a sound science standpoint. And then you've got this other outfit that runs around the countryside and holds town hall meetings and basically says do you want zero risk

or do people want zero risk and there isn't such a thing as zero risk in the talks on trade technology.

They've had—what, Saxby?—23, 26, 28 cases of BSE. They import their cattle from China, and you know that's really safe. And we've inspected 700,000 critters, and we're headed for 800,000 and possibly a million. So he's been meeting with the Ambassador and working overtime to open up those markets. That's cost us $3.2 billion——

Senator CHAMBLISS. Right.

Senator ROBERTS [continuing]. A year. That's just really not satisfactory. And then you get back to the trade talks on a level playing field, and you take a look at that and you really scratch your head and say, "Wait a minute here. This just isn't right."

And I'm going to make this quick. But Saxby even went over to Russia and dragged me along. And I'm his Doberman. I can't say anything on the Intelligence Committee. And I get very frustrated. So he has a chain and he has it around my neck, and I'm the Doberman. And so when he needs somebody to get obstreperous, then he just takes the chain off.

And he was in St. Petersburg. And we were talking to the oligarch and the guy in the Armani suit who intelligence indicated was not a friend of the United States. And he wasn't. He was a hot dog, and he was rather sort of a jerk. And he was in charge of the export-import licenses. And he was going on and on. And we're helping them. We're helping them with AFIS to clear up their BSE problem. They import the same kind of cattle from other countries that have not been inspected, but we can't seem to break through with Russia.

And so the Chairman was being very gracious and, like you are supposed to do on a Code L, said, "What can we do to help you in regards to BSE, and how can we resolve this issue?"

And this oligarch stood up and said that basically he had a lot of problems with the United States because of the recent infestation of BSE. And I said, "Why? We've only had one Canadian cow out of 700,000."

And he said, "Well, in 1998, several mink"—mink, you know, fury animals, coats—"had, you know, BSE."

And I was a little stunned by that. And I had read the intelligence report. And I didn't much care for him, anyway. So I just said, "Are you feeling all right."

And he said, "Well, of course."

And I said, "Are you sure? Is your eyesight OK?"

And he said, "Well, yes." And he was getting a little perturbed with me.

And I said, "Well, I just wondered. I didn't know if you could tell the difference between a mink and a cow."

And Saxby gave me a fast look and tried to kick me underneath the table. And that didn't work. And so I said, "Moreover, Mr. Chairman, I've heard an awful lot of this. And you've given our position. And, Mr. Minister, I don't think you've been really cooperative at all. I just have other things I can do with my time, so I'm leaving." And I just got up and left. And just before I slammed the door, I said, "By the way, I'll send you a picture of a mink and a cow so you can know the difference."

I slammed the door. And I turned the wrong way. And I had on a pass. And I was walking down a hallway with an awful lot of Russian women who had red hair—they dye their hair—and other people who certainly wintered well. And I was trying to get out. And I said, "How do I get out? Who speaks English?"

And finally somebody said, "Try the staircase." So I went down the staircase and got out, finally.

And I looked way down the way, and I had gone way too long. And there was the white van. And then by the time I got there, out came the Chairman and our whole delegation. And they looked at me, and Saxby said, "Look, OK. You're the Doberman. But the next time you go off the chain, let me know."

And that just sort of indicates our efforts to try to get some fair trade there. You know, there's a process announced here just yesterday with Japan. But some of us felt that we should be introducing sanctions legislation. And we did. And we said, "OK. Through the U.S. trade representative, if not by September 21, if we don't have an agreement here and if the beef is not moving, we want sanctions across the board to cover the 3.2 billion."

So if that's what we have to do in order to get tough and play fair for the farmer, that's what we're going to do. That was a speech, not a question. Jim, thank you. I'll make this quick.

Dr. STRICKLAND. Let me take this opportunity to thank the entire Committee and also, of course, the secretary. I think he mentioned those sanctions when we were up there early in Washington. But the autos, we know, have flaws, and one of them can't seem to stop the import of others. So——

Senator ROBERTS. I'm going to pass on some of the questions that the Chairman has already answered, with the exception that, Mr. Giles, you indicated and all of you indicated that you want to tap into the Conservation Reserve Program. Kansas has more CRP acres than any other state. We have a working relationship with hunters and with conservationists and with environmentalists. And it's not productive land. And there is concern in many counties where you have a lot of acreage that is tied up, some of which could come back into production. That is not an instant answer, but it is a possible answer. And I just wanted to put that caveat in there. Let me see if there's anything else.

Dr. Dreelin, you mentioned The Nature Conservancy. I don't know what we'd have done without your help in regards to the Cheyenne Bottom, which is over by Gray Branch, Kansas, and one of the largest migratory waterfowl bus stops coming from the north to the south. And it's worked out, you know, very well.

Do you have any criteria by which you can measure carbon sequestration, more especially along the forest ground that you have?

Dr. DREELIN. I don't have a good answer for that, but I'd be happy to research it and convey that information to you.

Senator ROBERTS. We've got a guy name Dr. Jim Rice out of K State. And I went down to the South Pole with Ted Stevens, which was quite a trip. And I looked at all the ice corridors. And, yes, we are going through global warming and, yes, it's a challenge and, yes, agriculture can be part of the answer.

And one of the things you want to think about is you can't explain carbon sequestration much to anybody expect carbon in the

air, bad, carbon in the soil, good. And if you go through certain cropping practices that you ought to go through anyway, you can achieve that. And I never thought about it in terms of the forest land. But if you could quantify that in any way, that could be part of the farm program and part of the energy section of the farm program. We've done a lot of research on that, but we haven't been able to quite quantify it to justify it to the taxpayers. But it's something you ought to think about. Let's see if there's anything else.

Jim, your testimony mentions the problems that gross income restrictions have on conservation program participation caused since the 2002 Farm Bill in Georgia. I assume this has been a major issue for your poultry producers. In Kansas this has restricted the ability of our cattle feed lots to use the program and our cattle feeders to use the program. Any suggestions on any modifications we could make to those limits that would allow these producers to make the conservation steps they desire to make and they should make with their operations?

Mr. HAM. Well, I think if they're going to play, they're going to have to play by your rules. I think it needs to be more flexible and it needs to be more driven from the locals. If there's a way to move some of the control down locally, then I think that would help tremendously. That would let the participants know that they're being judged by their peers and not so much being judged by people from outside the area. I think that would help.

Senator ROBERTS. Well, that works pretty well for the whole damn Federal Government.

Mr. HAM. I didn't mean that in the sense of everything else, but I think you get the gist of it.

Senator ROBERTS. Well, yeah. You know, we're means testing these programs, and the people who really could make use of them and really make a difference are means tested out of the program. I know that's always a tough thing to fight because, you know, people look at the amount and people say you have a large operation, obviously you can afford it.

Senator ROBERTS. Mr. Chairman, I've enjoyed this a ton. I think we're probably a little late. But I want to thank the witnesses for taking the time, thank all you folks for taking the time out of your valuable schedule to come and listen. It's been very educational for me, and we'll work very hard for you. And, obviously, I'm going to work very hard with your outstanding Chairman.

Senator CHAMBLISS. Well, Pat, thank you very much. Thanks to all members of this panel for being here. Again, your insight has been very helpful. We look forward to dialoguing with you as we move toward next spring and the physical writing of this Farm Bill. And we'll be calling on you folks, I'm sure, from time to time.

I, too, want to again thank all of you all for being here today. We've had a great crowd, and for the most part everybody has stuck around for the entire hearing. And we appreciate that very much.

Sanford, thank you, my good friend. We appreciate Vivian letting you off today to come spend the morning with us. And I thank you for all your good work. Thanks for your friendship.

Mac Collins, Mac, thanks for your being here and sitting and listening to these folks that are the hardest working folks in Georgia. And they're great people, men and women.

I'm not sure whether Richard's still here or Gene is still here. Yeah, Gene, there we go. Thank you guys, again. Thanks for your hard work in Atlanta and thanks for being here to pay attention to an issue that is critical to all of America but particularly critical to our state.

To all the witnesses, I want to thank each panel again. Your testimony has been very valuable to us. I want to encourage anyone, and that's anyone here today or if you know of anybody who has an interest in what's going to be written in the next Farm Bill, that you can submit a written statement to the record. All you have to do is visit the Committee's Web site, agriculture.senate.gov. And you can get the details on how you submit that statement. We can accept a written statement that will be included in this hearing for up to five business days. We'll keep the record open for 5 days for the submission of that.

Just looking out there, I hadn't seen him before, but I see Jody Redding out there. Jody is the representative for this part of the state for my close personal friend, good friend of Pat's, Senator Johnny Isakson. Jody, thank you for being here, buddy. Johnny is a great friend of agriculture, and what a terrific guy to have to work with.

Thank all of you for your interest in agricultural policy. We look forward to, again, staying in touch with all of you as we go through the preparation for the next Farm Bill. And this hearing is now adjourned.

[Hearing Adjourned]

APPENDIX

JUNE 23, 2006

STATEMENT

OF

MR. BILL BRIM
LEWIS TAYLOR FARMS
TIFTON, GEORGIA

GEORGIA FRUIT AND VEGETABLE GROWERS ASSOCIATION

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

JUNE 23, 2006

Good morning Chairman Chambliss and Members of the Committee. My name is Bill Brim. I am a vegetable grower from Tift County, Georgia. Lewis Taylor farms is a diversified transplant and vegetable production farm operation. We have 352,000 square feet of greenhouse production space and 4000 acres of vegetable production. Our greenhouse operation produces over 85 million vegetable transplants a year and over 15 million pine seedlings. I am here today representing over 200 producer members of the Georgia Fruit and Vegetable Growers Association.

The fruit and vegetable industry is growing at a rapid pace in the State of Georgia. We are adding jobs and dollars to rural economies throughout the State. But this growth is not limited to our State. Specialty crop growers produce approximately 50% of the farm gate value of total plant agricultural production in the United States

Despite the impact to the U.S. economy, specialty crop growers receive a very small percentage of federal resources aimed at promoting and sustaining efficient agricultural production. We hope the Committee will take a hard look at a balanced farm bill that includes an increased emphasis on specialty crop producers.

This morning I would like to focus my remarks on several key areas of the farm bill that we hope the Committee will consider during your deliberations in the coming months. Fruit and Vegetable grower organizations have been meeting to discuss common interests for the farm bill and we hope to share with you the fruits of those meetings soon.

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I am not here today to tell you we want a new farm program for vegetables. Although we do believe there are areas of the farm bill that should address issues of concern to our industry.

Of specific interest to our producers are issues related to:

- Restrictions of Planting Flexibility
- Unique Attributes of Specialty Crop Producers
- State Block Grants
- Research
- Nutrition Programs
- Crop Insurance

Restrictions of Planting Flexibility
We support this long-standing provision as a fundamental matter of equity among farmers. As long as some farmers receive direct payments from the government, they should not be allowed to plant crops on that subsidized land that compete with unsubsidized farmers.

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 benefit to specialty producers due to payment caps, limits on Adjusted Gross Income, limits on off-farm income even if integral to farming operations, etc. We support a thorough review of all farm programs

to ensure that specialty crop producers have access to benefits comparable to other farmers, rather than being excluded or limited simply due to a higher-cost of production.

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, and funded through appropriations in the FY06 Agricultural Appropriations bill. 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.

Georgia producers believe this is the most important component to be considered in the 2007 Farm Bill debate. Fruit and Vegetable producers have operated successfully without farm programs. But marketing and agricultural research are critical to our success. Declining industry dollars due to labor and energy costs and other issues inhibit meeting our research and marketing needs for the future. Competing interests for federal research dollars and the pressures on research monies for state land grant universities diminish our opportunities to compete in the domestic and world marketplaces. State block grants provide an additional resource to make our industry more competitive.

Research
Agricultural research serves as both a foundation and a catalyst for growth in the advancement of our industry. However, federal investment in agricultural research dedicated to the economic vitality and long-term viability of United States specialty crops has been extremely limited. Specialty crops and their research needs are unique and important. Our crops are characterized by high production input costs, unique market challenges, and our crops provide a significant source of essential nutrients required for good health.

With the dramatic reductions in Cooperative Extension staff and research personnel, support for applied specialty crop research has been significantly curtailed. Fruit and vegetable growers need assistance and support from U.S. D. A. researchers to find practical production solutions.

Federal investments in research for specialty crop production, processing, marketing, and consumption must be re-emphasized in the next farm bill. We believe research investments in special crop agriculture should be allocated to reflect the national importance of these products to the American diet. Over 50% of the Food Pyramid and nutritional guidelines is provided by fruit and vegetables, we believe research funding in U.S.D.A. should be increased to reflect the importance of these products.

Nutrition Programs
We support a strong new focus within the 2007 Farm Bill on increasing the access and availability of fruits and vegetables, particularly to children. We support expansion of the school fruit and vegetable snack program, increased commodity purchases, higher allocation to the Department of Defense (DOD) Fresh program for schools, development of a new nutrition promotion program to assist producers in enhancing their markets, and

a general requirements that USDA feeding programs and commodity purchasing comply with the 2005 Dietary Guidelines.

Crop Insurance
Most fruits and vegetables are not covered by a 'crop insurance' program. GFVGA would like to see an increase in pilot projects and studies to determine the feasibility of minor crop coverage.

The pecan industry has specific provisions that should be addressed in new crop insurance policy. Crops such as peaches, peanuts, cotton, and corn have a provision that in the event of a crop failure, insurance coverage cannot be adjusted down more than 10% of the individual farms APH (yield average) which is referred to by the Risk Management Agency as a 10% cup. Without the 10% cup, weather patterns could render these policies worthless in coming years.

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The RMA has a restriction that penalizes the grower from thinning his trees more than 12.5%. This reduction coverage lasts for a period of two years. This is completely contrary to all recommendations by the Extension Service and the USDA for good cultural practices. Pecan growers have provided appropriate data in the Southeast by pecan specialists but USDA refuses to accept this data.

There are no provisions in the pecan insurance program to cover the loss of trees. Pecan producers believe that a simple rider could be attached to our present policy that would provide coverage for tree loss in the event of a disaster. This could be offered to the grower as an option with an increase in the premium, for example a 5% increase.

I want to thank the Committee for giving our organization an opportunity to testify today. We sincerely hope the next farm bill will address issues of concern to specialty crop producers and reflect the value of their production to the U.S. Economy, as well as the dietary needs of all Americans.

My farm is located just east of here. Chairman Chambliss, I want to tell you how much I appreciate and the farmers of this state appreciate your interest in Georgia Agriculture. I know first hand your efforts in the recent immigration debate and your interest in balancing our security interests with that of the agricultural needs of Georgia. We are grateful for all you do.

Thank you.

Senate Agriculture Committee
U.S. Senate
Field Hearing

2007 Farm Bill Development

June 23, 2006
Albany, GA

Murray Campbell
Chairman,
First United Ethanol, LLC.

Mr. Chairman, I want to thank the Committee for including me on today's panel as policy options are considered for the 2007 Farm Bill.

My name is Murray Campbell and I am Chairman of First United Ethanol LLC. or as we like to call it "F.U.E.L". Our company, which is based in nearby Camilla, Georgia, is one of the first in the southeast to focus on ethanol production. After approval from the SEC and a strong capital drive that includes investors from all over south Georgia, we are set to break ground later this year. Our friends in the Midwest have been focused on renewable fuels for several years. Fortunately, the economics have finally aligned for other regions of the country to contribute towards our increased energy independence.

As Congress considers various policy initiatives regarding renewable fuels, it is important to note that the incentives in current law are working. Some will argue that the industry has moved beyond the need for federal assistance, however, this line of thinking is premature. The United States remains dependent on foreign oil and companies such as ours are in their beginning stages in various regions around the country. Bankers and investors that are financing the industry need a certain amount of stability as they expand this homegrown industry. The passage of the 2005 Energy Policy Act provided new incentives for renewable fuel production. These incentives, coupled with growing consumer demand for domestically grown energy, lead us to believe that ethanol and renewable fuels have a great future. Although most of the current ethanol plants in the country are located in the Midwest, opportunities are opening up for other regions.

It stands to reason that the demand for ethanol will track large population centers across the nation and the southeast will offer numerous marketing opportunities. The ethanol industry is assisted by various federal ethanol tax incentives, including those in the Energy Policy Act of 2005. The provision of the Energy Policy Act of 2005 likely to have the greatest impact on the ethanol industry is the creation of a national 7.5 billion gallon Renewable Fuels Standard (RFS). The RFS will begin at 4 billion gallons in 2006, increasing to 7.5 billion gallons by 2012. The RFS helps support a market for ethanol that might disappear without this incentive. Many people are interested in implementing a

higher renewable fuel standard. If the country asks this of agriculture, we are ready. The elimination or reduction of tax incentives for ethanol distributors could reduce the market for ethanol, which could reduce prices and our revenues by making it more costly or difficult for us to produce and sell ethanol. If the federal tax incentives are eliminated or sharply curtailed, we believe that a decreased demand for ethanol will result.

I would also like to caution Congress to avoid the rush of investing in new renewable technologies at the expense of existing industry. Do not misunderstand me on this, we firmly support new technologies and welcome opportunities for more efficiency; however , many of the new renewable fuel technologies often discussed in the press are far from commercially viable. If and when new options are available and proven commercially viable, F.U.E.L. is prepared to embrace and implement them. For now, we are focused on the traditional conversion of corn to fuel and urge Congress to continue its support of this industry.

Many myths have been spread over the impact of increased ethanol supply and infrastructure. From increases in corn prices and negative impacts on the corn market to increased gas prices and negative impacts on the animal feed market, we certainly acknowledge the abundance of speculation out there today. While I do not want to overextend my time here, I would be happy to answer these questions and give what I believe are logical answers to all of these concerns.

What I will tell you without going into too much detail is this:

1. Corn yields are increasing and ethanol production leaves a substantial portion of refined corn per bushel for use in the feed market
2. Even though our facility is not in the Corn Belt, we have viable plans to meet our supply needs to operate a 100 million gallon facility through rail shipments from outside our region. And our projections support that within 5-7 years, we will produce enough ethanol through local corn production to meet our goals.
3. The continued trend in increased ethanol efficiency, coupled with increased corn yields, and new genetics for highly fermentable corns will lead to considerable gain in ethanol per acre

By including a renewable fuels title in the next farm bill, Congress is sending the appropriate signal to the agriculture community, and the nation. Farmers can and should be supported in their efforts to provide energy independence for America. We are ready to answer the nation's call.

For now, I encourage Congress to stay the course on RFS and tax incentives. I also encourage the Committee and Congress to resist the push to lift the tariff on imported ethanol. Such a move is short-sighted and sets back the domestic industry at a time when we are finally turning the corner on success. Instead, the federal government should enhance its support of the domestic industry by working with industry to solve distribution issue and other hurdles in the path of energy independence.

As you know the U.S. ethanol industry is the fastest growing renewable energy resource in the world. According to the Renewable Fuels Association, there are 32 plants currently under construction, and RFA anticipates ending the year with at least 115 bio-refineries in operation and more than 5.7 billion gallons of production capacity. This will be the floor, not the ceiling.

I certainly understand why states are contemplating programs to stimulate bio-fuels production and use in their states. They are anxious to capture the tremendous economic benefits local ethanol and bio-diesel production will provide. Consider what the Renewable Fuels Association gives as a conservative estimated local economic impact of just one 100 million gallon ethanol plant:

- Generate $406 million for the local community;
- Increase the state's Gross Output by $223 million;
- Increase household income by more than $50 million; and
- Create nearly 1,600 local jobs.

Mr. Chairman, knowing south Georgia like you do, I am sure you agree with me that these estimates would have a staggering impact on a poor part of our state as well as a positive impact on our energy challenges. I applaud you for your leadership to help these estimates become realities.

In conclusion, Mr. Chairman, America's farmers appreciate the support you have provided to help us weather various challenges in the past and look forward to working with you as we attempt to provide a solution to our nation's energy crisis.

Mr. Chairman, I am pleased to submit my comments for the record and am happy to answer any questions you and your Committee may have.

Thank you.

Testimony

Of

Douglas R. Cobb
President
Georgia Corn Growers Association

Friday, June 23, 2006
Albany, Georgia

Good morning Chairman Chambliss and other members of the committee. It is an honor to stand before you as President of the Georgia Corn Growers Association. We appreciate your efforts to gather input to help with the development of the next Farm Bill. I do not envy the monumental task you have before you.

Agriculture has always been and will continue to be the backbone of a strong United States economy. With the recent terroristic activities both here and abroad, I do not believe it is possible to over emphasize the need to keep a strong domestic supply of food and fiber. This is a must for the health and well being of our nation.

Southern farmers need a Farm Bill that favors diversification. Crop diversity is important for the economy of our rural communities. Diversity helps us control pests and keep our yields up. Corn fits well in this rotation. In general, the 2002 Farm Bill has worked well, and I believe you can use our current bill as a foundation to develop an even better new Farm Bill.

First, farmers need some kind of safety net at a level that will allow them to survive. Depressed commodity prices, tremendous increases in input costs, unfair competition from world markets and natural disasters such as droughts, floods, and insects, create severe financial problems for farm operations whose profit margins are very small, even in good years! A combination of good crop insurance programs, counter cyclical payments and loan deficiency payments could be worked in combination to create a safety net. Crop insurance should be amended so that disaster years do not erode the farmer's protection levels.

Payment limitations should not penalize farmers. With the necessities of economics of scale, we have had to get larger and larger

just to stay in business. Therefore, with smaller profits per acre, it is taking more and more acres just to survive.

Conservation is important to everyone, especially farmers. The farmers who have survived in agriculture know the best conservation practices for their operation and are using these practices. We should continue to receive credits for our efforts and get leeway in the conservation practices that we implement.

There has been a tremendous effort in the development of biofuels. We have led the way with corn / ethanol production. There is a concern that an orchestrated drop in world oil prices could undermine these endeavors. This would disrupt not only the corn / ethanol production efforts, but the development of other biofuels as well. We need protection as we build the technology and infrastructure to become independent of other countries' energy sources.

It is imperative that you continue to provide funding for agricultural research, extension and educational endeavors. Without the contributions of these important people, United States agriculture would be years behind where we are now – many of us would be out of business.

STATEMENT
by
Chuck Coley
of
Vienna, Georgia
before the
Senate Committee on Agriculture, Nutrition & Forestry

Hearing in
Albany, Georgia
June 23, 2006

Mr. Chairman and members of the Committee, thank you for holding this hearing and for providing me an opportunity to present testimony on current and future farm policy.

My name is Chuck Coley. I am a 3rd generation cotton and peanut farmer from Vienna, Georgia. I am also President of Coley Gin and Fertilizer which operates a cotton gin and warehouse; a peanut buying point and warehouse; and, a fertilizer and crop protection product distribution company. I am a past Chairman of national and regional ginner organizations. I currently serve as Vice Chairman of the American Cotton Producers, the organization for producers within the National Cotton Council.

Mr. Chairman, we are very proud to welcome you home today in your capacity as Chairman of this very important Senate Committee. I want to express my sincere appreciation to you for your service to our country and your continuing contributions to the maintenance of sound agricultural policy, which is so important to this area and to the nation.

Throughout my testimony, I will frequently refer to the success of our current farm law. Mr. Chairman, as a member of the House Budget and Agriculture Committees, you played a pivotal role in obtaining the necessary resources for the 2002 farm bill. Then you played a major role in shaping highly effective legislation. As a member of the Senate and now as Chairman of the Agriculture Committee, you have been largely responsible for maintaining sound policy without major modification. It is not insignificant that for the past 6 years no farm organization has called for major modification of current law nor has Congress approved major changes.

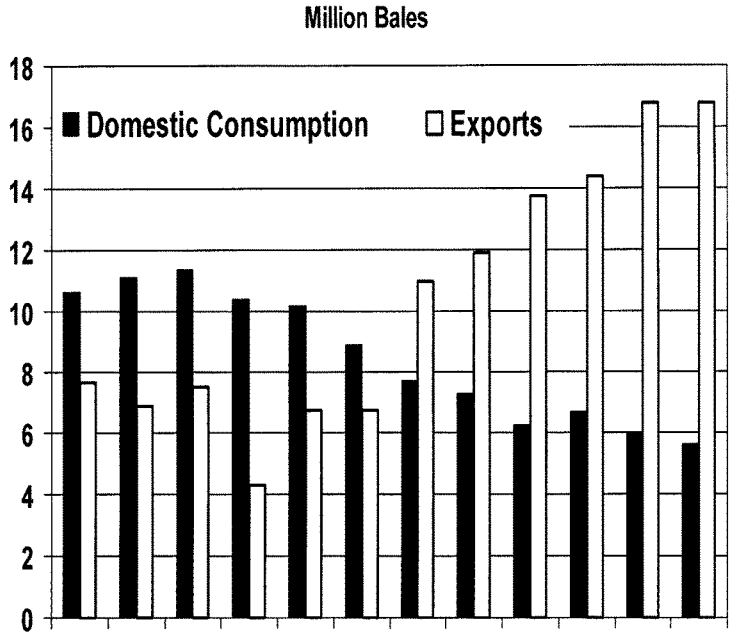
I am very pleased to note that Georgia is the 3rd largest cotton producing state, accounting for 10 percent of the U.S. crop. (Georgia and Mississippi produced approximately the same volume of cotton in 2005/06 ranking third behind Texas and Arkansas.) The principle reasons for the resurgence in cotton production in Georgia are the successful eradication of the boll weevil and an effective, stable farm program. I would also note for our visitors that Georgia agriculture is highly diversified, that our operations require intensive management and that we continue to invest heavily in technology to remain competitive.

Unfortunately, our premier customers, the U.S. textile industry have not fared as well in spite of their investments and their major gains in productivity. Cotton farmers are deeply concerned

with the loss of our manufacturing customer base. We have committed to continue to work with U.S. textile manufacturers to ensure that there are policies in place that promote and reward fair competition. We are also committed to continue to supply the top quality fiber necessary for U.S. manufacturers to produce internationally competitive textile and apparel products. The loss of the Step 2 program may have had an adverse impact on our domestic manufacturers given their fragile financial conditions. The remaining manufacturers have indicated strong interest in making revisions to our Step 3 import policy and in developing a possible WTO compliant replacement for Step 2.

The rapid decline in raw cotton consumption by domestic mills has created challenges for all cotton farmers but none more than for cotton farmers in the southeast who must identify new export markets to replace domestic consumption lost to imported products. This market adjustment places new and added pressure on our infrastructure including surface transportation and port facilities. We are working with the industry and with USDA and Congress as appropriate to meet those challenges.

U.S. Exports/Domestic Consumptions



While the cotton fiber is our principle product, we also continue to seek ways to enhance the value of cottonseed and its products which account for 12% of the value of the crop at the farm gate. Cottonseed processing facilities provide important markets for our seed, add economic value and create employment. Interestingly, as ethanol production increases, one of the by-products – dried distillers' grain – has depressed the value of cottonseed and meal in feed markets. This may seem to be a minor problem but it is an unintended consequence that has an adverse economic impact on cotton farmers and cottonseed processors and merchants.

We believe the current farm law has and continues to provide a stable and effective national farm policy for our country. The combination of direct and counter-cyclical payments provide an effective means of income support, especially when prices are low, without distorting planting decisions. The primary shortcoming of the 1996 law was the lack of a counter-cyclical payment that triggered when prices are low. As a consequence, farmers were forced to request emergency assistance from Congress year after year. This has been alleviated by the counter-cyclical program provision in current law. The direct payment provides financial stability required by our lenders and suppliers. I would caution that those who promote replacement of the counter-cyclical payment with higher direct payments risk taking the land out of producers' hands so it is important to continue to maintain a balance. It is also important to recognize the differences in regional impacts that can occur due to program changes. In the Southeast, payment yields for direct payments are lower than other regions, so a rebalancing toward direct payments would be a competitive disadvantage for the Southeast.

We strongly support continuation of the marketing loan. Cotton and rice were the guinea pigs for this innovative policy in 1985 and it has served us well. The marketing loan responds to low prices, it does not cause low prices. It is also effective because it triggers – when necessary – regardless of the cause of low prices and it ensures that U.S. cotton farmers are not left as residual suppliers because they are unable to compete with the treasuries of foreign governments.

It is also critical that all production remain eligible for the marketing loan to allow farmers to make informed, orderly marketing decisions. It is important to allow all U.S. commodities to be competitive in international markets. Any arbitrary limits on loan eligibility simply signals our competitors that we are willing to be competitive on a portion but not all of our production. This is an invitation for others to increase production and the U.S. to become a residual supplier.

The cotton loan structure and world price calculation have served us well but may require some modification in response to the new emphasis on export markets and the termination of Step 2. Simplification of the loan rate schedule and modification of the calculation of a world price may need to be part of any new farm law. We also support elimination of the longstanding prohibition on USDA projecting cotton prices for the purposes of administering the program.

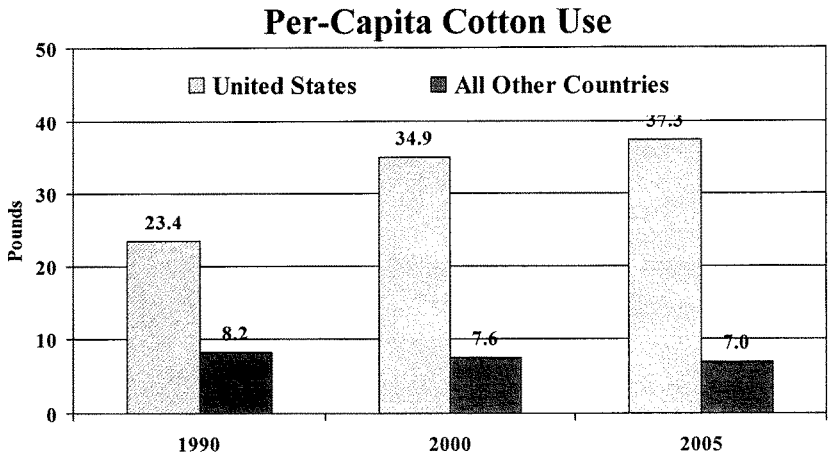
A sound farm policy is of little value to a significant portion of the cotton industry, including most producers, merchants, cooperatives and processors, if arbitrary, unworkable limitations are placed on benefits. Current law requires USDA to determine if individuals meet certain eligibility requirements and there are stringent limitations on each category of benefits. Unfortunately, these limits have been dictated by public perception, not the requirements of efficient, internationally competitive family operations. The cost of administering limitations

should be evaluated since there is continuous pressure on USDA to streamline and downsize. Frankly, we believe limitations should be eliminated but at the very least any limitations in future law should not be more restrictive or disruptive than those in current law.

We believe conservation programs will continue to be an important component of effective farm policy. These programs should be operated on a voluntary, cost-share basis and are a valuable compliment to commodity programs. However, they are not an effective substitute for the safety-net provided by commodity programs. The Conservation Reserve Program, Conservation Security Program and Environmental Quality Incentive Programs are proven, valuable ways to promote sound, sustainable practices through voluntary, cost-share, incentive based programs.

Continuation of an adequately funded export promotion program including the Market Access Program and Foreign Market Development Program are important in an export dependant agricultural economy. It is also valuable to maintain a WTO-compliant export credit guarantee program. Individual farmers and exporters do not have the necessary resources to operate effective promotion programs which maintain and expand markets – but the public-private partnerships facilitated by the MAP and FMD programs using a cost-share approach have proven highly effective and have the added advantage of being WTO compliant.

The U.S. cotton industry understands the value and benefits of effective promotion. In addition to being original and continuous participants in FMD and MAP, growers finance a very successful promotion program through a self-assessment (check-off) program. The average U.S. consumer purchases 35 pounds of cotton textile and apparel products each year in large part due to a successful promotion program. In the rest of the world, consumption is less than 6 pounds per person per year. Promotion works and it is important that the authority for farmers to operate self-help, self-financed promotion programs be continued.



Mr. Chairman, we understand you and your colleagues will face significant challenges in maintaining effective farm policy in the future. In addition to the need to balance the diverse interests of different regions of the country and commodities. We also know you have to compete for financial resources in times of a significant budget deficit. And, we know you will have to consider compliance with international agreements as you craft future farm policy.

Frankly, most cotton farmers and a majority of the industry would be satisfied with an extension of current law. We know, however, that existing policy will face hurdles, both domestically and internationally.

Internationally, we are growing concerned that the Doha Negotiations are turning against U.S. agriculture in general and against U.S. cotton in particular. Our trading partners appear to have "pocketed" the generous U.S. offer on domestic support without making an adequate response. Now, they want more U.S. concessions while refusing to provide adequate market access. Worse, China, the largest cotton market in the world, wants to be exempt from any further market access commitments. The only meaningful gains in market access for cotton can be achieved if China agrees to reform the administration of their quota system.

If other countries cannot match the U.S. level of ambition for market access, we should either withdraw or reduce our offer on domestic support. An agreement must provide demonstratable economic benefits to U.S. agriculture to earn our support.

We would be far better off constructing a new farm bill under current WTO rules than we would accepting an agreement with rigid, inflexible, poorly defined limits that contains no real gains in market access. Mr. Chairman, we would rather have a $19.1 billion amber box ceiling and current rules, than a $7.6 billion ceiling and worse rules.

We appreciate your steadfast support for cotton throughout the WTO negotiations, but we are concerned your message has not been fully appreciated. Cotton has already given more than any other commodity in these negotiations. An agreement that singles out U.S. cotton for additional inequitable treatment will not be accepted by U.S. cotton producers.

If the current trade negotiations are suspended, we would strongly support an extension to current law.

Finally, we are deeply disturbed by claims that 80% of all program benefits go to fewer than 20% of the producers and that only the so-called program crops receive direct benefits from farm law. These comments are misleading and serve to divide rather than inspire cooperation. First, it's important to remember that program benefits do not just come as direct payments. Virtually every commodity receives some type of support, whether through direct income payments, price support programs or barriers to import. For example, for some commodities, the U.S. imposes higher tariffs on imports during times when domestic supplies are the most plentiful. In addition, some commodities receive support through government purchases of the product or by mandating use of the product. Favorable tax laws are also used to provide support for certain products but the benefits are not directly attributed to individual farmers. Furthermore, it is also recognized that our current farm programs provide very real benefits to the livestock sector.

Livestock benefits from our current farm programs through a safe an affordable supply of feedstuffs such as corn, soybean meal and cottonseed.

It is also misleading to compare payments going to the number of farmers. With the natural consolidation of agriculture, it is inevitable that the majority of program benefits will go to the farmers who account for the majority of production. However, it is also true that per-pound or per-bushel support is consistent across producers regardless of size. Also, payments to producers represent just a fraction of the costs and risks incurred to enable farmers to produce. This is especially true in the current environment of increasing fuel and energy costs. Today's payments are an important safety net and not a windfall of profit.

I am pleased to assure you and your colleagues that the cotton industry is prepared to continue to work with all interests to develop and support continuation of a balanced and effective policy for all of U.S. agriculture.

Thank you for the opportunity to testify today. I will be pleased to respond to your questions at the appropriate time.

STATEMENT BY MARK DETWEILER
PRESIDENT, GEORGIA/FLORIDA SOYBEAN ASSOCIATION
BOARD OF DIRECTORS, AMERICAN SOYBEAN ASSOCIATION

before the

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
UNITED STATES SENATE

Albany State University
Albany, Georgia
June 23, 2006

Good morning, Mr. Chairman, and Members of the Committee. I am Mark Detweiler, a soybean and corn farmer and cattle rancher from Rome, Georgia. I am currently President of the Georgia/Florida Soybean Association, and serve on the Board of Directors of the American Soybean Association. I very much appreciate the opportunity to appear before you today.

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

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

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

We also are watching the current negotiations on a new WTO agreement. Last October, the Administration offered to make a 60 percent reduction in outlays permitted under the most production and trade-distorting programs, including the Marketing Loan and dairy

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

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

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

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

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

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

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

Testimony of Dr. Elizabeth DesPortes Dreelin
Before the
Senate Committee on Agriculture
June 23, 2006

Albany State University
Albany, Georgia

Mr. Chairman and Members of the Committee: Thank you for the opportunity to testify today. My name is Elizabeth DesPortes Dreelin. My family, all of whom were born and raised here in Georgia, has owned forest and farm land in Georgia since the 1840s. All of our land has been in forest production since about 1930. My formal education is in clinical psychology. I have studied and taught at Emory University School of Medicine. However, I decided to come home to practice psychology so that I could manage my family's timber land.

Today is not about psychology or medical research. It is about my other passion: my family's forest land.

I'm here as a representative of individual family forest landowners. Like five million other independent family forest landowners across the South we love our land. Many of us have diaries, letters, and other records from our ancestors telling us just how difficult and heart breaking it has been holding on to our land through hardships like reconstruction and the Great Depression. These inherited experiences evoke in us great depth of passion and commitment to hold onto our land despite the hardships and challenges currently facing today's forest landowners.

We want to be good stewards of our resources and pass them and our conservation values to our children and grandchildren.

So I was pleased when I was offered the opportunity to come here today. If ever there was a time when we needed to have a serious talk about the future of family owned forests in Georgia, in the South, and nationwide – it is now.

I am one of the 650,000 family forestland owners in Georgia. We grow Georgia's highest valued crop – timber – supporting over 68,000 jobs and generating nearly $23 billion for the state's economy. Of Georgia's 159 counties, 131 are at least half covered by forests – the largest area of forest cover in the South.

The fact is, family forest owners are one of the South's most vulnerable endangered species, and our forests are fast disappearing from the landscape just like the American Chestnut tree.

Right here in Georgia, well over a million acres of forest have been paved in the past decade. That is the equivalent of paving a parking lot the size of DeKalb County every year! We will lose even more trees in years to come.

If you look at the South overall, the picture is just as bleak. We are losing about 1.2 million acres of family forests a year. Forecasts indicate that another 5.6 million acres of forests in Georgia may be converted to developed uses by 2010 – just four years from now.

The foundation of much that we treasure in the South – our rich and diverse forestland – is slipping away. That is bad news for all of us:

- For rural communities that depend on forest-based industries to generate a huge share of their income, and some of their best jobs.
- For our urban neighbors who depend on family-owned forests for clean air, clean water, wildlife habitat, healthy watersheds and for the green space that surrounds their cities.
- For the hunters and anglers who depend on private lands for their sport.
- And finally, for families like ours who have been good stewards for generations and would like our children and grandchildren to have the same opportunities we did.

Please understand that I'm not anti-growth or anti-development. For some owners, the opportunity to earn a return on their investment in land through development makes a lot of sense. However, family forest owners want the opportunity to consider other choices too: to keep their forests healthy, growing and working, to keep rural communities intact and local economies strong.

Every day, it gets more difficult to make this choice. This is what may be called the South's "Invisible Forest Crisis" -- a crisis where many forest owners don't see a way to preserve their family's heritage of voluntary, private stewardship.

I've talked to numerous family forestland owners. Economically, they feel trapped. The value of the land under our forests is making it almost impossible to justify further investments in forestry. I know I could sell my land today for at least $5,000 an acre and never have to work again, but that would be contrary to my heritage and values.

There are a number of factors that have contributed to this "Invisible Forest Crisis". Markets for wood are sluggish, near non-existent for lower-value trees. Land prices and taxes are high, and getting higher as cities and towns grow closer to the woods. In many places, we're taxed on the potential value of our land, rather than the current value. This is a discouraging practice and amounts to indirect condemnation.

Most families don't own forests just for the money. Forest ownership is an American heritage and has been a way of life for generations resulting in a value system in which profits on timber are often not at the top of the list. Despite these values, even the most conservation-minded owner needs cash. We require food, clothing, and shelter as well as money for taxes, insurance, and investment in the practices of sustainable forestry.

The problem is, more and more these days, that sufficient cash can't be generated by forest product alone. This is exactly why I practice psychology part time to provide cash flow necessary to sustain our forestry operations.

This backs me and millions of other Southern landowners right into a corner.

Our timber crop is among the most valuable in the South – supporting over 770,000 direct jobs, and about $120 billion in total industry output. Many rural industries depend on our wood. Just as important, our city neighbors prize the "environmental goods" we produce. Our forests are the green places suburbanites want to get away to. Their water is cleaner and cheaper because of the watersheds we manage. Our forests produce oxygen, and take up carbon dioxide. Our forests provide habitat for game, and we take care of the special places endangered species need to survive.

It seems public values and public policy toward family forest owners are based on flawed premises - that our land can sustain itself without cash flow, and that vital public goods can be produced without investment.

Can we work our way out of this "Invisible Forest Crisis"? I hope we can, and the 2007 Farm Bill is an excellent place to start.

First, we all win if we choose to invest more in sustaining our nation's family forests.

That investment can take many forms:

- research to identify new markets for low value wood;
- support for outreach, education and technical assistance to owners;
- direct incentives that owners can match with their own resources to protect watersheds, water quality and wildlife;
- private markets for ecosystem services;
- and there are many others.

Let me offer a few preliminary thoughts on some ways Farm Bill programs might help.

Incentives. Cost-share funding for family forest owners has historically varied from slim to none. The Forest Land Enhancement Program (FLEP) was somewhat successful, but has not been able to achieve its goals. A portion of EQIP funds are available for forest management in Georgia, but I understand that, overall, this $1.1 billion program spends

less than $10 million annually in forestry cost share assistance to American forest owners.

The need is much, much greater. With targeted investment toward active management for healthy forests, including thinning, prescribed fire and invasive species control, our forests could be more economically productive and provide more in the way of ecological services.

To keep our long rotation forests growing, and our wood-based economy intact, we need some kind of return on all the investments we make, including for those things you can't chip or saw: like water quality, habitat, and recreation. Incentives will in fact encourage forestland owners to produce those services and products of forests which are important to the larger good.

In Georgia and surrounding Southern states, some great work is being done in restoration of Longleaf pine forests. Longleaf pine forests at one time stretched over 140,000 square miles from Virginia to Texas. Unfortunately, this valuable Southern resource has been reduced to less than three percent of its former range. Longleaf pine forests at Ichauway and other properties offer excellent opportunities for hunting, implementing healthy forest management practices such as prescribed fire, and providing habitat under the safe harbor program. Asking landowners to provide these important ecological services for free while they wait 80 to 100 years on a long-rotation harvest is what we're doing now; some financial support would make it a lot more attractive and more likely to happen.

We hope Congress will recognize these needs for cost share and reserve programs as it considers the future of the Farm Bill forestry programs, conservation programs like EQIP, the Wetlands Reserve Program, the Conservation Reserve Program, the Wildlife Habitat Incentives Program, and even a better version of FLEP or expanded Forest Stewardship Program.

Coordination. I just mentioned several different programs supporting a variety of aspects to forests and their management. All effective rural conservation programs are rooted in effective state leadership. In some cases, that leadership is provided locally through Federal offices – for example, NRCS state committees and local work groups or through state extension offices. At the same time, state forestry agencies have traditionally assumed a leadership role in delivering programs for landowners and as a source of technical assistance. All these folks are good people; they understand what needs to be done. We could help them do it better by seeking more coordination among programs, more sharing of information, more joint planning and program delivery.

Outreach, Education and Technical Assistance. As a clinician, I learned pretty quickly that people will work hard to help themselves – if they know what to do, and if they're confident in their ability to do it. It's the same with forestry. Unfortunately, many family forest owners—especially new owners-- don't understand how active management practices can do more to keep them healthy and growing.

At the same time, all the organizations and agencies that traditionally reached out to these owners are starved for funding. The centerpiece for these efforts – our state forestry agencies – struggle with continually shrinking budgets. USDA funding for forestry extension has never exceeded a few million dollars. Often, provisions for technical assistance aren't fully integrated into or funded by the largest conservation programs. This translates into the reality that well educated and well intended family forestland owners are not aware that help is available and implementation of active management practices is beneficial.

I hope the 2007 Farm Bill will re-energize existing vehicles and spur development of new and creative delivery systems for outreach, education and technical assistance. A well-funded Forest Stewardship Program will be critical, along with new approaches to knitting together the work done by the Forest Service, NRCS, Extension and the various state agencies that "connect" with family forest owners.

Which brings me to my second "hope" for the 2007 Farm Bill.

Just as important as investing more, is investing smart. I understand how tempting it is to plan for next year by repeating what you did this year, simply because you did it last year.

For the sake of our nation's family forests owners, we all have to get beyond that. As the old saying goes, "If you're not catching fish in your favorite pond, you need to at least think about finding a new pond, or a new way to spend the afternoon". We need to take a hard look at what's working, what's not – and make certain that every dollar we invest in public programs for family forests does at least a dollar's worth of work. Where it counts. In the woods. For all of us.

As Congress takes up the next Farm Bill – in an era of ever-tighter budgets – we hope you will consider ways to get the most out of what we do spend.

Planning and Priority Setting. There's a whole alphabet soup of Federal programs, all with somewhat different objectives but in many cases working toward the same end and often on the same land.

We could maximize return on our Federal investment by seeking more joint priority-setting and planning among the different Federal agencies at the national and state level – at best, assuring that all programs mutually support the highest priority objectives, or, at least, reducing the potential for duplication and overlap.

Results. You can't know if you're winning if you don't keep score. But you'll never know why you're winning if you don't measure carefully what works or what doesn't. We hope Congress will seek ways to assess the impact of programs based on outcomes, not just number of acres or contracts. By using compatible yardsticks across a range of different programs, we'll be able to see where we're doing the best job – and where we might be doing the same job twice.

Landscapes. Our family-owned forests are fragmenting into smaller and non-contiguous tracts. Ecological benefits provided by our forests, including protecting water quality and enhancing wildlife habitat, need larger landscapes which stretch across boundary markers. Programs should encourage owners with common interests to identify common challenges and seek ways to solve them together.

Taking Advantage of All Resources – Public and Private. Cooperative conservation makes sense. There are so many different agencies and organizations – public, private and non-profit – interested in forest conservation. All make a unique contribution, but if we find ways to weave their efforts together, we'll be able to do more, and do it more creatively. We'll be able to build flexibility into the total system so we aren't trapped with 1940's tools to reach 2007 landowners, and we'll be able to produce better results more efficiently.

I'm a realist. I know this is going to come down to dollars, and there aren't many of them out there. But I believe the debate over the Farm Bill shouldn't be seen as "us" versus "them." We truly are in this together. And by "we", I mean individual families like mine and a wide range of groups, including the American Forest Foundation, Environmental Defense, National Wildlife Federation, Society of American Foresters, National Association of University Forest Resource Programs (Southern Region), Southern Environmental Law Center and The Nature Conservancy. We all share the same ultimate goal -- to keep rural America a vibrant, vital and growing part of our economy, our environment, and our national life.

Thank you again. I am happy to answer any questions the Committee has.

STATEMENT REGARDING

THE REAUTHORIZATION

OF THE FARM BILL

FIELD HEARING OF THE
U.S. SENATE COMMITTEE ON
AGRICULTURE NUTRITION AND FORESTRY

THE HONORABLE SAXBY CHAMBLISS
CHAIRMAN

PRESENTED BY

MIKE GILES
SENIOR VICE PRESIDENT
GEORGIA POULTRY FEDERATION
GAINESVILLE, GEORGIA

FRIDAY, JUNE 23, 2006
ALBANY STATE UNIVERSITY
ALBANY, GEORGIA

Thank you, Chairman Chambliss and committee members, for the opportunity to present the views and recommendations of the Georgia Poultry Federation on the very important and timely issue of reauthorization of the farm bill. The Federation appreciates your special effort to reach out with field hearings to gain information, insights and ideas that can contribute to having a strong, vital farm program that addresses the needs and goals of all farmers, ranchers, and agribusinesses.

My name is Mike Giles, and I am Senior Vice President of the Georgia Poultry Federation. The Federation's primary mission is to advance the position of poultry producers in Georgia by advocating the interests of poultry growers, companies and allied industries. We have spent considerable time and resources on issues important to poultry growers such as working to ensure that farm level environmental regulations are reasonable while being protective of the environment. We also strive to make sure that growers have the tools and training needed to adhere to state and federal regulations and to take the steps necessary to be proactive in the area of environmental stewardship. We take these responsibilities very seriously and are proud of the track record that Georgia poultry producers have in this area.

In 2005, Georgia produced poultry and eggs valued at more than $2.3 billion at the farm gate. Last year Georgia produced more than 1.3 billion broilers weighing over 6.7 billion pounds, liveweight. For chicken eggs, Georgia ranks as a major player with a value of $340.7 million at the farm level. Processing Georgia's poultry and eggs into market-ready products added considerably more dollars to the Georgia economy. A recent University of Georgia study indicates that poultry has a nearly $17 billion impact on the Georgia economy and that the jobs of over 115,000 Georgians depend on poultry. Georgia is the top producer of broilers in the United States, contributing over 14 percent of U.S. broiler production. These figures translate into

farming opportunities for approximately 4,000 poultry growers throughout the state. We are hopeful that the next farm bill will set the foundation for expanded opportunities for existing and future poultry growers.

We have been pleased with the focus on conservation programs over the life of the current farm bill. Although some of our poultry growers have diversified farming operations that allow them to participate in traditional farm programs, the most common connection with the farm bill for many poultry growers is through conservation programs such as the Environmental Quality Incentive Program (EQIP) through NRCS. The Federation is an active participant on the NRCS State Technical Committee which provides advice to the agency on how to most effectively deliver these important programs. Unfortunately, media attention and public perception sometimes unfairly paint the picture of agriculture's negative impact on the environment, while those familiar with the environmental stewardship record of poultry growers and other farmers know that the opposite is true. Well managed farms are our best hope to ensure clean water and air for generations to come. Cost share programs such as EQIP allow poultry growers to be proactive and share in the investment in practices that have a benefit to the public. We encourage the committee to continue to support these types of conservation programs when setting authorizations for the new farm bill.

Exports are vital for Georgia poultry growers and companies. While the U.S. broiler industry exports almost 15 percent of its production, Georgia's share of broilers being exported is greater than 15 percent. Georgia's favorable cost-of-production, superior location for overseas shipments and poultry company managers with global expertise help Georgia lead in the international market.

The importance of agricultural exports can be noted by recognizing that USDA is estimating a record level of $67 billion for agricultural exports for fiscal 2006. U.S. agricultural exports were $62.4 billion during both 2004 and 2005. Increasing agricultural exports can help move the United States closer to balancing the large, overall trade imbalance our country has with the rest of the world.

Each farm export dollar stimulates an additional $1.48 in economic activity, according to a recent Economic Research Service (ERS)/USDA study. Also, each one billion dollars of agricultural exports adds over 13,400 full-time civilian jobs, of which 7,100 jobs are in the non-farm sector. It is also important to note that exporting value-added products, such as poultry, when compared with bulk agricultural commodities, generates even more economic activity and employment. ERS found value-added exports contributed about 16 percent more economic activity than bulk, agricultural commodity exports. Similarly, employment expanded significantly (more than 22 percent), compared with non-value added farm exports.

While many of us recognize the vital importance of agricultural exports to our farm economy and overall U.S. economy, we think it is important to be ever mindful of the positive economic impact of agricultural exports which helps set the stage for certain of our recommendations for provisions in the new farm bill.

Competing in international markets is becoming more intense, especially for U.S. poultry producers who see lower cost countries, like Brazil, gaining in the world market. At the same time, meeting international obligations and responsibilities of being a leader in the World Trade Organization will be greater in the future than in the past. Domestically, government budgetary pressures create challenges to adequately supporting agriculture. Given these two considerations and other concerns, such as

energy and the environment, we think it is time to think more broadly about crafting a new farm bill that provides a different approach to helping protect a farmer's income while expanding agriculture's ability to meet new marketing opportunities. Enhancing flexibility for a farmer's production decisions and options is increasingly important. Incentives to generate energy on the farm and at central locations is worthy of consideration in the new farm bill. Also, a farm policy that is more compatible with World Trade Organization's rules and obligations is prudent and necessary.

In addition to considerations for providing a safety net for farm income, rather than protecting specific revenues from certain crops, the new farm bill should recognize the need to meet the evolving and expanding global market. Supply/demand conditions are changing for many crops and animal agriculture products. Producers should be encouraged to be forward-looking to the extent possible.

A critical component to help ensure cost-competitiveness of U.S. animal agriculture is encouraging sufficient cropland to meet feedgrains/oilseeds users needs for domestic demand and export sales both now and in the future. There is a growing need, driven by market demand, to bring additional farmland back into agricultural production. With continuing loss of land to urbanization around major cities and the large amount of farm land currently enrolled in the Conservative Reserve Program (CRP), the ability of U.S. agriculture to expand crop acreage is severely limited. This impact of this limitation will only grow more serious as a result of increased demand for grains and oilseeds due to ethanol and biodiesel production in the coming years, as well as the growing number of other products produced from corn and soybeans. With the always present risk of drought and crop diseases, such as soybean rust, this limitation on expanding crop acreage within the United States raises questions about U.S.

ability to remain a dependable, stable, long-term supplier of grains and oilseeds for domestic and global customers. It is vitally important to poultry growers that U.S. poultry companies and other U.S. animal agriculture producers be able to purchase corn, soybeans and other necessary feed ingredients at price levels that allow U.S. producers to be cost-competitive at-home and abroad.

Provisions in a new farm bill that encourage biofuels, such as ethanol and biodiesel, are understandable as we strive towards the goal of greater energy independence. However, provisions should be in place to protect animal agriculture in the event of a severe shortfall in corn and soybean production. While there are a number of creative mechanisms that can be designed to address this issue, the use of land enrolled in the Conservation Reserve Program (CRP) should be an option available in the event the market signals for more production. Deciding between crops for fuel and crops for animal feed is not a decision that needs to be made in a time of crisis, if proper measures are in-place before the crisis. With respect to using CRP land, consideration should be given to permitting crops, such as switchgrass, that can be harvested for ethanol production. Of course, using CRP land must be done in an environmentally sound way.

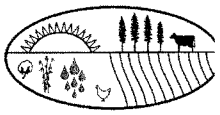
With regard to the federal crop insurance program, we think it is appropriate to build on the evaluations already begun by USDA's Risk Management Agency in the area of insurance products for animal agriculture. Various hazards, such as weather and disease, pose a risk for animal agricultural producers. We believe that insurance products designed to protect against these risks would be helpful to poultry growers and other animal producers.

Underpinning these recommendations and considerations is the on-going need to adequately fund U.S. Department of

Agriculture's critical responsibilities. Support for the Foreign Agricultural Service to enhance and build on record farm exports is very important. At the same time, the needs of the Animal and Plant Health Inspection Service (APHIS) are expanding, especially internationally. With tariff trade barriers being reduced, foreign governments increasingly use non-science based sanitary and veterinary provisions to slow or halt U.S. agricultural exports. Agricultural animal diseases, such as avian influenza and BSE, continue to challenge APHIS' personnel and budget resources.

Georgia poultry and egg producers/processors look forward to working with the committee to assist in crafting a new farm bill that does not just meet the current challenges and opportunities but truly helps set the foundation for generations of American farmers to not only survive but thrive and enjoy the success of an expanding world demand for food and fiber.

Thank you again for the opportunity to share the thoughts and recommendations of not only the Georgia Poultry Federation but, we believe, also poultry and egg producers and processors across the country.



National Association of Conservation Districts
and
Georgia Association of Conservation District Supervisors

Testimony
of
Jim Ham
On behalf of the
Georgia Association of Conservation District Supervisors
And the
National Association of Conservation Districts
Before the
Senate Agriculture Committee
Albany, Georgia Field Hearing
June 23, 2006

Good Morning. I am Jim Ham, a middle Georgia farmer, a county commissioner in Monroe County and president of the Georgia Association of Conservation District Supervisors. I am also a charter member of the Two Rivers RC&D Council and serve on the Executive Board.

Across the United States, nearly 3000 conservation districts -- almost one in every county -- are helping local people to conserve land, water, forests, wildlife and related natural resources. We share a single mission: to coordinate assistance from all available sources -- public and private, local, state and federal -- in an effort to develop locally driven solutions to natural resource concerns. More than 17,000 volunteers serve in elected or appointed positions on conservation districts' governing boards. Working directly with more than 2.3 million cooperating land managers nationwide, their efforts touch more than 778 million acres of private land.

Mr. Chairman, I want to personally thank you for holding this hearing today in Albany, and for including conservation issues on the agenda. I fully understand much of today's agenda has been and should be focused on the farm programs in the farm bill. However, I am pleased you and the Committee understand the value and importance of the conservation title.

The conservation title has grown over the last decade to now represent significant funding and meaningful technical assistance to farmers and ranchers across the country. This commitment allows farmers like me to not only protect my soil and water but also be a better neighbor and citizen. The 2002 Farm Bill has also resulted in new participants coming to the conservation "table" and has created new partnerships, both at the local and national level.

I farm in an area that is changing. Our friends from the city are moving out to enjoy our open spaces, fresh air and wildlife. While most do want to live in the country, many are not ready to be neighbors with a chicken farmer. Applying nutrients on my farm land can be a…well a not so pleasant activity some times. My neighbors understand this but are also pleased that I use the latest technologies and best management practices to complete the application process as well other activities such as spraying.

I have an EQIP conservation contract that has allowed me to cross fence pastures to better utilize my grass, fence out ponds and streams to protect water quality, install stream crossings, and renovate heavy use areas to prevent soil erosion and manage animal waste. Row crop producers in Georgia have benefited from such practices as conservation tillage, pest management, and irrigation management plans under the EQIP program, resulting in better management of land and other resources.

The 2007 Farm Bill must include a continued commitment by Congress to provide much needed and much used technical and financial assistance to farmers and ranchers. The conservation title is important to me and other farmers here in Georgia, but also to other areas of the country where the conservation title provides the primary access to the farm bill, as you heard from NACD president-elect Olin Sims, a rancher in Wyoming, last week during your hearing in Washington, D.C.

The districts believe that every acre of conservation counts, including row crop, range, forest or livestock operations, and the growing rural/urban interface. To meet the needs of all areas of agriculture, the committee should consider the impacts of the current regulations that restrict participation in conservation programs. The 2002 bill included new restrictions on participation that restricts applications based on adjusted gross income, regardless of their conservation needs.

According to the 2002 Census, in Georgia, while the number of farms is about the same as 1997, the number of acres in farming has decreased by about 500,000 acres. Changes in land use such as fragmentation due to new friends from the city moving into the country, adds pressure to farms and the services that conservation districts and the NRCS provide them through conservation programs. These new country residents don't have the same history with the land that I and other farmers do, and may require more assistance to understand the proper conservation practices and best management of their land.

The 2002 Farm Bill authorized increases in conservation funding that by 2007 will be double those of the last decade. About two-thirds of the new funds authorized in 2002 target programs emphasizing conservation on working lands that are still used for crop production and grazing, as opposed to conservation spending prior to 2002, in which the bulk of conservation spending was directed toward land retirement programs. We believe that a producer must have an economically viable farming operation to be able to make an investment in conservation practices on their operation. We appreciate the increasing awareness that there needs to be a balance of programs to address both lands that are in active production of food, feed and fiber as well as lands that are retired and protected. Landowners need and use both, and we hope

Congress will continue to recognize that no one program meets the needs of all farmers and ranchers.

In many ways, conservation programs and policies help keep me on the farm. While I get other support from the commodity programs, the conservation tools, both technical and financial, have helped me and many others avoid regulation and allow me to continue farming in an ever changing environment.

Conservation financial assistance provided through the Farm Bill programs is an important component in achieving agricultural sustainability both economically and environmentally. But I must stress the importance of technical assistance. Technical assistance allows NRCS offices at the local level to work with districts, landowners and state and local agencies to address local resource concerns. Technical assistance is utilized to work with landowners on conservation plans from design, layout and implementation, helping landowners understand proper management of highly erodible land and necessary compliance for participation in farm bill commodity programs. Technical assistance is also used for evaluation and maintenance of conservation practices. Once a conservation practice is installed, it must be maintained to ensure we continue to see the benefits of the practice. Funding for technical assistance allows NRCS employees to meet face to face with landowners, visit their operation and help them design strategies to the resources needs of their individual agricultural operation. Through these discussions, a comprehensive conservation plan can be developed and then financial assistance programs such as EQIP, CRP or any other program in the conservation "tool box" can be utilized to help meet the goals of the conservation plans.

To educate producers, develop conservation and nutrient management plans and to implement all of the conservation programs, technical assistance is vitally important. NRCS technical assistance delivered through county offices or technical service providers (TSP), including conservation districts, continues to be in high demand. The TSP initiative must be reviewed and improved to meet the growing need of technical assistance. To comply with state and federal regulations, such as regulations on Concentrated Animal Feeding Operations (CAFOs), this assistance must be available to producers across the country.

Technical assistance is necessary to help producers install and maintain complex conservation practices on the landscape. The technical assistance provided from NRCS field staff, along with resource conservation districts and state conservation agencies, is critical to the success of conservation in the United States. Technical assistance must continue to be a fundamental element of the next farm bill; both as a stand alone program, and built into the delivery of every individual conservation program.

The Committee should also remember federal conservation programs allow local and state conservation groups and governments to multiply the benefits. Program dollars are leveraged many times over. For example, the state of Georgia's investment in agricultural water metering is being leveraged with federal funds to provide farmers with cost share opportunities to upgrade their irrigation systems, properly schedule application of irrigation water, and construct off-

stream reservoirs to provide supplemental irrigation. We also have an initiative working with state government providing an increased commitment to farm land protection.

EQIP and CRP, the largest portion of the conservation title, have been very successful, and have changed and improved over the course of several farm bills. We are discussing the need for updates or additions to these programs, as well as all of the programs in the conservation title. It is important that when land is being removed from production, as in CRP, that the land is targeted as the most environmentally sensitive land. It is also vital that farms continue to stay in production, and the Farmland Protection Program ensures that farm threatened by development can remain in production. The next farm bill must balance programs focusing on land retirement with working lands programs, such as EQIP. EQIP is very popular in Georgia, and in fiscal year 2005, we received $18,674,184 for the program, but even with that funding we had 805 project applications totaling $9,641,270 that could not be funded.

We hope the committee will look into increasing access to EQIP and other programs, evaluate whether consolidation of the numerous conservation programs makes sense, or if streamlining the application process provides for smoother, more efficient program participation on the ground. We do, however, hope that any streamlining does not result in taking funding away from conservation programs. As you can see in Georgia with the EQIP program alone there is high demand, and we only see that demand for conservation assistance increasing. In Georgia, we hope that a variety of benefits from CRP acres will be taken into consideration during the development of the next Farm Bill. Now we see CRP as monoculture benefiting game birds and not providing a diverse habitat for a wide variety wildlife and declining species including bob white quail and songbirds. We hope that these additional benefits, promoting diverse habitat can be added to the CRP program. We fully support any effort to make the programs more user friendly, easier for producers to understand and more efficient, but they must continue to focus on our conservation gains – cleaner air, water, improved soil quality and wildlife habitat.

Also Mr. Chairman, we hear a lot of talk that the next farm bill will include a strong renewable energy title. We too recognize the needs and benefits of energy production in the US and on our lands, and support renewable fuel development and production for on and off-farm energy. However, we just caution the Committee not to minimize the conservation gains in all programs we have achieved over the last 20-25 years.

We hope the committee will work with sound science and proven technologies for the best use of natural resources. We believe it can be done and is already being done with the production of corn for ethanol and oilseeds for biodiesel; however, we do want to move carefully in the use of CRP lands and others agriculture lands for additional production. We also see potential in Georgia through our forestry resource that could be a valuable resource for cellulosic energy production with available biomass. We support continued research and development on the viability of these renewable resources. We are not calling for the prohibition of more energy production; just want to interject a voice of reason to make sure we not improve one set of factors while hurting another.

And, Mr. Chairman, while conservation farm bill programs have often been championed by your colleagues in the mid west and other parts of the country, I want you to know we in Georgia see you as the next leader in these issues. I know you love the land just like I do and so many of us here. I know you are committed to making sure the conservation title stays strong and vital in the 2007 farm bill, so I thank you in advance.

We all have a great opportunity in the 2007 farm bill to build on the good programs and policies that were advanced in 2002. I pledge to you that the Georgia conservation districts and those across the country want to be a constructive and active player in the development of the 2007 farm bill. We want to work with you to make sure the next conservation title provides meaningful assistance to producers and results the taxpayers can also appreciate and enjoy. In so doing, we believe that programs should balance efforts to achieve soil, water, air, plant and animal/wildlife goals, necessary to address the nation's agricultural natural resource needs.

Testimony of

Mr. R.C. Hunt

Pork Producer

Wilson, North Carolina

President of the North Carolina Pork Council

on behalf of the

National Pork Producers Council

Before the

Senate Committee on Agriculture, Nutrition and Forestry

June 23, 2006

Albany State University
Albany, Georgia

INTRODUCTION

Good morning, Chairman Chambliss, Ranking Member Harkin and Members of the Committee. I am R.C. Hunt, a pork producer from Wilson, North Carolina. My family and I operate Andrew Hunt Farms raising swine, cattle, and tilapia fish. My operation produces feeder pigs and finishes market hogs. I am the current President of the North Carolina Pork Council and I am here this morning testifying on behalf of the National Pork Producers Council (NPPC). We are very grateful to you for holding this field hearing and for this opportunity to provide you with the pork industry's views on what is working and what we need to improve upon as we consider the reauthorization of the 2002 Farm Bill.

Pork producers have been actively engaged in discussions related to crafting the 2007 Farm Bill. We have organized a 2007 Farm Bill Policy Task Force that is in the process of reviewing and evaluating many of the Farm Bill issues that will affect our industry. As pork producers, our livelihood is tied to many other agriculture commodities.

We look forward to enthusiastically participating in the discussions for the 2007 Farm Bill. This morning I would like to share some general comments and thoughts the nation's pork producers are considering for the 2007 Farm Bill. Pork producers make an investment in the industry to maintain a competitive edge domestically and globally. The 2007 Farm Bill should also make an investment in competitiveness by increasing and encouraging research, opening access to new markets, enhancing conservation efforts and rewarding producers for good practices. Taking these important steps will maintain a vibrant agriculture sector that provides a safe and secure food supply, innovative fuel options using our natural resources and continued abundant feed for our animals.

I want to thank you Mr. Chairman and Members of this Committee for the opportunity to address you today. The policy issues we discuss together affect me, my fellow North Carolina farmers and pork producers across this country.

We know the members of this Committee understand better than anyone the significant economic contribution that pork producers make to the U.S. agricultural sector and how important it is to grow our international markets and maintain our global competitiveness.

PROFILE OF TODAY'S PORK INDUSTRY

Pork producers' farm-gate receipts were approximately $15 billion in 2005, representing almost a quarter of the value of meat animals produced by U.S. farmers and slightly more than 10 percent of the total farm-gate receipts received by all farmers. In North Carolina, our 2005 farm-gate receipts were $2.1 billion, a new record and 1 percent more than in 2004.

The U.S. pork industry enjoyed its 15th consecutive year of record exports in 2005. We exported 905 million metric tons of pork and pork products valued at $2.28 billion. In addition, we exported 164,000 metric tons of pork variety meats valued at $378 million. These shipments amounted to $25.44 per head slaughtered.

Pork producers, along with the other livestock and poultry producers, are the single biggest customers for U.S. feed grain producers Our single largest expense, by far, is the feed we purchase for our animals. USDA estimates that livestock feed will account for 6 billion bushels (54 percent) of total corn usage this year. While USDA does not have a specific estimate of the amount of soybean meal used for livestock feed, suffice it to say that livestock will use the vast majority of the 34.25 million tons of domestic soybeans produced in 2005. Of these totals, pigs consumed just over 1 billion bushels of corn and the meal from nearly 418 million bushels of soybeans in 2005. Pork producers are strong and vital contributors to value-added agriculture in the U.S., and we are deeply committed to the economic health and vitality of our businesses and the communities that our livelihoods help support.

Pork production has changed dramatically in this country since the early and mid-1990s. Technology advances and new business models changed operation sizes, production

systems, geographic distribution, and marketing practices. The demand for meat protein is on the rise in much of the world. Global competitiveness is a function of production economics, environmental regulation, labor costs and productivity. The United States can continue to be a leader in food production and meet the needs of increased consumer demands.

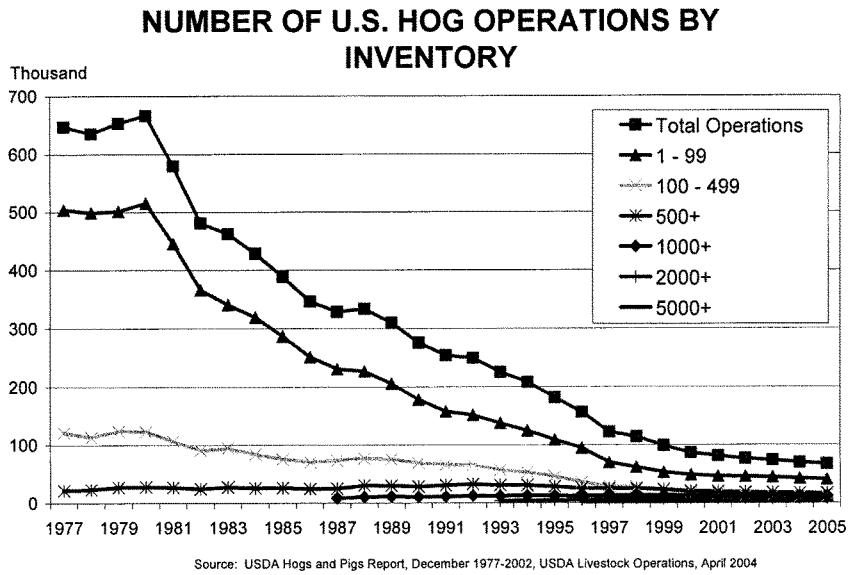
The U.S. pork industry today provides more than 20 billion pounds of delicious, wholesome and nutritious meat protein to consumers worldwide each year. In fact, 2006 will be the fifth consecutive year of record pork production in the United States, and all indicators point to another record in 2007. This is accomplished by nearly 67,000 pork operations in all 50 states, though the lion's share of production is located in the upper Midwest, mid-Atlantic, and High Plains states.

The number of operations today is much smaller than in years past, mirroring a trend that is widespread throughout agriculture. Figure 1 shows the number of operations of various sizes since 1977. The decline has been driven by the general downtrend in farm numbers and the fact that there are substantial economies of scale in hog production. USDA data indicate, for instance, that large hog farms average 1.5 pigs per litter more than small hog farms (USDA Hogs and Pigs Report, December 2005). Reasons for these advantages include specialization of labor and management and the ability to adapt modern technologies, such as group farrowing and split-sex feeding.

U.S. pork production units have changed from single-site farrow-to-finish (ie. birth to market) production systems, which were generally family-owned and small by today's standards, to multi-site specialized units, which may be part of very large businesses – many of which are still family-owned. The changes were driven by the biology of the pig and the business challenges of the modern marketplace. Separate sites helped in controlling troublesome and costly diseases and enhanced the effect of specialization. Larger operations can spread overhead costs (such as environmental protection investments and expertise) over more units and buy in large lots to garner lower per unit

input costs. The change in size has been the natural result of economics, plain and simple.

Figure 1



Marketing methods have changed as well. As recently as the early 1980s, a significant number of hogs were traded through terminal auction markets. Larger producers, though, began to bypass terminal markets and even country buying stations to deliver hogs directly to packing plants to minimize transportation and other transaction costs. Today, few hogs are sold through terminal markets and auctions, and the vast majority of hogs are delivered directly to plants.

Pricing systems have changed dramatically as well - from live-weight auction prices to today's carcass-weight, negotiated or contracted prices with lean premiums and discounts paid according to the predicted value of individual carcasses. The shift to lean premiums

and discounts was largely responsible for the dramatic increase in leanness seen in the 1990s.

According to researchers at the University of Missouri, the price of about 11 percent of all hogs purchased during January of this year was negotiated on the day of the agreement. All others were packer-produced or sold on marketing contracts wherein prices were not negotiated one lot or load at a time but determined by the price of other hogs sold on a given day, the price of feed ingredients that week or the price of Lean Hog futures on the Chicago Mercantile Exchange. These contracts are entered into freely and often aggressively by producers and packers alike to ensure, respectively, a market and a hog supply and, in some cases, to reduce the risk faced by one or both parties.

The economic impact of this industry is immense. Iowa State University researchers estimated that in 2003, the production sector directly employed more than 33,000 people and supported a total of 565,781 jobs in the U.S. economy. This estimate includes the jobs in sectors such as feed, supplies and processing that directly interact with pork producers as well as those in the rest of the economy that are stimulated by the spending of owners and workers. This vast economic impact included total economic activity of more than $83.6 billion, total value added of $20.8 billion and total employment income of $32.5 billion.

As the U.S. pork industry evaluates the reauthorization of the 2002 Farm Bill, we have formulated some guiding principles for the Congress to consider. Principle number one: we must maintain our competitive advantage. Principle number two: we must strengthen our competitiveness. Principle number three: we must prevent harm to our industry.

MAINTAIN OUR COMPETITIVE ADVANTAGE

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

Low Production Costs

Low production costs are the result of affordable feed ingredients and efficient production units. The Farm Bill can help the U.S. industry on both counts by maintaining and enhancing programs that keep feed ingredient prices competitive with the rest of the world. Feed comprises 65-75 percent of the in-put cost of producing a market hog. (Each market pig consumes approximately 10.5 bushels of corn and 200 pounds of soybean meal – that's about 4 bushels of soybeans.) With that in mind, U.S. pork producers are concerned about the impact on our industry of the increased use – sometimes through mandates – of corn-based (ethanol) fuels.

U.S. pork producers believe that this country needs a strong renewable energy policy. However, such an energy policy cannot come at the expense of the livestock industry. The current focus on renewable fuels is laudable, but markets must be neither distorted by subsidies and taxes nor constrained by mandates to the point where they cannot send effective price signals. Further research and development is needed to find other energy alternatives, such as using animal manure and fat and biomass, including switchgrass and corn stover. We want to emphasize that the right balance is needed to meet the needs of fuel *and* feed security.

Unparalleled Food Safety

U.S. pork producers have made unparalleled food safety their highest priority. The pork industry has been very responsive to the issue of residues in the food supply and will continue to be vigilant in these efforts. Residues are found in less than .02 percent of all animals marketed. Success in reaching this small percentage is due in part to industry-sponsored producer education programs that help producers understand how and why we need to reach these goals. We believe that adequate funding for the Agricultural Research Service (ARS) and Food Safety Inspection Service (FSIS) is needed to allow those agencies to do what it takes to continue their work in keeping the U.S. pork supply safe and wholesome.

Further Advancements In Animal Health

U.S. pork producers support efforts underway in the Animal and Plant Health Inspection Service (APHIS) to address emergency animal disease outbreaks and efforts to implement a national animal disease programs. We support a mandatory species-specific animal identification system that enables USDA to meet a 48-hour trace-back goal. The pork industry has publicly committed to working toward having our swine premises registered and identified by December 2007 and a mandatory swine identification system for all relevant species by December 2008. For the U.S. pork industry, premise identification is the key to meeting the 48-hour trace-back goal, and we will continue to place a strong emphasis on achieving our industry's goals. Premise registration is the firm foundation for any National Animal Identification System (NAIS) that is capable of responding to an emergency animal disease outbreak. At this time, there is insufficient swine-specific surveillance data, and NPPC is very concerned that without swine-specific surveillance data to determine the prevalence of swine diseases we would be unable to act quickly to prevent disease spread or to make certifications to our trading partners about diseases in the U.S. We also believe that a mandatory animal identification system can be implemented under authority of the Animal Health Protection Act eliminating the need for additional legislation. However, we strongly believe that before an effective animal identification system can be put in place, the Federal government must fund the development and maintenance of a data base and provide the infrastructure necessary to support such a system.

Consumer-Driven Further Processing

We must continue to meet the demands of our consumers. Therefore, we should allow the structure of the production and packing sectors to change with the demands of the marketplace. This includes allowing producers and packers to change to adopt new technologies and capture economies of size and scope. The U.S. pork-packing sector is the envy of the world in terms of efficiency, and Congress must be careful not to take away or hamper this source of international advantage. Allowing producers and packers the freedom to develop new ways of doing business will only enhance the value of U.S.

pork products, home and abroad, and reduce costs and risks. A key issue here is workable immigration reform that allows us to maintain a viable workforce without significantly increasing labor costs or placing the law enforcement burden on pork producers.

STRENGTHEN OUR COMPETITIVENESS

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

Trade

At the present time, there is a considerable global demand for pork and pork products. Pork represents 44 percent of global meat protein intake, far more than beef and poultry. World pork trade has grown from 3.9 percent to 5.3 percent of total world pork consumption in just the past 5 years. The extent of this increase in global pork trade in the future will hinge heavily on continued efforts to increase agricultural trade liberalization.

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

- U.S. exports of pork and pork products have increased by more than 332 percent in volume terms and by more than 289 percent in value terms since the implementation of NAFTA in 1994 and the Uruguay Round Agreement in 1995.
- The U.S. has exported a new record amount of pork each year for the last 15 years and now exports over 15 percent of its total production.
- Exports to Mexico, our number one volume market and number two value market, have increased by 279 percent in volume terms and by 406 percent in value terms since NAFTA.

- China, a recent entrant to the WTO, has become, due to diverse cultural preferences and tastes, a huge marketplace for U.S. pork variety meats that have very little value at home. Shipments of pork variety meats to China exploded by 690 percent in volume and 750 percent in value in 2004 before growing by 27 percent and 33 percent, respectively, in 2005.
- The Center for Agriculture and Rural Development at Iowa State University estimates that U.S. pork prices were $33.60 per hog higher in 2005 than they would have been in the absence of exports.

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

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

The downside of growing exports is, of course, the larger economic impact should there be any disruption in trade. Pork producers understand this dynamic and recognize that trade disruption would be devastating for the U.S pork sector. We would welcome the opportunity to work with this Committee to develop risk management tools that would support producers and packers, should our exports market ever be interrupted by a serious animal disease outbreak.

Regardless of the discussions of timing in writing the new Farm Bill, Congress should extend Trade Promotion Authority or TPA. TPA is very important to U.S. agriculture and the U.S. livestock sector – it provides new avenues for trade and sends the following

message to our trading partners that the U.S. is a willing and open trading partner. As pork producers, we should emphasize the need to strengthen the ability of U.S. agriculture to compete efficiently in the global and domestic marketplace.

Research

To maintain the U.S. pork industry's competitive advantage, we must invest in research. USDA's research is critical to the pork industry, be it improving swine genetics by completing the mapping of the swine genome, testing and deploying new and improved animal vaccines, improving the usefulness of energy production by-products such as distillers dried grains, or further increasing animal productivity. Research can assist in monitoring diseases and preventing a disease outbreak. A significant amount of research has been devoted to other animal genomes. It is time for USDA to do the same for the swine genome. Genome sequencing is only the first step to unlocking key genetic information. Annotation is the identification of the functional genes associated within the sequence of the genome and will provide the industry with tools to quickly and efficiently improve production efficiencies in nutrition, swine health, reproductive physiology, animal welfare, nutrient management and pork quality. In addition, the pig is an excellent model for human research in health and nutritional disciplines. Annotation of the swine genome will assist in the development of research models in human nutrition, physiology and medicine.

Risk Management

Although production variability has stabilized, pork producers still face significant price risk. The USDA Livestock Risk Protection program and an Iowa program, which protect livestock producers' margins above feed costs, have both had limited success. We believe that the USDA should critically evaluate both of these programs to determine if changes can make them more useful and thus more widely accepted by pork producers. These have worked relatively well, but the usage rate could be increased. We do not believe that any national programs should be overly subsidized.

In addition, we believe that more attention should be given to whole-farm programs that would include livestock. Iowa was one of the pilot states for whole-farm coverage and, in most cases, demonstrated how livestock revenue assurance together with crop insurance can reduce premiums compared with insuring enterprises separately.

As noted in the Trade section above, we also urge the Committee to consider risk management tools to cover producers and packers should export markets be disrupted by a serious animal disease outbreak.

Conservation and the Environment

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

As my fellow pork producer Randall Spronk from Minnesota stated during his testimony before this Committee on June 7, 2006, the EQIP program has not provided pork producers with the support to the challenges we face related to conservation and the environment. I would refer you to the testimony he presented during the June 7, 2006, hearing in Washington, D.C. [1]

Pork producers take a broad view of what it means to be environmentally responsible farmers and business people, and we have fully embraced the fact that our pork

[1] Testimony of Randall Spronk on behalf of the National Pork Producers Council before the Senate Committee on Agriculture, Nutrition and Forestry concerning the Implementation of the Conservation Title of the 2002 Farm Bill; June 7, 2006 See:
http://agriculture.senate.gov/Hearings/hearings.cfm?hearingid=1923&witnessId=5385

processing operations must protect and conserve the environment and the resources we use and affect. We take this responsibility with the utmost seriousness and commitment, and it is in that spirit that our producer members would make major contributions to improving our practices through the Conservation Title of the 2002 Farm Bill. We will continue our efforts to improve the programs in the Conservation Title.

PREVENT HARM TO OUR INDUSTRY

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

Marketing Practices

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

Industry Structure

We should allow economics to determine the structure of production and processing, including the ownership of both. No economic research has ever shown that either the structure or marketing practices of the industry have harmed producers or consumers.

Until such research exists, Congress should not impose limitations on packer ownership of production, producer ownership of packing, or marketing contracts.

Miscellaneous

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

The U.S. pork industry has developed and implemented strict animal care practices and judicious use guidelines for animal drugs. These programs are now part of the industry's pork quality assurance and trucker quality assurance programs. These programs require producers and handlers to be trained and certified to care and transport our animals with the utmost concern. We do not believe that Congress should legislate on these issues as part of the 2007 Farm Bill.

CONCLUSION

In conclusion, Mr. Chairman and Members of this Committee, my comments this morning are preliminary. As the NPPC's 2007 Farm Bill Policy Task Force proceeds in its deliberations on the development of the U.S. pork industry's positions related to the 2007 Farm Bill we would be pleased to share our industry's thoughts and suggestions on the 2007 Farm Bill.

Together, I believe we can craft a Farm Bill in 2007 that meets our objective of remaining competitive producers in both domestic and world meat markets. We look forward to the journey and believe your leadership will allow the U.S. agriculture sector to continue to prosper for many years to come.

On behalf of the National Pork Producers Council and the many pork producers we represent, thank you once again for holding this hearing. We respectfully request your continued and focused attention to the matters we have brought to you today.

STATEMENT

OF

MR. ARMOND MORRIS
CHAIRMAN
GEORGIA PEANUT COMMISSION

IRWIN COUNTY, GEORGIA

SOUTHERN PEANUT FARMERS FEDERATION

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

JUNE 23, 2006

Good Morning Chairman Chambliss, Members of the Committee, my name is Armond Morris. I am a peanut producer from Irwin County, Georgia. I am Chairman of the Georgia Peanut Commission and am here today representing the Southern Peanut Farmers Federation. The Federation is comprised of the Alabama Peanut Producers Association, the Georgia Peanut Commission and the Florida Peanut Producers Association. Within the last month, Mississippi peanut growers voted to join the Federation. Our grower organizations represent about three-fourths of the peanuts grown in the United States.

I have been a peanut producer for 41 years. I farm over 2000 acres of peanuts, cotton, wheat, rye and watermelons. I have been active in local, state and national agricultural organizations and am a graduate of the Abraham Baldwin Agricultural College. I am proud to be a family farmer.

First, I want to thank you Mr. Chairman for bringing the Senate Agriculture Committee to South Georgia and for the Committee's leadership in moving the U.S. peanut program from a supply-management program to a more market oriented program in the 2002 Farm Bill. Your leadership protected those U.S. quota holders who had invested their money in peanut quota for many years. Yet, you allowed our industry to move into the future with a program designed to make U.S. peanut producers competitive in both the domestic and export marketplaces.

On a personal note Mr. Chairman, at the August 2001 Georgia Peanut Commission Board meeting in Tifton, Georgia, you told peanut producers that this program should be changed. You encouraged our producers to work with the Congress to create the best market-oriented program possible. Mr. Chairman, we took your

counsel and are very pleased with the program we have today. We appreciate your leadership in assuring the peanut program remains a major part of Georgia's economic future.

The new peanut program has encouraged peanut product manufacturers to develop new products and spend more money on marketing these products. Domestic demand has increased for peanut products. The new program has also allowed producers to more readily enter peanut production. In Alabama alone, peanut production has expanded from 15 counties in 2002 to 32 counties in 2005. In Georgia, we have expanded production to counties that traditionally have been limited in the number of commodity options for producers. The Georgia 2005 peanut crop was valued at approximately $370 million pushing 50,000 jobs into Georgia's economy. Seventy Georgia counties are directly impacted by peanut production. South Carolina is now an important peanut state producing more peanuts than the State of Virginia.

The Southern Peanut Farmers Federation has met with other segments of the industry including buying points, shellers and manufacturers and each have indicated they were pleased with the 2002 Farm Bill. Each segment of the industry supported the peanut title of the 2002 Farm Bill.

While the Congress passed a very respectable peanut program in 2002, the administration of the peanut program by the U.S. Department of Agriculture has not been as successful. While the domestic marketplace has seen a healthy increase in demand from consumers and production growth for producers, this has not been the case for the peanut export market.

The USDA continues to set the loan repayment rate for peanuts too high. Despite language to the contrary in the 2002 Farm Bill, the Department has relied far too much on data unrelated to the price other export nations are marketing peanuts for in the world marketplace. As the Committee heard in recent testimony at the Peanut Program Review hearing in Washington, D.C., U.S. peanut producers have lost a significant portion of their export market despite the changes invoked by the 2002 Farm Bill. Our present export situation is directly related to the high loan repayment rate set by USDA. The 2002 Farm Bill directed the Secretary to establish a loan repayment rate that the Secretary determines will:

- Minimize potential loan forfeitures
- Minimize the accumulation of stocks of peanuts by the Federal Government
- Minimize the cost by the Federal Government in storing peanuts
- Allow peanuts produced in the United States to be marketed freely and competitively, both domestically and internationally.

It is this last point that is most problematic. The Federation believes that USDA is not sufficiently considering the competition in the world marketplace. This lack of response to competition from other origins has critically wounded our export programs.

We are encouraged by a recent meeting in Washington, D.C. with USDA Farm Service Agency economists. At this meeting, peanut producers offered three options for achieving a more accurate posted price.

- USDA should use the International Trade Commission methodology to convert shelled stock prices to farmers stock. This has been accepted as a suitable method within the U.S. industry and internationally.
- USDA should ask the Foreign Agricultural Service to collect farmer stock information from U.S. agricultural attaches in peanut exporting countries such as India, China and Argentina.
- Another option may be a percentage value difference of shelled goods from the U.S. versus other peanut origins. Domestic farmers stock prices could be factored to determine the value of other origin farmers stock and those values included in the USDA posted price formula.

The Southern Peanut Farmers Federation will continue to work with our industry partners to develop more specific suggestions for the next Farm Bill and will promptly submit those to your Committee. At present, we support the continuation of the current program but will seek to update specific provisions. When the 2002 Farm Bill was drafted, peanut producers did not envision record high energy prices that impact our major crop inputs including fuel, fertilizer and chemicals. The 2006 peanut crop will feel

the full impact of these increased costs. It is important that the next Farm Bill not rest on the backs of declining farm equity. In Georgia, we anticipate a 30% reduction in peanut plantings for the 2006 crop year. High energy costs and weak contract offers are the primary variables for less acreage. Weak contract offers are a direct result of the loan repayment rate being set too high. With a declining export market, peanuts are not moving out of the loan quickly enough resulting in a buyers' market.

As the Committee is aware, the storage and handling fees provided in the 2002 Farm Bill are eliminated for the 2007 crop year. Producers consider this an integral part of the peanut program. Without these fees, the marketing loan will be reduced, for producers, in excess of $50 per ton. With a projected 30% reduction in Georgia production in the 2006 crop year, peanut plantings could fall below pre-2002 levels in the 2007 crop year if these fees are not restored. I would be remiss not to point out to the Committee that if these fees are not included in the 2007 Farm Bill, these costs will be passed on to the peanut producer. The $355 per ton marketing loan rate in the 2002 Farm Bill will now be reduced to an approximately $300 per ton marketing loan rate. Producers in the Southeast will not plant peanuts at this level. If the storage and handling fees are eliminated in the next Farm Bill, the Federation requests that the Committee consider options for replacing those fees through an increase in the marketing loan rate or other options.

Finally, our peanut producers in the Southeast are very concerned about the U.S. Trade Representative's Doha Round proposal for Less Developed Countries. To allow Less Developed Countries access to markets import and duty free could severely impact U.S. peanut producers. The list of countries involved in this sector produce over twice as

many peanuts as U.S. producers. We appreciated Chairman Chambliss conveying the Committee's concerns about the Doha Round negotiations to the Administration. Congress should set Ag policy, not our trade negotiators.

I am grateful for the opportunity to be here today representing Southeastern peanut growers.

Thank you.

Testimony for Mr. Carl Perry
Farmer of sugarcane, beans, citrus and cattle
Albany, Georgia
June 23rd, 2006

"U.S. Sugar Policy in the Next Farm Bill"

Mr. Chairman, Members of the Senate Agriculture, Nutrition and Forestry Committee, thank you for deciding to hold one of your Committee's farm policy field hearings in the Southeastern U.S. where agriculture is the backbone of our states' and rural communities' economies.

I am a fourth generation farmer and my family raises sugarcane, beans, citrus and cattle. Florida is an extremely agriculturally diverse state but has few "program" crops compared to most other states. Although Florida is the 9th largest agricultural state in the U.S., only 4% of Florida's crops are row crops.

The Florida sugar industry has a $3.1 billion economic impact on the State and provides over 25,000 direct jobs. The sugar program provides the stability that farmers need to keep producing sugar in the U.S.

Is the U.S. sugar policy working? I can enthusiastically say that like the majority of provisions in the 2002 Farm Bill - absolutely! The program operates at no-net cost to the taxpayers, and it provides a fair price for the farmer and the consumer.

Look no further than this year to see how effective the program performs. Hurricanes devastated the sugarcane crops in Florida and Louisiana. In Florida alone, we lost nearly 30% of our sugar crop. This is the largest loss ever wrought on the Florida sugar industry by a single hurricane. The U.S. sugar program is the main reason why sugar farmers are still around today and why sugar prices stayed steady for consumers.

Immediately following Hurricane Katrina, sugar policy gave the USDA the flexibility it needed to address supply interruptions. Domestic stocks were quickly made available and when those became tight, the policy allowed USDA to increase imports to address the domestic shortfalls.

The hurricanes will cause yield losses for at least the next two to three years in those areas hit hardest and the sugar program will help to ensure that the producers can get a decent enough price to get back on their feet.

For proof of how well the program worked, visit any grocery store. Shoppers didn't face a run up in retail sugar prices last fall because of the stability our policy provided. I wish I could say the same for gas prices.

Other countries aren't so lucky and don't have this kind of control when disaster strikes. Thailand experienced its worst drought in years and went from being one of the world's largest sugar exporters to actually having to ration sugar at home.

Countries that depend on Brazilian sugar are now experiencing tighter supply because Brazil is turning more sugar into ethanol in the face of high oil prices. Consumers looking to Australia for supplies are finding shortages

after Australian cane fields were battered by storms, causing losses on an unprecedented scale.

It doesn't take an economist to figure out that these events had and are continuing to have a dramatic effect on the world sugar market. And it doesn't take a genius to see that America cannot become dependent on such unreliable foreign sugar supplies. This country needs homegrown sugar, and America's sugar farmers need a strong sugar policy.

Many people believe that sucrose ethanol may be a great option for sugar producers to pursue. While we are intrigued and seriously researching the possibilities that ethanol could help to compensate domestic sugar producers, we do not want to lose focus that maintaining a sound sugar policy like that found in the current Farm Bill is our number one priority.

We are gravely concerned about talks of buying out the U.S. sugar program and converting it to a traditional row crop program. Such talks are illogical and ill-informed.

In times of tight federal budgets, should Congress really ask the taxpayers to take on the extra burden of converting the current no-cost program to a taxpayer-funded subsidy program? The yearly cost of such a conversion, possibly as high as $1.3 billion, would be in addition to the billions of dollars that a buy-out itself would cost.

Additionally, funding for the new farm bill is going to be tighter than ever. Are other crops going to give up portions of their program funding so that sugar can have an income support? It seems highly unlikely that they would.

Sugar is not like other crops. We grow cane but we sell sugar. All of the other traditional programs set a loan rate based on the raw bulk commodity. We have to mill our cane to produce raw sugar in order to have a product. Furthermore, that raw sugar has to be refined in order for it to have value for those who purchase it.

Some have mentioned a different payment limit for sugar or even suggested that sugar could be exempt from limits in this case. Because the payment limits discussion is such a divisive one that trends toward decreasing payments, this does not seem a realistic solution to me.

Another major concern for us is the ongoing debate over the World Trade Organization (WTO) legality of income support programs. We don't think it is in our interest to consider converting the sugar program to a row crop loan style program, because we fear we could be setting ourselves up for international challenges.

It cannot go without noting that sugar is the single most distorted commodity market in the word. Since nearly every country in the world subjects its sugar market to some form of government intervention, it is foolish to think that the U.S. should not have some type of program to fairly protect its sugar practices from foreign governments' treasuries. Because so many countries are involved in sugar policy, the WTO is the only forum where true and fair reform of world sugar markets can take place.

In addition to discussing sugar policy, I feel I would be remiss if I did not take the time to thank the Senate for leading the charge to provide much needed disaster relief for the Gulf Coast sugar producers in the wake of the

hurricanes. Knowing that the hurricanes were true acts of God that caused severe economic hardship, the Senate placed language in the Iraq Supplemental Appropriations bill that paved the way for some relief to sugar producers in Florida. Thank you!

The current sugar program is working well. It has kept prices low and stable for grocery shoppers in times of a national emergency. It is not costing America's taxpayers anything. It makes sure that we're not dependent on foreign supplies. And, it helps support thousands of sugar farmers and factory workers across the country.

As Congress looks to re-authorize a new farm bill, we humbly ask that the current sugar program be extended.

Testimony Addendum for Mr. Carl Perry
Farm Bill Field Hearing
Albany, Georgia
June 23, 2006

There are two subjects on which I would like to add some additional comments to my testimony given in Albany, Georgia, on June 23, 2006.

First, I would like to clarify my comments on sugar's share of the WTO amber box and how the industry would adapt to possible cuts. Sugar shares the amber box with all the other program commodities. Considering the U.S. proposal consisted of a 60 percent cut in amber box support, I would first be curious to see what other commodities would do in order to reduce their Aggregate Measure of Support (AMS). Would they continue to operate under a scaled back version of their current programs or choose to shift to a policy that would not be called trade distorting and could fit into the green or blue boxes? Another issue sugar producers are looking at is the current method by which our share of the AMS is calculated. This is done by taking the difference in the world price and the U.S. price and multiplying that number by total U.S. production. In past years, the world price for sugar has been almost ten cents lower than the U.S. price but that is not the case now. In fact, experts have even predicted that will not be the case in the future either. So, we are looking at trying to update the base period used for this calculation to reflect more current world prices for sugar. The sugar industry will continue to look at all options as the WTO moves forward.

Also, I would like to add to my comments on sugar industry efforts post CAFTA. The sugar industry took a position against CAFTA. It was a position we felt we had no choice but to take. However, CAFTA is behind us now and we want to be a part of the solution and not a part of the problem for any future trade agreements. Since the CAFTA vote last year, the U.S. has completed several trade agreements, two of which affect our industry - Peru and Columbia. The sugar industry released a letter of support for the Peru agreement. On Columbia, we released a neutral statement even though the amount of sugar it would allow into the U.S. is more than we would like. In addition, we have had several meetings with various pro-CAFTA Members of Congress and agricultural organizations in an effort to repair and develop our relationships with them.

Thank you for the opportunity to testify in Georgia and for allowing me to expand on some of my comments during the hearing.

Testimony

on behalf of the

Georgia Cattlemen's Association

with regard to

Future Agriculture Policy and the 2007 Farm Bill

submitted to the

U.S. Senate - Committee on Agriculture, Nutrition and Forestry

The Honorable Saxby Chambliss, Chairman

submitted by

James E. Strickland, DVM

President
Georgia Cattlemen's Association
Member
National Cattlemen's Beef Association

June 23rd, 2006
Albany, Georgia

Mr. Chairman, Ranking Member Harkin, Members of the Committee, allow me to express my appreciation for the opportunity to share the Georgia cattle industry's perspective on the upcoming 2007 Farm Bill. My name is Jim Strickland, and I am a cattle producer and veterinarian from Glennville, Georgia. Currently, I am President of the Georgia Cattlemen's Association and am a member of the National Cattlemen's Beef Association.

Like agricultural producers across the country, we have been anxiously awaiting the start of crafting of the 2007 Farm Bill. As cattlemen and beef producers, our livelihood is tied to many other agricultural commodities. Livestock consumes three out of four bushels of the major feed grains like corn, sorghum 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 as such, we are interested in seeing this segment remain healthy and viable.

Unlike other agricultural commodity groups, we tend to generally have a slightly different perspective of portions of U.S. agriculture policy. Our industry is made up of over 800,000 cattlemen in all 50 states, and we have over 95 million head of cattle in this country. Cash receipts from cattle and calves in 2005 are over 48 billion dollars, and those sales account for nearly 40 percent of all livestock sales and nearly half of all farm receipts. In Georgia alone there are almost 1.2 million head of cattle on 21,000 operations. Of that group, roughly two thirds of them operate herds of less than fifty head, and another 17% have fifty to one hundred head. The cattle industry is the largest diversification enterprise for Georgia producers. Cattle are found in almost every county in conjunction with row crop enterprises, poultry operations, forestry and small business.

Cattlemen are an independent lot who want the opportunity to run their operations as they see fit with minimal intrusion from the government. Specifically to Georgia, cattle operations are the backbones of many small communities and in many cases are the most profitable if not the only production agriculture left in their area. The cattle industry, as the nation's largest segment of agriculture, is focused on continuing to work towards agricultural policy which minimizes direct federal involvement; achieves a reduction in federal spending; maintains 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. In an environment such as Georgia and the entire Southeast, the degree of integration between all segments of livestock and crop production make the need for an even playing field more important.

As cattlemen and beef producers, we understand and embrace the fact that the open and free market is powerful. 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 cattlemen's best interest for the government to implement policy that sets prices; manipulates domestic supply, demand, cost or price; or underwrites inefficient production.

Conservation and the Environment

There are segments 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 overly burdensome environmental regulations. Cattlemen are a partner in conservation and were the nation's first environmentalists. The livelihood of each cattleman is made on the land, so being good stewards of the land not only make sense environmentally; 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. In Georgia this is especially true where some of the smallest operations are on the edge of some of the most environmentally sensitive areas. Also, the topographical differences in our state dictate that geography alone determines the size of many of these operations. 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 in establishing and reaching 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 practice can be especially beneficial in times of disaster. Recognizing that most of Georgia's CRP acreage is in trees, the opportunity to utilize this Silva-pasture as a drought or other emergency grazing source will only serve to level the playing field with areas of the country that have emergency grazing or haying capability. 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 effective in protecting the environment in a sensible way and to become more producer friendly.

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 agricultural producers both large and small regardless of commodity produced. 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 producers in their fight to have effective and sensible environmental regulations. We are very supportive of H.R. 4341 that addresses our concerns regarding manure and dust being treated as contaminants that need to be treated under the Superfund regulations. Regardless of the extent that these issues are addressed in the 2007 Farm Bill, we encourage the committee to support a Senate Resolution similar to H.R. 4341.

In recognition of current energy and fertilizer prices, any discussions relative to the environment, conservation and animal waste need to continue to look for and encourage utilization of livestock manure as a viable resource for crops and forages. In Georgia and across the region great strides have been made in utilization, storage and transportation of poultry litter as a fertilizer source. We need to recognize that practices such as these, under proper nutrient management, should be encouraged in concert with a compliment of commercial fertilizer.

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. It is also important to recognize the difference in environmental conservation versus preservation. Many of these groups take a preservationist approach to private property even when there is no threat to plant or animal species.

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 is no secret that groups, such as PETA, want to put the U.S. cattle industry out of business. Our industry has made great strides in recent years to address issues such as E.Coli 157.H7 with the help of science based approaches. Science and fact based solutions need to dictate the future of American agriculture, not emotion and perception. 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

Beyond conservation, environmental and activist issues, there are several other issues that have the potential to impact the long-term viability of the beef industry. Trade is one such area. 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 believe that we produce the safest and most wholesome beef in the world and stand behind the OIE and others that have scientifically supported our assertion. Fair trade based on fact, for our beef and our international trading partners products, is the only means to build long-term trade agreements. 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

The Georgia Cattlemen's Association has been aggressively engaged on the issue animal identification for the past several years. As one of the organizers of the Southeastern Livestock Network, our association has worked with producers, educators and animal health officials to move toward a workable animal identification system. We recognize that there are two critical components to functional animal identification: 1) data movement needed to achieve viable animal health surveillance and 2) data movement needed to add value to producers' cattle through the market place. We

recognize that for either of these components to work there has to be a fully functional national premises system in every state. Funding and support for state animal health officials to register and assign premises numbers is vital to the future of the system. This step, coupled with a viable partnership with market driven animal movement databases, will achieve the greatest producer buy-in and ultimately the success of the program.

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. The Southeastern Livestock Network was one of the founding members of this organization. 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 Veterinarians 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 in Georgia and across the country. 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 from eradication and control of zoonotic diseases to food safety. Research helps 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 and fertilizer 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

One of the biggest concerns to cattlemen and their ability to conduct business 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 farms 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. Georgia has recently passed legislation that addresses some of these concerns on a state level, but we still have concerns of the precedent set by this case. 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 cattlemen 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. Our producers operate in an asset rich but cash poor business environment. Cattlemen 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 of which the 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

Like 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.

In Georgia the term "freight-away" is a common description of where we produce feeder cattle relative to the feeding and processing industry. This term refers to the significant amount of cost involved in delivering cattle from this part of the country the thousand-plus miles to the next step of the production phase. In recent years many producers have worked to add value through many different marketing channels that reward them for added value. Many of these same marketing channels regularly use forward contracting and other means to market these Georgia calves as they exit the feeding phase. Any effort to unnecessarily inhibit the marketing flow of cattle would take away much of this market that our region of the country has worked to develop. This would be additional market burden on top of the one already created by geography. 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.

An additional critical 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 channels and risk management determines a producer's sustainability and survival.

Conclusion

As has been the tradition in the cattle industry, we are not coming to you with our hand out. As I mentioned earlier, America's cattlemen are proud and independent, and we just want the opportunity to run our cattle operations 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.

In Georgia we continue to see pressure from economics, weather and urban expansion on all of agriculture. We have seen a dramatic decline in crop and timber prices in recent years. Cattle production on a small or large scale has been one of the few enterprises that has been able to hold on and has recently made a rebound. Our industry is in the most direct contact with the ever-growing urban community and in many cases is the only agriculture that consumers encounter. Georgia, and the nations beef industry, has a long heritage of not only producing high quality beef, but also using our operations as an environment to teach conservation, responsibility and the value of hard work. I personally feel that producing responsible citizens is as valuable as the high quality beef from my herd.

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

on behalf of the

Georgia Milk Producers, Inc.

with regard to

Future Agriculture Policy and the 2007 Farm Bill

submitted to the

U.S. Senate - Committee on Agriculture, Nutrition and Forestry

The Honorable Saxby Chambliss, Chairman

submitted by

Tom Thompson

President
Georgia Milk Producers, Inc.

June 23rd, 2006
Albany, Georgia

Mr. Chairman, I am Tom Thompson, President of Georgia Milk Producers, representing all Georgia dairy producers. Georgia dairymen, and indeed dairymen located in the Southeast, are in danger of extinction. According to trend lines from the Federal Milk Market Administrator's office in Atlanta, without a change in the rules the present trend lines would indicate that virtually no dairies will exist in the Southeast in 10 years. And it is not drought, heat, and high humidity that are the culprits, although all of those certainly make dairying in the Southeast a challenge. In an area where population growth is one of the fastest in the US, and our deficit grows greater each year (Georgia is now importing 1,000 tanker loads per month), we find that "the system" is taking a lot of the sales dollars paid by local plants that should be going to dairymen who are supplying those plants on a daily basis. Through "pooling" and "touch base" provisions, these dollars are then redistributed to producers who in many cases may be "riding the pool".

A look back at the history of milk marketing in Georgia will be informative. In the late 1960's Georgia's Milk Commission was ruled unconstitutional, and Georgia subsequently got its own Georgia Federal Order. Co-ops were local and represented Georgia dairymen and the Georgia Federal Order served the industry well. It included a "Base-Excess Plan" that rewarded dairymen who supplied milk when the market needed it and penalized those who produced excess when it was not needed. Class I utilization was normally in the high 80's and low 90's. Subsequent years added a state here and a state there to the Order that originally was the Georgia Order. Plants merged. Co-ops merged. Each geographical increase in the former Georgia Federal Order (now called the "Southeast Federal Order") resulted in small declines in Class I utilization, primarily because the states added had a higher ratio of milk to their population than Georgia.

Disaster struck first in 1995 when Congress failed to reauthorize the "Base-Excess Plan" that had been in existence for almost 30 years. Now there was no incentive to produce when the market needed the milk, and the door was opened for producers to "ride the order": dumping excess milk on the order when it was not needed. Disaster struck a second and even deadlier blow, on January 1, 2000 when USDA added a huge geographical area to the Southeast Order extending it to include a portion of Missouri. It is interesting to note that this was done without any public discussion, and it is probably just coincidental that a national co-op with a small minority of its members in the Southeast is headquartered in Missouri. The drop in utilization from pre-January 2000 to the months beginning January 2000 shows a dramatic Class I utilization decline of 15-20 points on a month to month comparison. This has been widely viewed as a $1.50 to $2.00/100# cost to Georgia and other geographical Southeast producers. The combination of these two "disasters" have cost Southeast producers untold tens of millions of dollars.

Which brings us to the issue of how could this happen? Don't co-ops operate in a democratic manner and represent their producers in Federal Order hearings and on Capitol Hill? Absolutely! Just as plants have merged, co-ops have also merged due to economic pressures. The problem is that the majority of milk in the Southeast is controlled by co-ops whose majority membership (and directors) lives outside the Southeast, and whose farms are in less populous areas, with subsequently lower

utilization. You can be sure that they understand that "working the system" to get their milk pooled on a higher utilization market puts money in their pockets. Management is only too happy to oblige "working the system" to accomplish that, for that is their job security. They understand only too well the importance of representing the "majority interests" of their boards. The problem is compounded by the move by some co-ops to "lock up" supply contracts with major processors, thus locking out other producers and their coops.

The present system of using a formula that locks Class I pricing to manufactured pricing is adversely affecting markets that are primarily Class I. The expansion of milk production west of the Rocky Mountains propelled by the explosion of mega-dairies results in an adverse impact on dairymen producing for fluid markets. A system needs to be developed that would partially de-couple Class I.

Our nation is rightfully concerned with our dependence on foreign oil, air pollution, highway congestion, and bio-security. I would submit that the current system of milk pricing and marketing is increasing our dependence on foreign oil, increasing air pollution and highway congestion, and placing our nation at greater risk of bio-security. Locally produced fluid milk for local consumption just makes good, common sense.

In summary, we recommend:

1. Geographical reduction in the Southeast Order, restoring the relationship between plant utilization and production in the geographical proximity to those plants.

2. Tightening of "touch base" provisions and a review of order rules that would discourage "riding the pool".

3. Congressional restoration of the authorization for Base-Excess plans in the federal order system that was omitted in the 1995 Farm Bill.

4. Development of a plan to partially de-couple Class I.

Thank you for the opportunity to submit our plea for help and a call for drastic change, both for the good of Georgia and Southeast dairymen as well as for the ultimate benefit to our region and our nation.

DOCUMENTS SUBMITTED FOR THE RECORD

JUNE 23, 2006

2007 Farm Bill Conservation Title

Florida Conservation Coalition

Position Statement

Conservation programs are essential to sustainable agriculture and natural resource systems. The Farm Bill should serve as an effective delivery system for farm and conservation programs. The Farm Bill should provide greater flexibility for the administration of conservation programs and for the delivery of conservation services at the farm level. The goal is to keep farmers farming while promoting conservation.

To enhance the effectiveness and administration of these programs with a view toward the 2007 Farm Bill, we recommend the following policy actions:

- Provide incentive payments to farmers and landowners for up-front investments in conservation
- Reward farmers and landowners for implementing conservation practices that maintain or improve natural resources and provide continuing incentives for those who maintain such practices over time
- Allow state conservationists, with advice from the state technical committees, to determine how funds will be distributed so that resource concerns are appropriately addressed
- Provide USDA with the ability to enter into partnership agreements for the purpose of implementing conservation programs on a watershed basis
- Provide the administrative flexibility to transfer funds from one conservation program to another that has similar goals
- Allow payments to be based on land appraisals that consider local real estate value
- Direct that the delivery system be accessible, understandable, convenient, and easy for farmers to use
- Direct the USDA to establish rates that reflect current market rates for technical service providers
- Use a resource- and needs-based formula to enhance funding for NRCS conservation technical support to applicants

Coalition Members

Audubon of Florida
Florida Cattlemen's Association
Florida Citrus Mutual
Florida Department of Agriculture and Consumer Services
Florida Department of Environmental Protection
Florida Forestry Association
Florida Farm Bureau Federation
Florida Fruit and Vegetable Association
Florida Nursery, Growers and Landscape Association
Northwest Florida Water Management District
South Florida Water Management District
Southwest Florida Water Management District
St. Johns River Water Management District
Suwannee River Water Management District
The Nature Conservancy

June 26, 2006

Senator Saxby Chambliss, Chairman
Senator Tom Harkin, Ranking Democrat
Members of the Agriculture, Nutrition and Forestry Committee
United States Senate
Washington, DC

RE: Regional Field Hearing
Albany, Georgia
June 23, 2006
Farm and Ranch Lands Protection Program

Dear Senators:

I am the Executive Director of the Georgia Agricultural Land Trust (GALT), a nonprofit corporation recently organized to work with farm owners who voluntarily want to permanently protect their farms from development. Although we are starting small and prudently, we plan eventually to operate on a state-wide basis.

We appreciate the Committee's soliciting local input from farmers and farm organizations. We realize and understand that there are numerous demands on the federal budget in general, and on the Farm Bill in particular. However, we would like to emphasize to the Committee the importance of the Farm and Ranch Lands Protection Program (FRPP).

In essence, FRPP helps a farm family have its farm and sell part of it too. By placing a conservation easement on the land, the farm is permanently protected from development into non-farm uses. By being paid for at least part of the value of the conservation easement, the family receives compensation without decreasing the size and efficiency of the farm.

As you know, under FRPP, the federal government, through the Commodity Credit Corporation (CCC), pays one-half the value of a conservation easement. (The value of the easement is the difference between the current fair market value of the land at its highest and best (but market realistic) use, and the fair market value of the land after imposition of the easement – the land's value when it can only be used for agriculture.)

The other half of the value of the easement must be supplied from local sources, but the owner may contribute up to ¼ of the value of the easement and receive a charitable deduction from taxable income under Section 170(h) of the Internal Revenue Code. The FRPP easements with which GALT is involved are being funded ½ by CCC, ¼ by the government of the county in which the farms are located (as open space), and ¼ by donation from the owner.

A farm family's land is often characterized as the owner's retirement account. Much of a farmer's net worth is tied up in the land and improvements. With FRPP, the owner may unlock a portion of this value without having to sell any of the farmland. (Of course, the protected land itself may be sold or otherwise transferred at a later date.)

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A 501(c)(3) nonprofit corporation

Other advantages of FRPP farmland conservation easements include:

- Permanent protection of prime agricultural soils on a voluntary basis;
- Receipt of funds to purchase equipment or pay down debt;
- Protection of local production of food, fiber and bio-fuel (thereby decreasing transportation costs and possible interruption of supplies);
- Support for local agribusinesses;
- Provision of permanent open space;
- Protection of clean water and clean air (since FRPP requires that farms be managed in accordance with approved conservation plans);
- Provision of scenic enjoyment for the public;
- Assistance with farm succession by making farms cheaper for younger farmers to purchase (being subject to farmland conservation easements), while making money available to distribute to heirs who do not want to continue farming;
- Continued private ownership and management of farmland, unlike publicly-owned open space that must be managed by government;
- Continued right to leave the farm to children or other heirs or donees;
- Continued payment of property taxes on the land, unlike open space purchased by government;
- Single payments to individual farmers rather than recurring, annual payments; and
- Preservation of our rural heritage.

We strongly encourage the Committee to strengthen FRPP by increasing funding for the program. FRPP is a viable means of supporting farmers, while permanently protecting prime farmland without conflicting with trade laws. Without land, there can be no farmers.

Very truly yours,

GEORGIA AGRICULTURAL LAND TRUST

John J. Pershing, Jr.
Executive Director

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www.gfb.org

Georgia Farm Bureau

Georgia Farm Bureau Federation
Georgia Farm Bureau Mutual Insurance Company
Georgia Farm Bureau Investment Company
Georgia Farm Bureau Holding Company
Georgia Farm Bureau Real Estate Company
Georgia Farm Bureau Casualty Insurance Company
Georgia Farm Bureau, Incorporated

Comments of the
Georgia Farm Bureau Federation to the
Senate Committee on Agriculture, Nutrition, and Forestry
Regional Farm Bill Hearing
Friday, June 23, 2006
Albany, Georgia

Georgia Farm Bureau appreciates the opportunity to comment on the 2007 Farm Bill. With nearly 430,000 members, Georgia Farm Bureau is the largest general farm organization in the state, and we are affiliated with the American Farm Bureau, the largest national organization of its type.

The Farm Security and Rural Investment Act of 2002, also known as the '02 Farm Bill, was enacted following two years of exhaustive debate in the House and Senate. The law reached a good balance by effectively addressing the stability of our agricultural production base, protecting our important natural resources, and enhancing food assistance programs in our country.

Congress and the American people should consider food production as an issue of national security. Although food shortages in our country do not represent a credible threat in the near future, each farm bill begins a series of actions that lead to an eventual result, and in light of the current world situation, it should never be forgotten that national security and food production are linked.

Several goals should be considered for the 2007 Farm Bill. First, we urge a continuation of the provisions in the current legislation that have proved successful, such as the commodity title that provides a safety net for producers through direct payments, counter cyclical payments, and loan rates. The '07 Farm Bill should also be developed in a manner that provides U.S. agriculture the best deal in terms of trade. The new legislation should contain a major energy component, and the conservation title should offer more incentives to assist farmers in their land and water stewardship responsibilities. The new Farm Bill should also continue with its traditional goal of nutrition assistance to our citizens who need it.

The 2002 Farm Bill has worked well. Americans have an abundant supply of high quality food at reasonable prices. Our food is safe, the variety is incredible, and we receive it for just pennies per day. Additionally, the '02 Farm Bill has provided a workable safety net for farmers to help ensure that American

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agriculture remains viable. The program has functioned as Congress intended, and it has accomplished its mission at a cost largely below original estimates.

We believe the '07 Farm bill should include programs to help promote a fair and adequate lifestyle for farmers on commercial, family sized farms. Our analysis of USDA data shows the large and small farm numbers are growing, but the midsize commercial farm numbers are on the decline. We encourage some type of mechanism to assist farmers in the event of dramatic and unforeseen increases in input costs (fuel and fertilizer, for example). Farmers have no way to pass along those costs; they can only absorb them.

American agriculture is very efficient, but it requires careful planning by each individual farmer. Many changes on farms cannot be helped, but major shifts in farm policy can be avoided if we look to the present farm bill and make adjustments for the '07 Farm Bill gradually. We should be cautious to make sure dramatic program changes do not undermine the good programs we currently have.

We believe payment limitations in the farm bill are counterproductive, and we urge against them in the new farm bill. Farm programs are generally designed as safety nets where the greatest payments occur when prices are lowest. Payment limits, therefore, cause the greatest hardship on commercial family farmers at exactly the worst time.

It is important to include decoupled payments as part of farm program payments. Decoupled payments do not tend to encourage overproduction that depresses commodity prices. Programs that are separated from production also fit well into the "green box" payments that are becoming more important in trade negotiations.

Regarding the issue of trade and the 2007 Farm Bill, we believe it very important to keep one eye on domestic farm bill deliberations and another on the Doha round of trade negotiations in the World Trade Organization (WTO). Our ability to compete in global markets will be affected greatly by what happens in these trade negotiations, and it is uncertain these talks will conclude successfully before 2007.

The results of the Doha round, particularly as it pertains to our domestic farm programs, must be known and taken into account before we begin making public declarations about changes to the current farm bill. Any attempt to modify the current farm bill prior to completion of the Doha round will place U.S. farmers at a competitive disadvantage. In other words, why should the G-20 Doha negotiators agree to market access concessions if we, in the U.S., have already announced what our domestic policy will be?

It is vitally important that we get a good trade deal in the Doha round. Our farmers must have substantial, ambitious, and quantifiable expansion in access to foreign markets in both developed and developing nations. Anything less will greatly undermine American farmers.

Energy should be addressed in the '07 Farm Bill. Even before the gulf coast hurricanes, farmers have been strained by energy woes. Natural gas and oil prices have skyrocketed, causing dramatic increases in the prices of fuel and fertilizer for farmers. Farmers have no way to recover these costs. The Farm Bill should contain a mechanism to assist farmers in the event of dramatic and unforeseen increases in input costs.

Last year's weather related disasters clearly demonstrated our vulnerability to energy shortages. The Farm Bill should encourage all types of alternative energy development, especially those based on renewable agricultural resources. Fuel produced from American farm products would invigorate the farm economy and greatly benefit our nation by reducing our dependency on foreign oil.

Farmers have often been referred to as the first environmentalists, and with good reason. Farmers have long believed and practiced good stewardship of their land and water resources. The '02 Farm Bill has many good conservation programs, and we urge their continuation or expansion in the next bill.

Contract based working lands conservation programs such as the Environmental Quality Incentives Program (EQIP), Conservation Security Program (CSP), Wildlife Habitat Incentives Program (WHIP), and Forest Land Enhancement Program (FLEP) enjoy wide support within the agricultural community. We encourage similar programs in the new Farm Bill, and we urge full funding for these programs.

The nutrition titles within the Farm Bill are also of great importance to Americans. It is abhorrent to farmers in this land of plenty that any of our citizens have an inadequate diet. Nutrition programs included in the Farm Bill help people in rural areas and in our major cities to have ready access to wholesome, healthful meals. These programs should be continued.

Finally, all farm programs associated with the '07 Farm Bill must be effectively administered at the local level. That task cannot be done if we continue to lose local Farm Service Agency offices. Greater efficiency is a worthy goal of USDA, and we appreciate their efforts. However, sufficient internet access continues to be limited in rural areas. Farmers need to be able to visit an FSA office within a reasonable geographic area.

Georgia Farm Bureau appreciates the opportunity to testify at this hearing, and we commend the Senate Committee on Agriculture, Nutrition, and Forestry for taking the time to listen to our concerns and the concerns of others.

GEORGIA MILK PRODUCERS, INC.
1641 NEW HIGH SHOALS ROAD
SUITE 5
WATKINSVILLE, GA 30677

May 23, 2006

Senator Saxby Chambliss
416 Russell Senate Office Building
Washington, DC

Dear Senator Chambliss,

The Southeast dairymen are getting milked by the present system. On the one hand, their representation on the coop director boards that control the milk in the Southeast and Appalachian Federal Milk Orders is in the minority. And since changes in the orders are based on who represents the producers is based on those coops, all changes reflect the majority whose interest is not the same as the southeast dairymen. Case in point: 20 years ago prices received by SE dairymen were higher than they are today. The Class I utilization was more than 20 points higher, with less sales and more milk produced in the SE states. It was no coincidence that a 20 point drop occurred with the Congressional mandated reduction in the number of federal orders in January 2000. The largest national co-op is headquartered in Missouri. Missouri in January 2000 was now included in the "Southeast" order. This one action cost Georgia dairymen more than $2.00/100#.

The other issue is the lock-step pricing in the orders between manufactured product pricing and fluid milk pricing. The southeast is a fluid milk production region. When the mega dairies in the West ramp up production (many having sold high priced real estate in California and encouraged to re-invest the money in dairying by our tax laws), the price received by fluid milk producers suffers. A 2% national oversupply in milk can reduce farm prices by 30%. We need a partial de-coupling of the Class I mover. Such a plan is included for your review.

I have also included numerous letters as well as newspaper articles depicting the plight of milk production in Georgia and the Southeast. Producers are giving up and selling out while they can, before they lose their farms as well.

The initial loser is the dairymen and their families. Then their communities, and Georgia, suffer economically as well. And ultimately the consumer will suffer when they have to pay the total cost of milk located 1,000 + miles away (most of which is now paid by local producers whose coops sign "full supply" contracts with the milk plants.

It is a desperate situation. We urgently need your help.

Sincerely,

Tom Thompson
President
Georgia Milk Producers, Inc.
Personal address
P O Box 3997
Eatonton, Georgia 31024
Phone 706 485-4547
Fax 706 485-6221

GEORGIA MILK PRODUCERS, INC.
1641 NEW HIGH SHOALS ROAD
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WATKINSVILLE, GA 30677

May 17, 2005

Mr. Steven Meeks
Office of Senator Saxby Chambliss
416 Russell Building
Washington, DC 20510

Dear Steven,

Thanks for your meeting with me concerning Georgia dairymen's concerns with the impact of Order Reform and present marketing conditions. On the issue of Georgia dairymen's minority positions in their marketing co-ops: please see enclosed letter from the Southern Marketing Agency (SMA) requesting a "loosening" of diversion rules, thereby making it easier to pool more milk on Order #7.

As we all know, this will probably mean that even more milk will "draw from the pool", thereby again reducing Georgia dairymen's net milk price.

I have attached the letter from SMA, Georgia Milk's letter to the Federal Milk Market Administrator requesting an impact analysis, and our letter to all Georgia dairymen alerting them of our concerns.

We have scheduled a meeting with Dr. Bill Thomas, UGA dairy economist, for next week to follow up on your request for his review of the material I left with you at our meeting in DC.

Confirmed

Thanks for your help.

Tom Thompson, President

GEORGIA MILK PRODUCERS, INC.
1641 NEW HIGH SHOALS ROAD
SUITE 5
WATKINSVILLE, GA 30677

May 2, 2005

Senator Saxby Chambliss, Chairman
Senate Agriculture Committee
328A Senate Russell Building
Washington, DC

Dear Senator Chambliss,

We would like to call to your attention the growing disparity between fluid milk needs and fluid milk production in Georgia and the SE. Attached as Exhibit 1 is data from the Federal Milk Market Administrator's office in Atlanta.

We would ask your help in identifying the causes of this growing disparity, as well as addressing needed corrections. We think it would be helpful for your Agriculture Committee to request information from the Secretary of Agriculture:

- Localized mailbox milk prices, by state and county, especially for Georgia and states outside Federal Order #7 that supply Georgia fluid milk plants. This might give an indication of how much, if any, Georgia producers are subsidizing producers in distant states.
- Georgia plant milk volumes by class. These numbers could be multiplied by class prices see how much money is generated by Georgia plants. When these numbers are then compared to local mailbox prices, a determination of how much Georgia milk plant producer revenue stays in Georgia. For example, if Georgia producers supply 60% of the milk going into Georgia plants, do they receive 60% of the revenue?
- How much do diversions (allowed in the Order) decrease the FO7 blend price?
- A comparison of the trends of fluid needs vs production: Florida (all Federal Order 6) vs other SE states including Georgia that are part of Federal Order 7. It is our belief that Florida's Order 6 geographical restriction to Florida vs

the other SE states in Order 7 having been subjected to a continually increasing geographical area plays a significant role in the disparity of fluid needs vs production trends.

- Doesn't this divergent geographical treatment of one state (Florida) vs other SE states raise a question of fairness and equity issues in the Order System? Georgia has much more in common with Florida than Missouri (now included in Order 7): not just location, but similar production challenges such as heat and humidity with both Florida and Georgia struggling to locally supply a year round deficit market.
- A comparison of the 15-year trends contrasting the % of milk supplied to Georgia plants by Georgia producers vs milk supplied by out of state producers.

We call your attention to "Title 7—Agriculture", "Chapter 26—Agricultural Adjustment", "Subchapter III -Commodity Benefits", Sec. 608c. Orders regulating handling of commodity", "18-Milk Prices". The first sentence begins: "The Secretary of Agriculture" and enumerates a number of items to be considered in setting milk prices in orders, stating "he shall fix such prices as he finds will reflect such factors, insure a sufficient quantity of pure and wholesome milk to meet current needs and further to <u>assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs.</u>" We believe you have to conclude from the trend data that this requirement in the law is not being met.

It is our belief that the reason that these trends exist (and will only get worse) is due primarily to one factor: Georgia producers are not getting their fair share of the money that is paid by the milk plants in Georgia, and consequently are forced out of business by economics. Similar conditions exist in surrounding states (Florida being the exception, as noted above). The omission of the "Base-Excess Plan" in the 1995 Farm Bill (Title 7-Agriculture/Chapter 26-Sub Chpt II Sec 608c Sub Sec (5)(B) Pub. L. 91-524) has only made matters worse.

We think it is highly likely that the root of the pricing problem has its origins in the way the Federal Orders operate. Co-ops represent their members at federal order hearings. And cooperatives, as democratically structured organizations, will

almost always push for the wishes of the majority. In Florida, one co-op represents virtually all the state's milk production, and Florida's production is the over-whelming volume in the co-op. One state, one co-op, one federal order. I refer you to Exhibit 2 (a) attached: Georgia Milk Producers, Inc. Brief dated August 12, 2004 Federal Milk Marketing Hearing, SE Federal Order, and the accompanying Exhibit 2 (b): Ltr to Board of Directors, Maryland-Virginia, dated March 16, 2004.

Georgia's producers' interests (which ultimately equate to farm milk pricing), and the other SE states in Orders 5 & 7, have not been represented at Federal Order hearings and resulting decisions. This same minority factor has most likely also played a significant role in milk marketing by the co-ops, such as the pricing/pooling in the Southern Marketing Agency, resulting in many SE producers typically receiving *less than* the federal order (mandated) blend price. And this occurs in an increasingly deficit market.

We see:

- Producers not receiving adequate prices in a deficit market
- Producers going out of business
- Local economies suffering
- Population/fluid milk demand going up substantially
- More and more milk imports
- More demand for imported oil to fuel the trucks hauling milk from greater and greater distances (1,000+ miles)
- Increased traffic congestion/costs to maintain highways

We ask you to:

- Request the information as outlined from the Secretary of Ag
- Analyze the data
- Address the problem in the upcoming Farm Bill

Sincerely,

Tom Thompson, President
Georgia Milk Producers, Inc.

GEORGIA MILK PRODUCERS, INC.
1641 NEW HIGH SHOALS ROAD
SUITE 5
WATKINSVILLE, GA 30677

August 12, 2004

USDA, WASHINGTON, D.C.
BRIEF, FEDERAL MILK MARKETING HEARING, SE FEDERAL ORDER

Georgia Milk Producers, Inc. feels that it is imperative that the issue of Southeast directors' Minority status be addressed.

When federal orders were implemented in Georgia, Georgia had its own Georgia Federal Order. There were a number of cooperatives operating in Georgia, most made up of all Georgia producers. Thus, federal order issues affecting Georgia Producers were addressed correctly for the best interests of Georgia producers.

As cooperatives merged due to the laws of economics and federal orders merged due to economics and the political arena, Georgia producers were then part of larger groups, both in cooperatives as well as federal orders. At this stage, however, their interests were common to other producers in both the cooperatives and the federal orders, because all were contained within the Southeast: their cooperatives could speak for their interests in federal order issues and hearings.

With the advent of Congressional mandated federal order number reduction and the parallel continual merging of cooperatives, Georgia and other S E producers now find themselves in a minority position on the director boards of the two major cooperatives representing milk in the S E Order and the Appalachian Order (Orders 5 & 7). The issue then becomes: who speaks for a region that comprises a minority on the cooperative boards who determine what issues will be addressed at federal order hearings? Obviously, if the SE region needs a position taken that the majority of the cooperative boards (who live outside the SE) feel would be to their disadvantage, it doesn't take a

leap of faith to know what will happen: the minority interest will be squelched.

I submit as evidence of this type of action that, although it is outside the federal order arena, presents a classical illustration of the insidious subjugation of our minority interests. Attached to this brief is my letter dated March 16, 2004 as a member of the board of directors of Maryland and Virginia Milk Producers Co Op to our Board Chairman, Mr. Steve Graybeal. It should be noted that MD VA Milk Producers Cooperative board of directors is composed of approximately 1/3 of its directors who reside in the Southeast. These same Southeast directors for 5 years have requested their cooperative's help in getting the previous-to-1995 Farm Bill Base-Excess Plan to be re-authorized in Orders 5 and 7. We have thus far seen no action from our cooperative in attempting to get this done.

When Georgia Milk Producers, Inc. asks our Federal Milk Market Administrator how we address issues affecting the ability of the Southeast milk producer to survive, we are told: "get your cooperative to bring these issues before me or a federal order hearing and we will address them". But, as you can see, the practicality of that happening is fairly remote.

We have seen our country protect minority interests in many other areas. We appeal to you for that same protection in federal milk marketing issues.

Inaction by USDA will ultimately lead to the decimation of milk production and milk producers in the Southeast, the most deficit milk production area in the US.

Sincerely,

Tom Thompson, Jr.
President
Georgia Milk Producers, Inc.
Attachment

Letter to Board of Directors, MdVa, dated 3/16/2004

GEORGIA MILK PRODUCERS, INC.
1641 NEW HIGH SHOALS ROAD
SUITE 5
WATKINSVILLE, GA 30677

June 7, 2005
Fax to 770 822-1038
Ms. Sue Mosley
Market Administrator, SE Federal Milk Marketing Order
1550 North Brown Road, Suite 120
Lawrenceville, Georgia 30043

Dear Ms. Mosley,

Reference: Request by Southern Marketing Agency to change the Order's touch-base/back pooling provisions

Georgia Milk Producers strongly opposes the request by SMA to change the Order's touch-base/back pooling provisions. Our opposition is based on the following:

1. The analysis, using assumptions quoted below, shows an adverse impact to the uniform price of $.07/100# for the time period analyzed (Jan 04-Mar 05)
2. According to the impact study your department just concluded, and quoting from page 1, second paragraph: "This analysis is static in nature. It assumes that the only milk pooled under the proposed change is that which was produced prior to a producer's first qualification or "touch base day" on Federal Order 7 and was pooled on a Federal Order other than Federal Orders 5, and 6, or, was shipped to an unregulated manufacturing plant and not pooled on any Federal order. Producers with market association from the previous month are not included. The analysis assumes no other changes in pooling behavior by either cooperatives or by plants receiving milk from independent producers." (underlined for emphasis)
3. When you take the $.07 adverse impact and add an unknown amount for the "assumption factor", the cost to Southeast producers is staggering, and takes survival money out of their milk checks. This just

adds to the previous adverse financial impact that was the result of "order reform" and its geographical spread of the SE Order with its resulting drastically lower utilization (lower milk prices).

4. According to statistical data on production trends Vs population for the years 1988-2004 inclusive, (this data previously furnished to us by your office, and marked "Exhibit 1 & Exhibit 2"), GA and the SE are in a continually worsening milk production deficit with rapidly growing populations. It would be unconscionable to make a change in the order that would inevitably drive more SE dairymen out of business. The opposite needs to be accomplished.
5. Quoting from Title 7, Chapter 26, Subchapter III, Sec. 608c. (Orders regulating handling of commodity) (18) (Milk Prices): "The Secretary of Agriculture….. ……..he shall fix such prices as he finds will….. assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs……."(Exhibit 3 & underlined for emphasis) It is our position that the proposed change would violate this provision in the law providing for the Orders.

Finally, it needs to be noted that the request by SMA not only was not discussed at Maryland-Virginia's Board of Director's meetings (where there is an SMA Committee meeting every month), the proposal caught all but two of the SE directors totally unaware that any such move was contemplated. Only by chance was I made aware, and this was due to Georgia Milk receiving a copy of the SMA letter.

I refer you again to my brief dated August 12, 2004 in the previous SE Federal Order Hearing considering SMA's request to merge Orders 5 & 7 (opening paragraph): "Georgia Milk Producers, Inc. feels that it is imperative that the issue of Southeast directors' Minority Status be addressed."

We respectfully urge you to deny SMA's request.

Sincerely,

Tom Thompson, President

March 16, 2004

Board of Directors
Steve Graybeal, Chairman
Maryland & Virginia Milk Producers
Reston, VA

At the Southern Dairy Conference in Atlanta on February 9-10, Maryland & Virginia was represented by four directors: Jeff Bender, Henry Cabaniss, Steve Graybeal, and myself. To be more correct: four Md-Va directors were in attendance. I do not recall any board action making any board member an "official designee".

On the morning of February 10 while Henry and I were eating breakfast, Steve sat down with us and said "since Joe Wright is stepping down as S E Dairy Farmer President with SMI withdrawing from the organization, 'we' have decided that I should be the new President of S E Dairy Farmer. I have checked with Dwayne & Branson and neither of them want to be President. We have also decided that Bill Smith should be Vice-president. What do the two of you think about that?" (I also believe Steve indicated that "they" had mentioned Jim Baird as Treasurer.) Both Henry and I told Steve we didn't think that the Southeast Dairy Farmer organization, a political lobbying organization, should be headed up by people who don't live in the SE. That would be like one of us heading up a NE political lobbying organization in Pennsylvania. After Jeff heard of the plans, he expressed the same concerns to Steve that Henry and I had expressed. All three of us advised Steve not to proceed as he planned. Our pleadings were ignored.

Perhaps a little background is in order. In 1994, when Congressman Steve Gunderson (Wisconsin) was Chairman of the House Dairy Committee and writing the "Chairman's Mark" for The 1995 Farm Bill, he let the country know that we were going to either have National Class I pooling, or no federal orders. "The choice is yours." Or as it was later termed: "do you want to die by hanging or by firing squad?"

A handful of dairymen in middle Georgia met, discussed the attack by Gunderson, and began discussing what could be done. Georgia Milk Producers became the forum and organization that helped educate other dairymen in other states as well as elected officials on the potentially disastrous effects of the Gunderson dairy title bill. This led to meetings with Jim Barr, President of NMPF ("you can't roll a chairman on his own bill"), and ultimately with Congressman Gerald Solomon (NY), Chair of the powerful House Rules Committee as well as Speaker New Gingrich (GA), who later told a crowd of almost 1,000 in Augusta: "Charlie Norwood (GA) brought a handful of GA dairymen to meet with me and they explained how the impact of the Gunderson proposal on dairy pricing affected Georgia dairymen differently than Wisconsin dairymen. And we defeated the Gunderson proposal." As Congressman Gerald Solomon told me on Capitol Hill a few months before his death: "Tommy, did you know that in the history of Congress a Chairman has only been defeated on his Markup ONE time….and WE did it!"

I mention all of this to explain the background of the S E Dairy Farmer lobbying organization. Those of us in the SE, realizing that we could not long-term expect to monitor the activities of Congress without a structured organization, formed the SE Dairy Farmer. Georgia Milk Producers, Florida Dairy Farmers, and Carolina-Virginia were among the founding members. Charlie Garrison was hired to represent us. Maryland & Virginia became a member subsequent to our merger.

It is my belief, and I suspect my feeling is shared by others, that this decision on Steve's part to be President of S E Dairy Farmer potentially undermines the mutual respect that different regions of our co op must have for each other's jurisdiction. I'm afraid the implications go far beyond the S E Dairy Farmer organization.

It makes me feel like a member of another congregation just came into my church and took it over.

Tom Thompson

Comments on Renewal of the Farm Bill
Submitted by Mr. George Chambers, 27 Cattle Company, Carrollton, GA
on Behalf of R-CALF USA
To the Senate Committee on Agriculture, Nutrition & Forestry
Regional Farm Bill Hearing, Albany, GA

June 23, 2006

The Ranchers-Cattlemen Action Legal Fund – United Stockgrowers of America (R-CALF USA) appreciates this opportunity to provide comments on the renewal of the Farm Bill through this submission by R-CALF USA member George Chambers of the 27 Cattle Company in Carrollton, Georgia.[1] R-CALF USA is a non-profit association that represents over 18,000 U.S. cattle producers in 47 states across the nation, along with 60 state and local affiliates. R-CALF USA's membership consists primarily of cow-calf operators, cattle backgrounders, and feedlot owners. Various main street businesses are associate members of R-CALF USA. R-CALF USA works to sustain the profitability and viability of the U.S. cattle industry, a vital component of U.S. agriculture. The renewal of the Farm Bill presents an important opportunity to strengthen the cattle sector and create a competitive playing field at home and abroad for United States cattle producers.

I. Introduction

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

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[1] Mr. Chambers can be contacted at the 27 Cattle Company, 1289 Farmers High Road, Carrollton, GA 30117.
[2] U.S. Department of Agriculture, National Agricultural Statistics Service Agricultural Statistics Database, *U.S. and All States Data – Cattle and Calves*, 1994 – 2005.
[3] *Id.*

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

II. Ensure Genuine Competition in the Domestic Cattle Market

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

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

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

[5] McDonald at 7.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition, the Farm Bill should help promote transparency in the market by extending and strengthening Livestock Mandatory Price Reporting. Recently the GAO recommended a number of ways in which the current price reporting program could be improved to ensure that more accurate and complete data are available, and the Farm Bill should adopt and build upon these recommendations.[13]

III. Safeguard Health and Safety

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

Closure of foreign markets is preventing a rebound in the domestic cattle sector at a time when such a resurgence would otherwise be expected, with growing domestic beef demand and the closure of the border to imports of cattle from Canada for much of the 2003 to 2005 period. Instead of the normal rebound in the cattle cycle, the loss of export markets and live cattle price volatility are thwarting a full recovery in the domestic cattle and beef sector. Restraints in external markets are artificially reducing the size of the U.S. cattle industry, as imports are increasing and seizing a large share of domestic consumption.

- In 2003, all cattle and calf marketings totaled 56.8 billion pounds.[14] In 2004, the volume marketed fell to 53.8 billion pounds, and in 2005 it fell again to 53.1 billion pounds.[15]

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

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

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

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

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

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

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

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

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

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

[19] USDA PSD Database.

Farm Bill can ensure that USDA makes health and safety a top priority as it works to restore global export markets for U.S. beef by:

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

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

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

IV. Provide Information to Beef Consumers

Congress passed mandatory Country of Origin Labeling (COOL) for beef and other agricultural products in 2002. The American people in poll after poll support knowing what country their food comes from, and domestic producers believe that labeling provides an excellent opportunity for promoting high-quality U.S agriculture products. [20] Due to historical anomalies in country-of-origin marking rules and the marking practices of the Bureau of Customs and Border Patrol, beef and other perishable products are some of the few items consumers purchase in the U.S. that lack country of origin information.[21] The vast majority of other developed countries have already implemented country-of-origin labeling programs for such products, including beef.[22] The track record with fish and shellfish country-of-origin

[20] *See, e.g.*, John VanSickle et al., "Country of Origin Labeling: A Legal and Economic Analysis," University of Florida Institute of Food and Agricultural Science, May 2003. (Hereinafter VanSickle).
[21] *See, e.g.*, General Accounting Office, *Country-of-Origin Labeling: Opportunities for USDA and Industry to Implement Challenging Aspects of New Law*, GAO-03-780, Aug. 2003. (Hereinafter GAO-03-780).
[22] *Id.*

labeling proves that such labeling can be implemented to the benefit of both consumers and industry in the U.S. Unfortunately, despite broad public support and the proven success of similar programs, COOL implementation was recently delayed until 2008 due to widespread misunderstandings about the costs and benefits of COOL.

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

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

V. Address Global Distortions in Cattle and Beef Trade

While the Farm Bill does not typically address U.S. trade policy, these policies have significant impacts on U.S. cattle producers, and it is therefore important that the Farm Bill examine whether U.S. trade policies are consistent with broader policy goals for the cattle and beef sector. The U.S. has not enjoyed a significant trade surplus in cattle and beef trade since 1997 in dollar terms, and the deficit in the sector has exploded over the past few years, hitting more than $3.3 billion in 2005. Given the supply-sensitive nature of the market for U.S. cattle, the growing trade deficit in both cattle and beef has a profound impact on the U.S. cattle industry. The lack of harmonization of health and safety standards outlined in Section III, above, plays a large role in the loss of U.S. export markets. United States' competitiveness is also undermined by large subsidies and high tariffs on cattle and beef in other countries, while the U.S. market is one of the most open in the world and U.S. cattle producers receive no trade-distorting subsidies. It will also be important that USDA become more engaged in researching

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[23] *See, e.g.*, GAO-03-780 and VanSickle.

[24] *See Mandatory Country of Origin Labeling of Beef, Lamb, Pork, Fish, Perishable Agricultural Commodities, and Peanuts; Proposed Rule*, 68 Fed. Reg. 61,944, Oct. 30, 2003 and *Mandatory Country of Origin Labeling of Fish and Shellfish; Interim Final Rule*, 69 Fed. Reg. 59,708, Oct. 5, 2004.

how exchange rates play into agricultural trade flows and monitoring the manipulation of exchange rates.

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

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

There is no doubt that further trade liberalization without special safeguards will erode the market for the U.S. cattle industry. This could happen even in the absence of unfair trade practices. The U.S. Trade Deficit Review Commission noted, "Easy availability of imports can limit price increases either by expanding available supply or reducing the ability of businesses to raise prices in order to pass on increases in their costs."[29] This dynamic is particularly apparent in the cattle and beef industry, where, as former U.S. International Trade Commission Chairwoman Lynn Bragg observed, "The concentration of packers increases the packers' leverage relative to cattle producers, thus providing packers the ability to use imports to reduce domestic live cattle prices and/or prevent price increases."[30]

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[25] 19 U.S.C. § 3802.
[26] 19 U.S.C. § 3802(b)(10)(A)(ii).
[27] 19 U.S.C. § 3802(b)(10)(A)(iii).
[28] 19 U.S.C. § 3802(b)(10)(A)(ix) – (x) and (B)(i).
[29] "The U.S. Trade Deficit: Causes, Consequences and Recommendations for Action," Final Report of the U.S. Trade Deficit Review Commission, Nov. 14, 2000 at 26.
[30] *Live Cattle from Canada*, Inv. No. 731-TA-812 (Final), USITC Pub. 3255, Nov. 1999 at 50.

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

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

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

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

- An increase in direct purchases of beef in the school lunch program and stronger rules of origin for beef benefiting from the program;
- Federally-funded pilot projects on mini-packing facilities;
- Conversion of the Livestock Risk Protection pilot program into a permanent program with nation-wide coverage and sufficient funding to underwrite risk insurance for cattle producers;
- Grants, loans and loan guarantees for renewable energy and energy efficiency improvements, as well as financial assistance to cope with spikes in energy costs;
- Conservation programs that sustain wildlife and habitat as well as the rancher, and reward agricultural producers for taking measures to improve their land in a sustainable manner;
- Incentives and assistance programs for producer cooperatives and grower-owned value-added enterprises, research and development projects, and rural banking and economic development initiatives; and

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

- Initiatives to develop renewable energy sources, such as ethanol, soy diesel, juniper trees, wind, and poultry litter and rendered specified risk material.[34] Increased availability and use of these fuels can help grow and improve the livestock industry in the U.S. and create jobs in the U.S.

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

VII. Conclusion

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

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

Southeast Milk, Inc. Position on Major Dairy Related Issues

1. Milk Pricing. The Class I (fluid milk) milk price be based, at least in part, on local market conditions, including both supply and demand, and not on the price of manufactured products. This be accomplished administratively and/or legislatively.

2. Competition. The next Farm Bill should contain a specific title on competition. This title should facilitate a transparent, accessible, open, and fair competitive market in dairy and all agricultural products.

3. Dairy Price Support. We support the continuation of this relatively low cost safety net for dairy farmers. The dairy price support program is a win-win for producers, processors, and consumers.

4. Immigration. An immigration law is needed that provides reasonable and realistic border security measures. But, it must also contain a reasonable process for current workers who lack proper legal status to earn legal status subject to realistic conditions.

5. Quota and tariff legislation on milk protein concentrate and casein. Support the Milk Import Tariff Equity Act. This dairy trade legislation would prevent importers of certain dairy products from evading U.S. trade laws designed to strictly regulate dairy product imports into this country.

Southeast Milk, Inc. (SMI) is a dairy cooperative marketing almost 3 billion lbs. of milk produced by 300 dairy farm families in Florida, Georgia, Alabama, and Tennessee. SMI markets about 95% of the milk produced in Florida and 50% in Georgia. Almost all of SMI's milk production is used to supply fluid milk processors throughout Florida and the Atlanta, Georgia area.

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USDA
AMS
Dairy Programs
Atlanta Market Administrator

Current And Projected Milk Supply In The Southeast

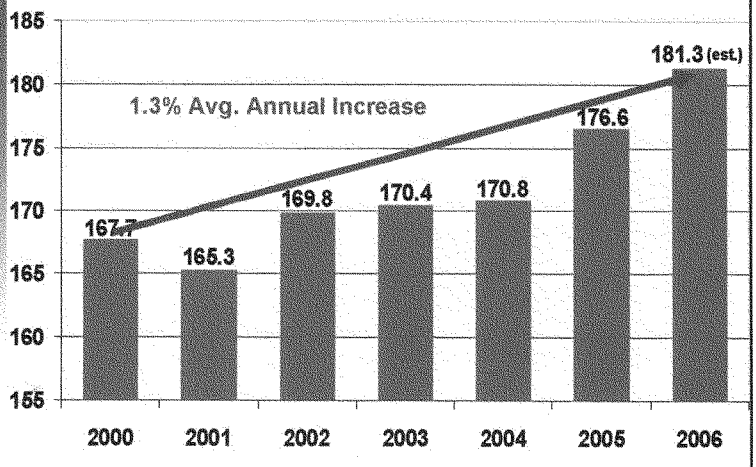
Sue L. Mosley
Market Administrator
Southeast and Florida Marketing Areas

February 2, 2006 Atlanta, Georgia

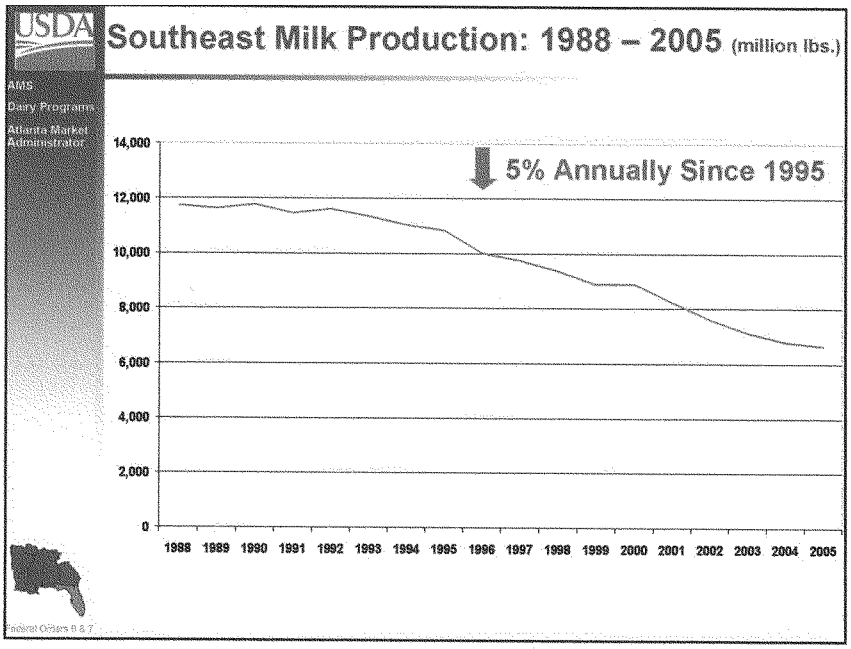
Federal Orders 6 & 7

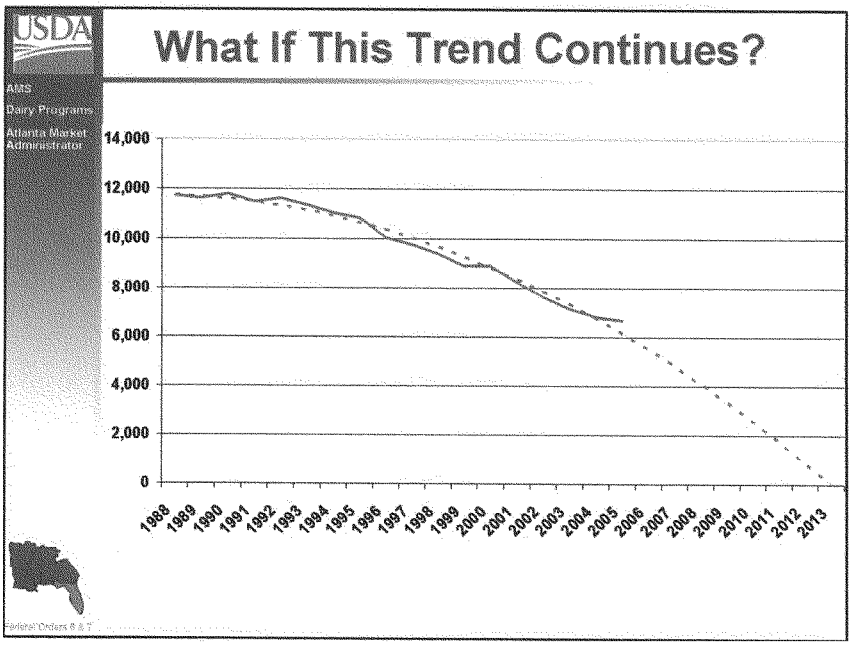
USDA
AMS
Dairy Programs
Atlanta Market Administrator

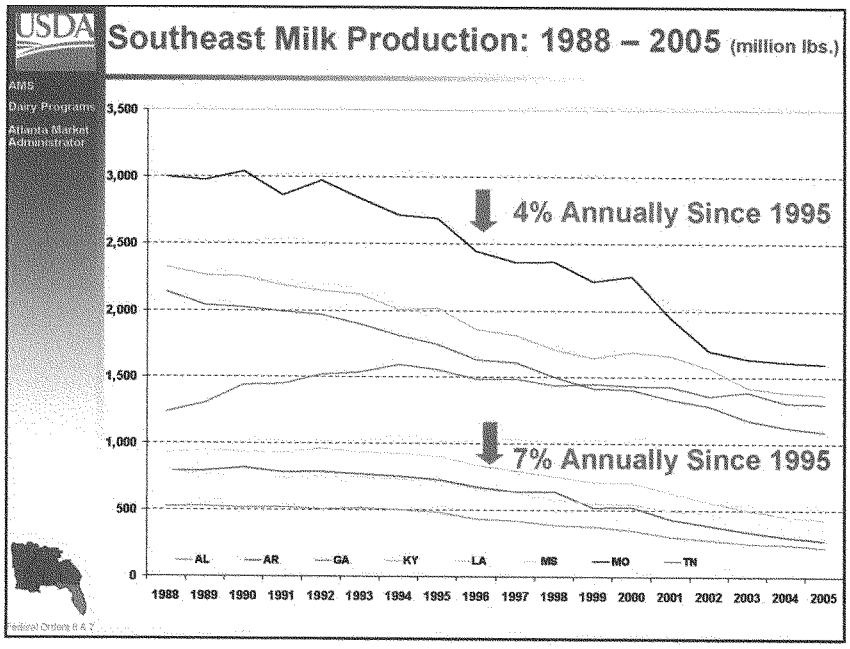
U.S. Milk Production: 2000 – 2006 (billion lbs.)

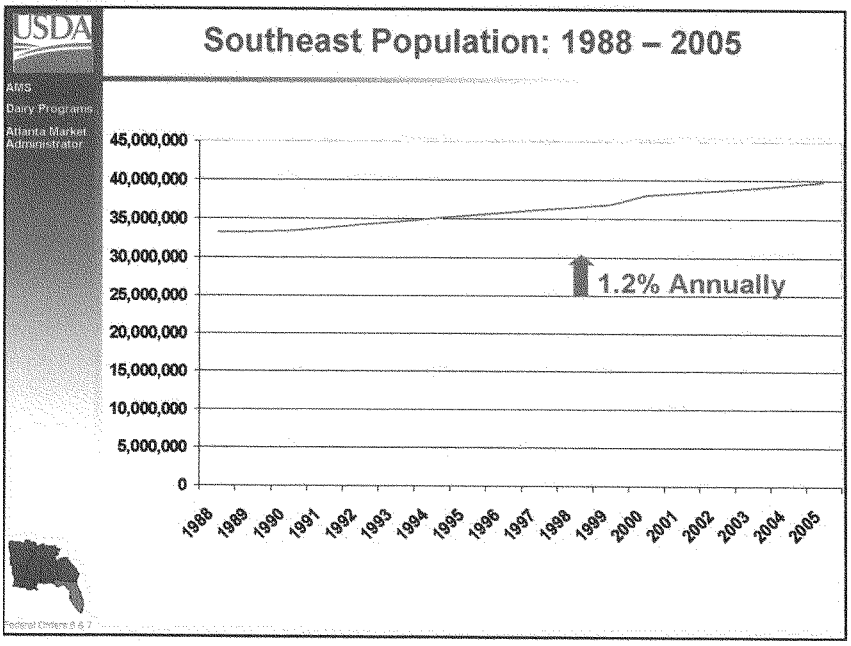


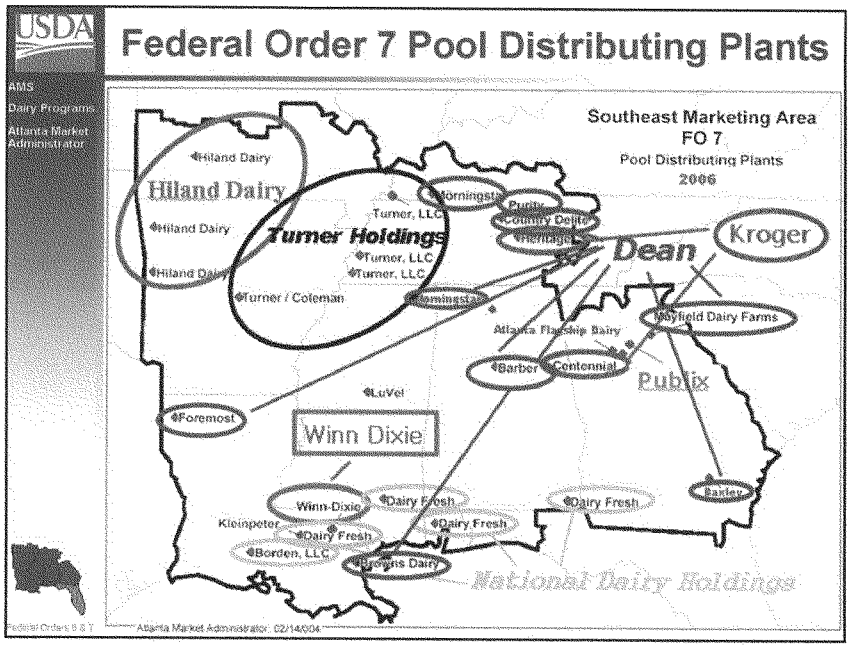
Federal Orders 6 & 7

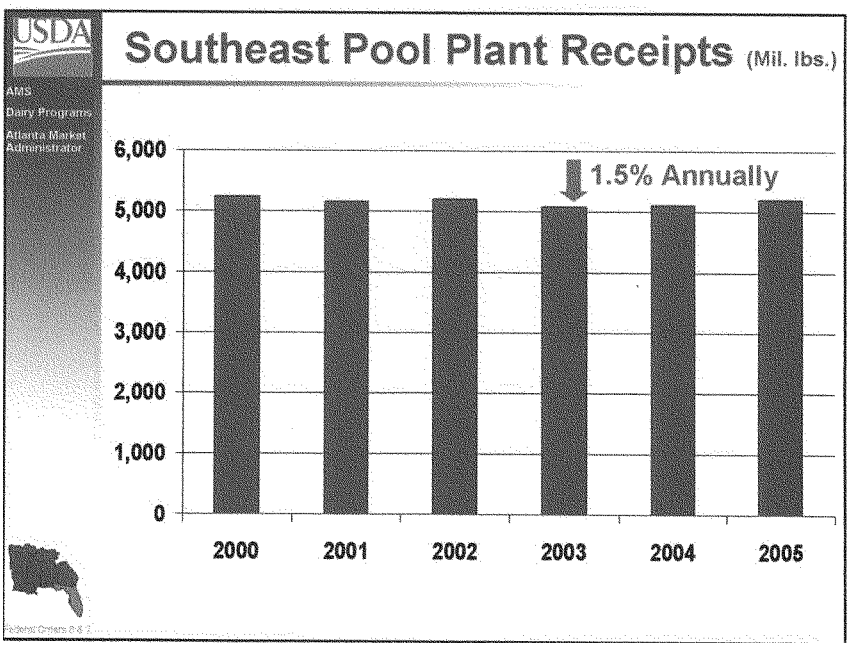

USDA
AMS
Dairy Programs
Atlanta Market Administrator
Southeast Milk Production: 1988 – 2005 (million lbs.)
5% Annually Since 1995
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005
Federal Orders 6 & 7

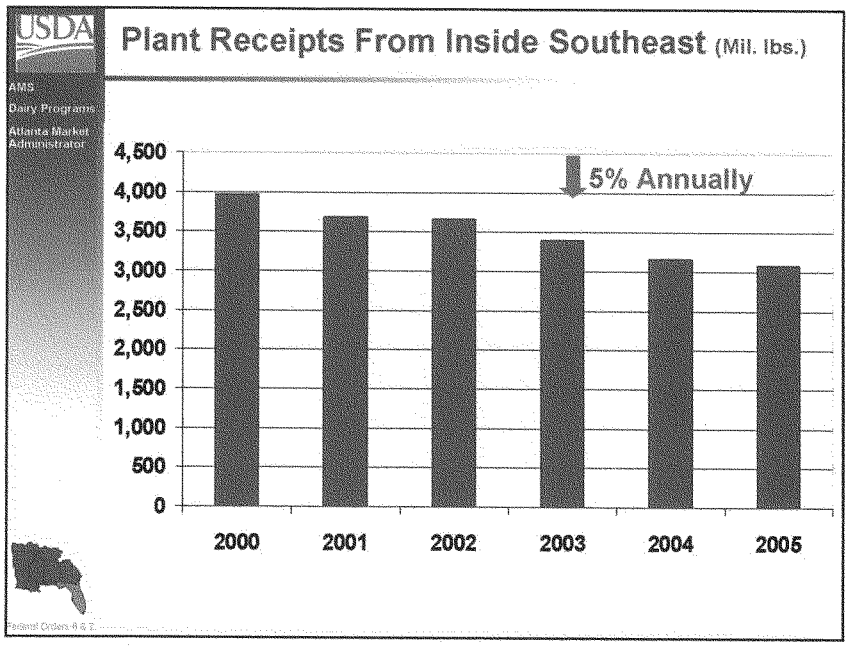

USDA
AMS
Dairy Programs
Atlanta Market Administrator
What If This Trend Continues?
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013
Federal Orders 6 & 7

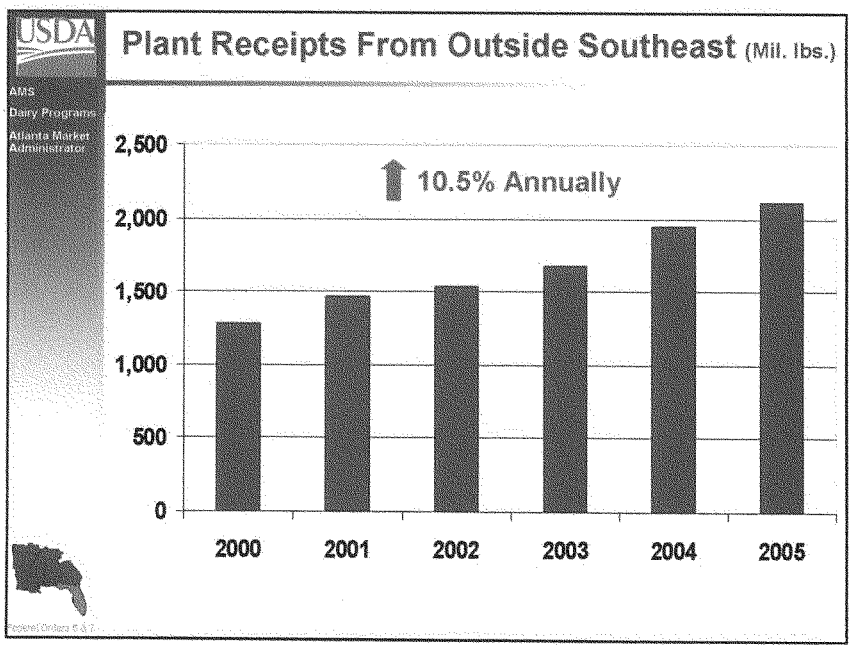

USDA
AMS
Dairy Programs
Atlanta Market Administrator
Southeast Milk Production: 1988 – 2005 (million lbs.)
3,500
3,000
2,500
2,000
1,500
1,000
500
0
4% Annually Since 1995
7% Annually Since 1995
AL
AR
GA
KY
LA
MS
MO
TN
1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005

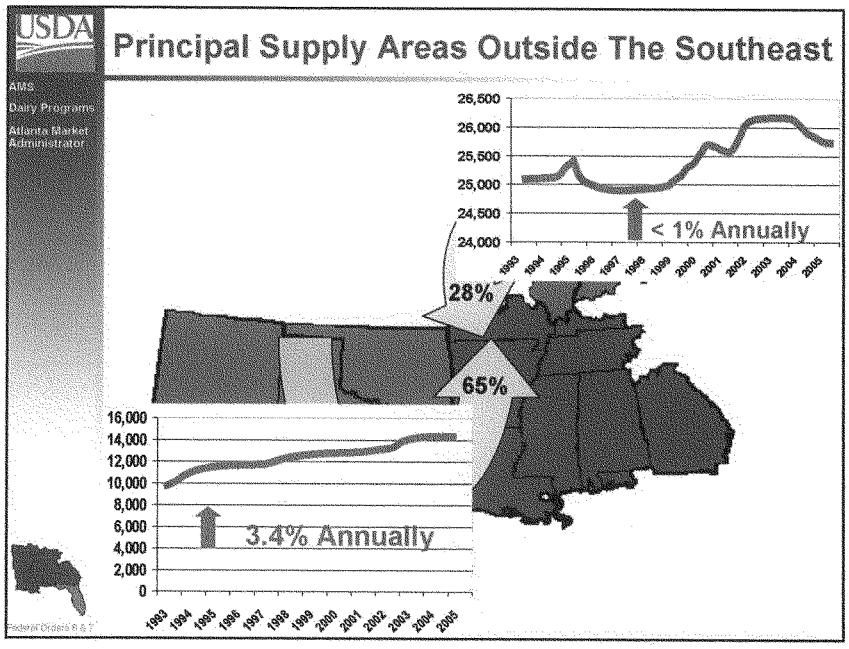

USDA
AMS
Dairy Programs
Atlanta Market Administrator
Southeast Population: 1988 – 2005
45,000,000
40,000,000
35,000,000
30,000,000
25,000,000
20,000,000
15,000,000
10,000,000
5,000,000
0
1.2% Annually
1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005

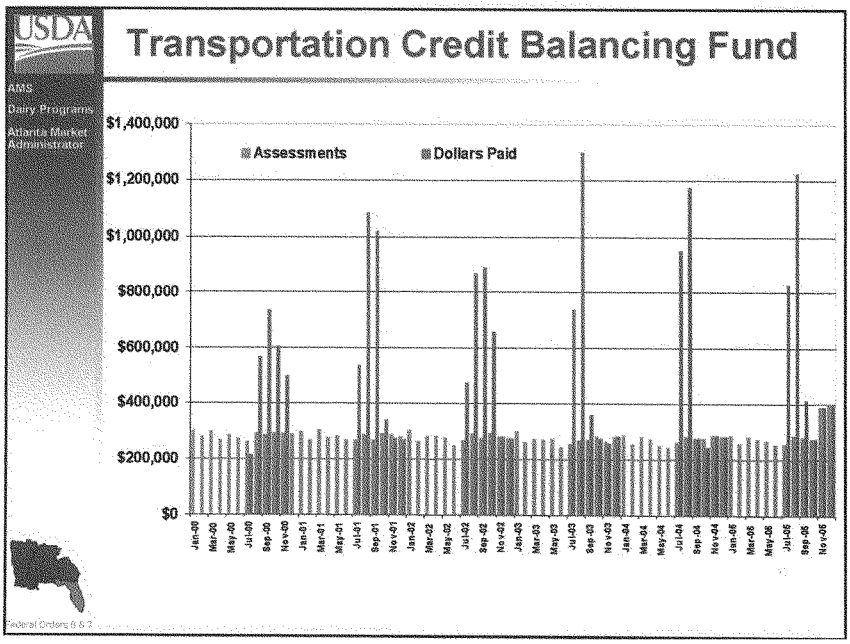

USDA
AMS
Dairy Programs
Atlanta Market Administrator
Federal Order 7 Pool Distributing Plants
Southeast Marketing Area
FO 7
Pool Distributing Plants
2006
Hiland Dairy
Hiland Dairy
Hiland Dairy
Hiland Dairy
Turner Holdings
Turner, LLC
Turner, LLC
Turner, LLC
Turner / Coleman
Morningstar
Purity
Country Delite
Heritage
Dean
Kroger
Atlanta Flagship Dairy
Mayfield Dairy Farms
Barber
Centennial
Publix
LuVel
Foremost
Winn Dixie
Winn-Dixie
Dairy Fresh
Dairy Fresh
Dairy Fresh
Dairy Fresh
Kleinpeter
Borden, LLC
Brown's Dairy
Barber
National Dairy Holdings
Atlanta Market Administrator 02/14/004

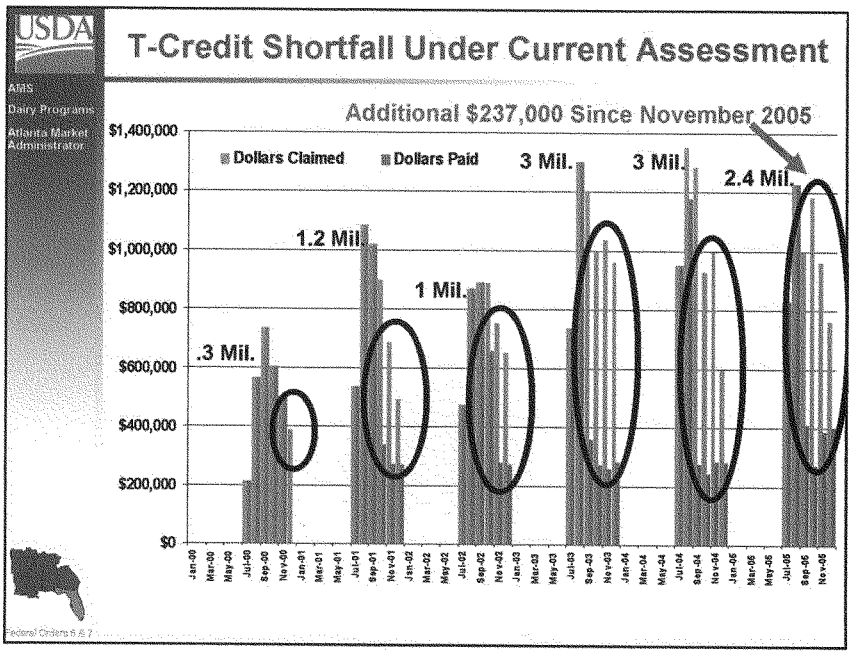

USDA
AMS
Dairy Programs
Atlanta Market Administrator
Southeast Pool Plant Receipts (Mil. lbs.)
6,000
5,000
4,000
3,000
2,000
1,000
0
1.5% Annually
2000
2001
2002
2003
2004
2005

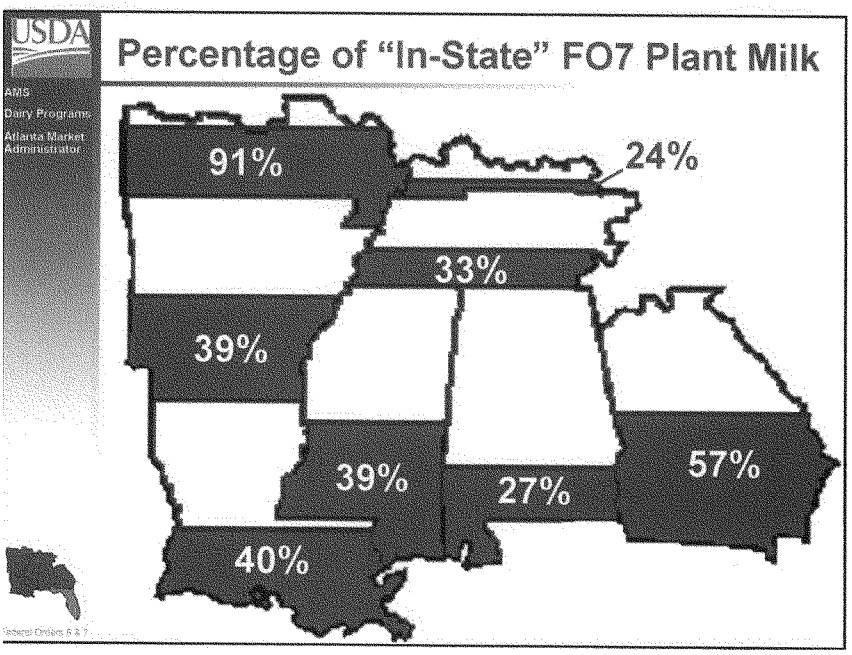

USDA
AMS
Dairy Programs
Atlanta Market Administrator
Plant Receipts From Inside Southeast (Mil. lbs.)
5% Annually
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
2000
2001
2002
2003
2004
2005
Federal Orders 6 & 7

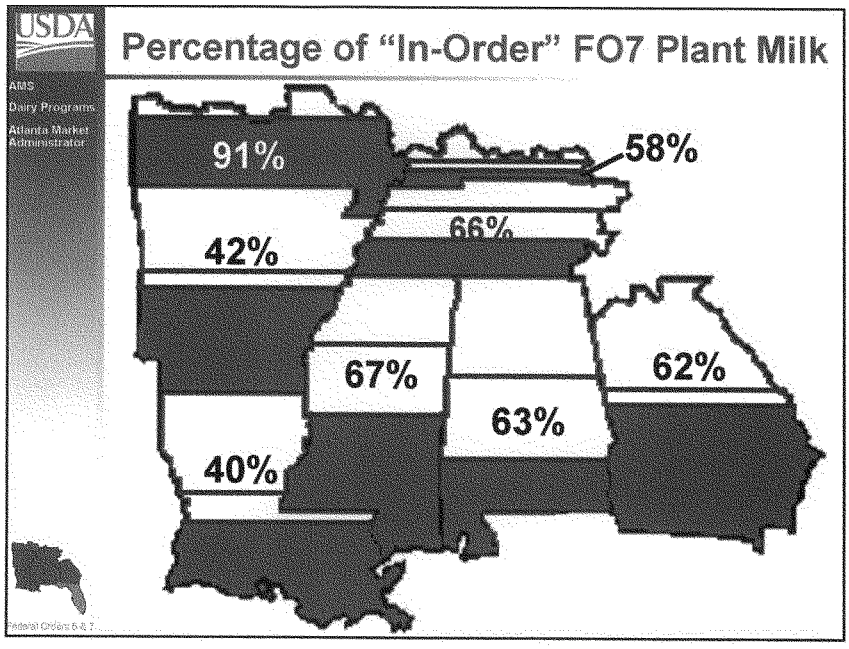

USDA
AMS
Dairy Programs
Atlanta Market Administrator
Plant Receipts From Outside Southeast (Mil. lbs.)
10.5% Annually
2,500
2,000
1,500
1,000
500
0
2000
2001
2002
2003
2004
2005
Federal Orders 6 & 7

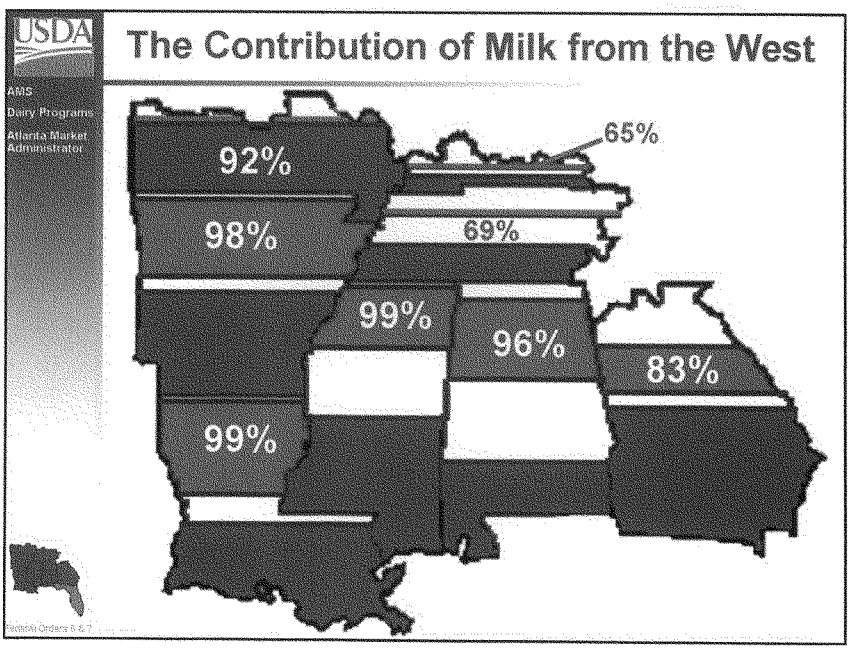

USDA
AMS
Dairy Programs
Atlanta Market Administrator
Principal Supply Areas Outside The Southeast
26,500
26,000
25,500
25,000
24,500
24,000
< 1% Annually
1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005
28%
65%
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
3.4% Annually
1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005
Federal Orders 6 & 7

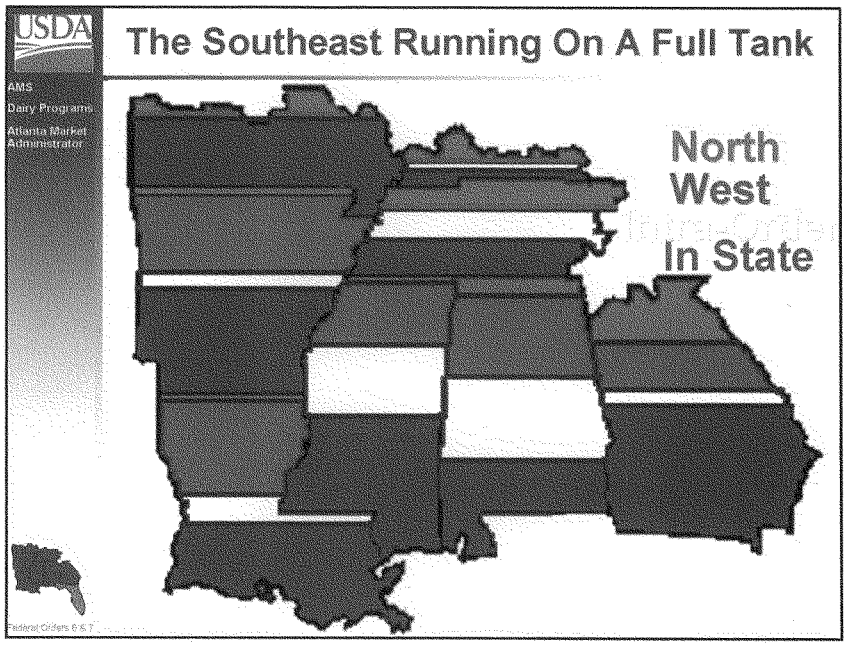

USDA
AMS
Dairy Programs
Atlanta Market Administrator
Transportation Credit Balancing Fund
$1,400,000
$1,200,000
$1,000,000
$800,000
$600,000
$400,000
$200,000
$0
Assessments
Dollars Paid
Jan-00 Mar-00 May-00 Jul-00 Sep-00 Nov-00 Jan-01 Mar-01 May-01 Jul-01 Sep-01 Nov-01 Jan-02 Mar-02 May-02 Jul-02 Sep-02 Nov-02 Jan-03 Mar-03 May-03 Jul-03 Sep-03 Nov-03 Jan-04 Mar-04 May-04 Jul-04 Sep-04 Nov-04 Jan-05 Mar-05 May-05 Jul-05 Sep-05 Nov-05
Federal Orders 6 & 7

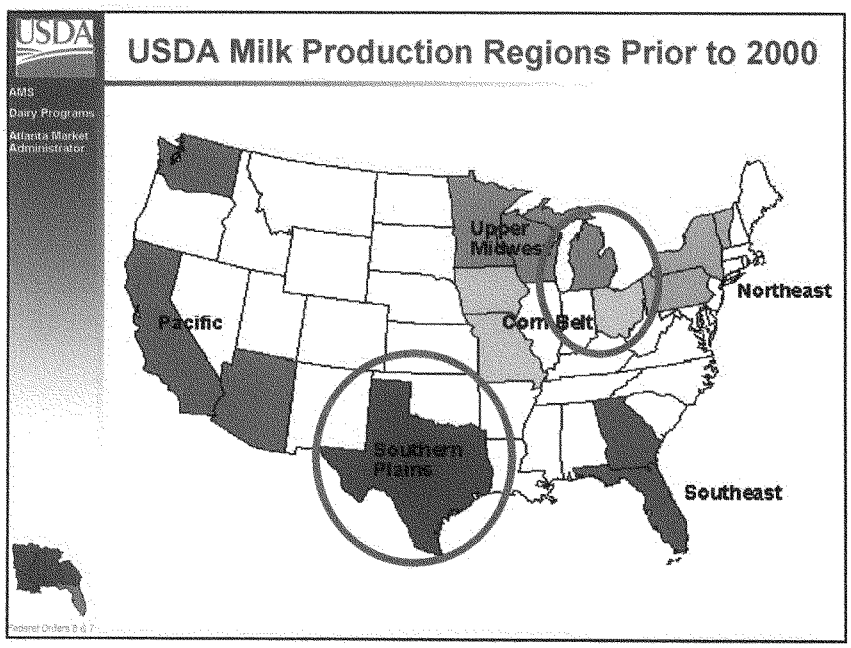

USDA
AMS
Dairy Programs
Atlanta Market Administrator
T-Credit Shortfall Under Current Assessment
Additional $237,000 Since November 2005
Dollars Claimed
Dollars Paid
$1,400,000
$1,200,000
$1,000,000
$800,000
$600,000
$400,000
$200,000
$0
.3 Mil.
1.2 Mil.
1 Mil.
3 Mil.
3 Mil.
2.4 Mil.
Federal Orders 6 & 7

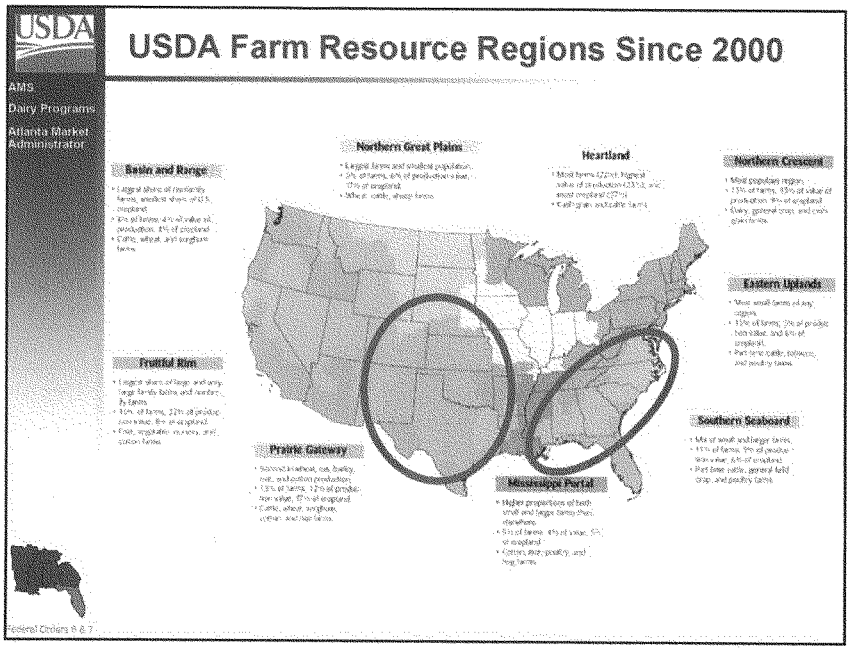

USDA
AMS
Dairy Programs
Atlanta Market Administrator
Percentage of "In-State" FO7 Plant Milk
91%
24%
33%
39%
39%
27%
57%
40%
Federal Orders 6 & 7

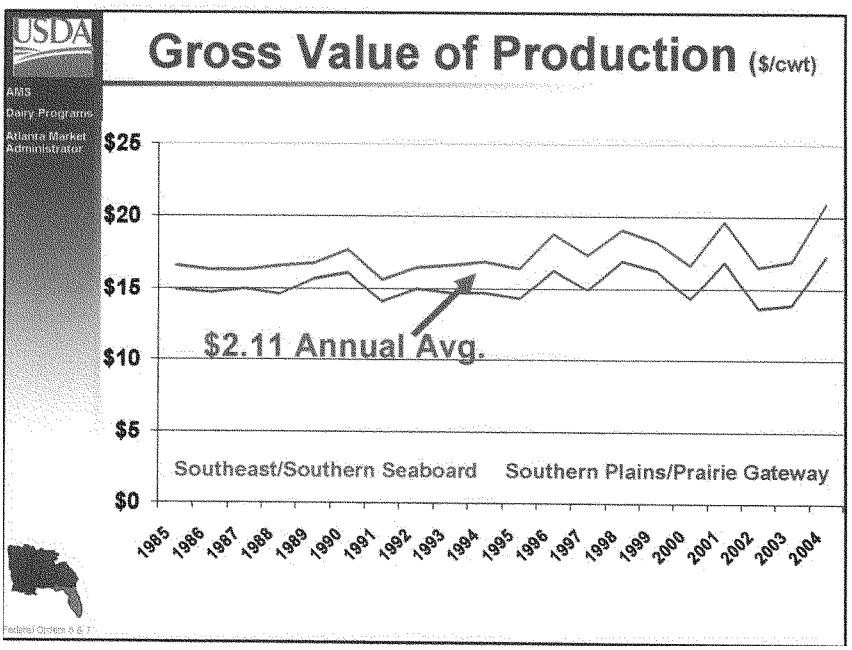

USDA
AMS
Dairy Programs
Atlanta Market Administrator
Percentage of "In-Order" FO7 Plant Milk
91%
58%
66%
42%
67%
62%
63%
40%
Federal Orders 6 & 7

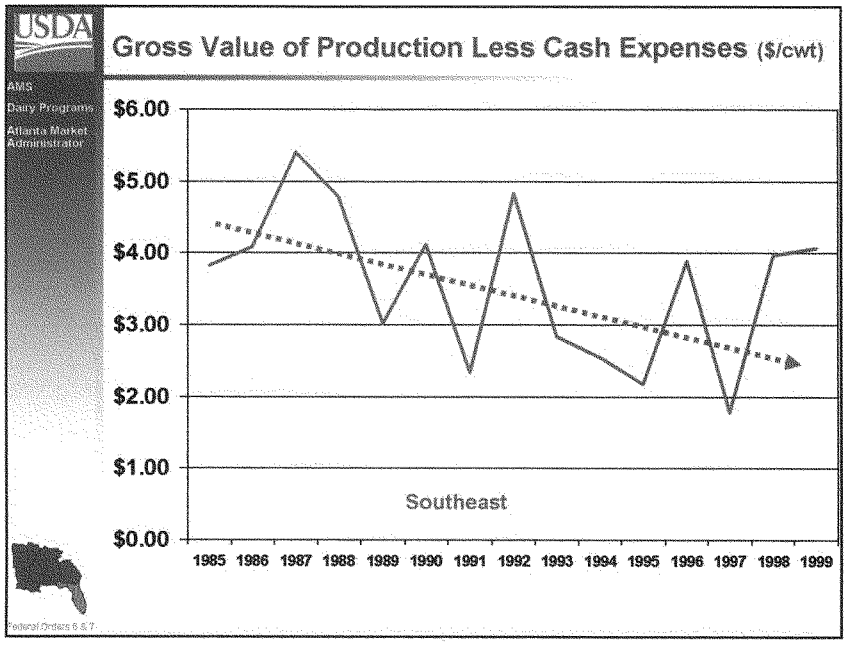

USDA
AMS
Dairy Programs
Atlanta Market Administrator
The Contribution of Milk from the West
65%
92%
98%
69%
99%
96%
83%
99%
Federal Orders 6 & 7

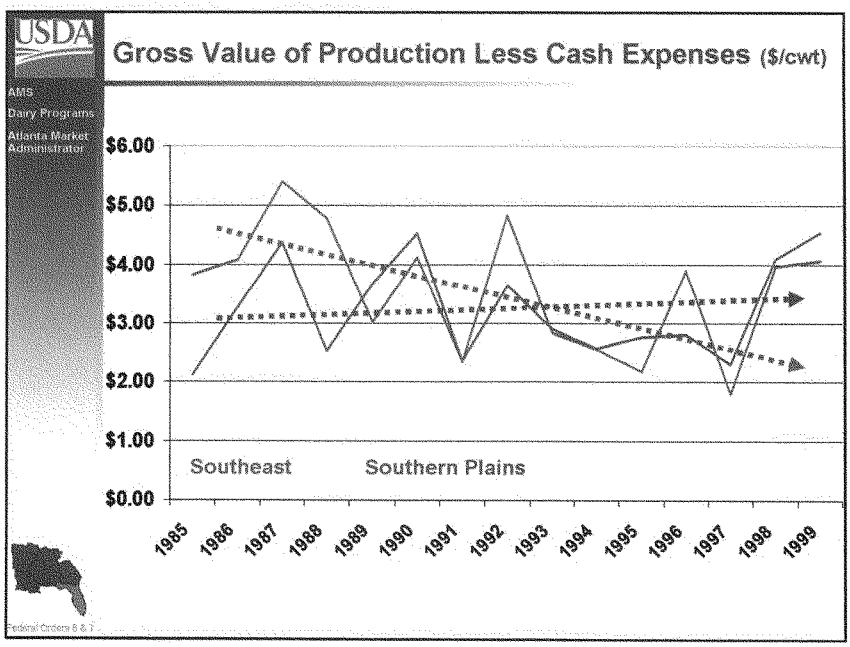

USDA
AMS
Dairy Programs
Atlanta Market Administrator
The Southeast Running On A Full Tank
North West
In State
Federal Orders 6 & 7

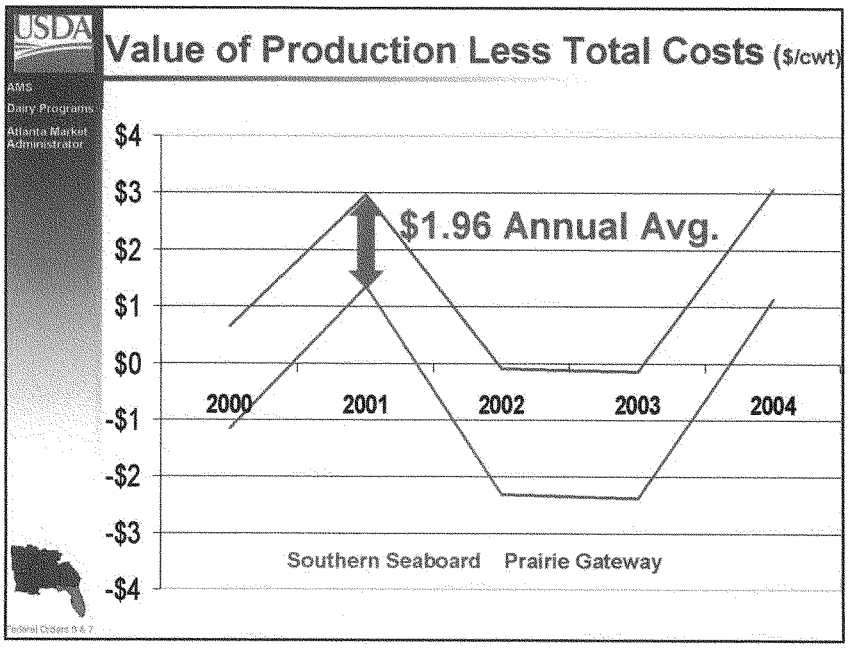

USDA
AMS
Dairy Programs
Atlanta Market Administrator
USDA Milk Production Regions Prior to 2000
Upper Midwest
Northeast
Pacific
Corn Belt
Southern Plains
Southeast
Federal Orders 6 & 7

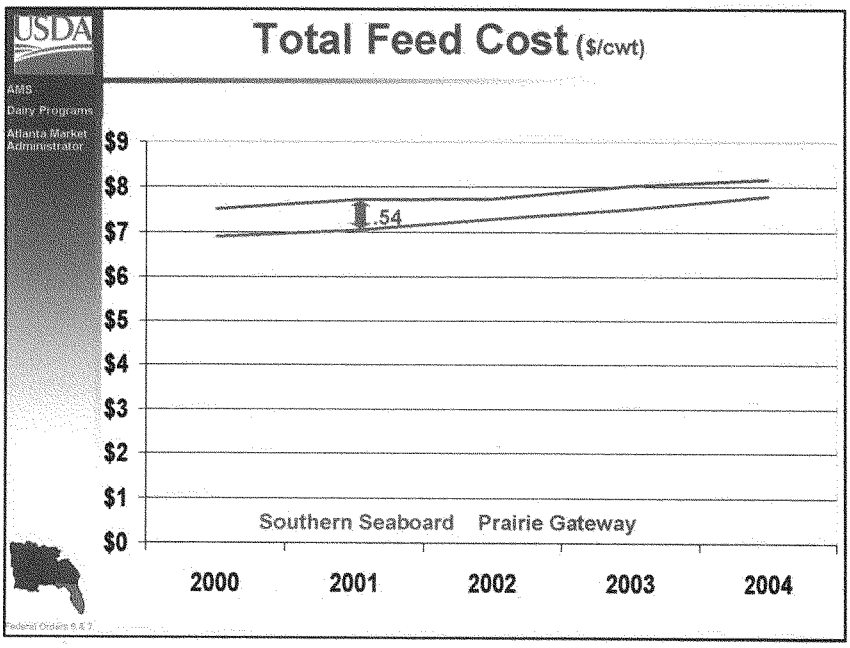

USDA
USDA Farm Resource Regions Since 2000
AMS
Dairy Programs
Atlanta Market Administrator
Basin and Range
Northern Great Plains
Heartland
Northern Crescent
Eastern Uplands
Fruitful Rim
Southern Seaboard
Prairie Gateway
Mississippi Portal
Federal Orders 6 & 7

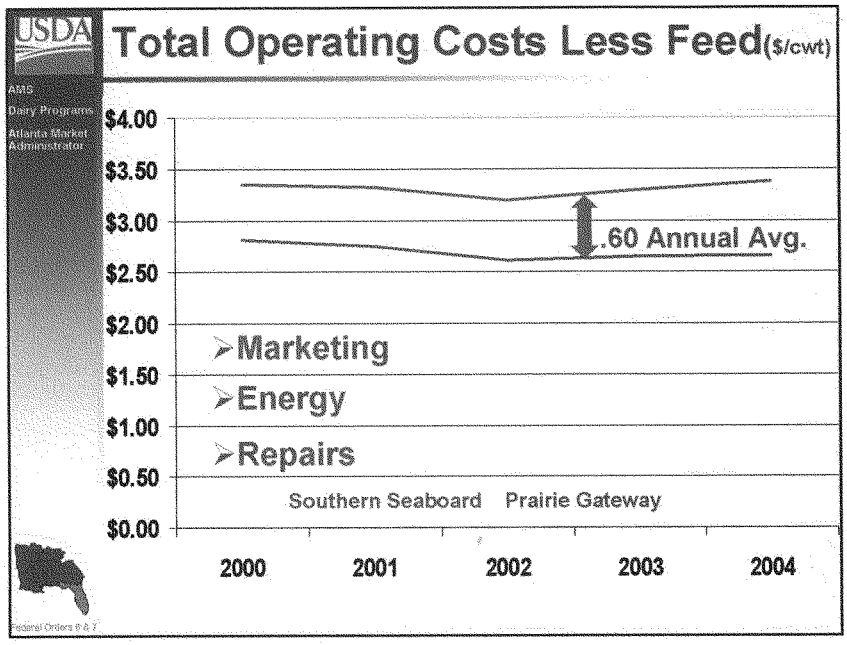

USDA
Gross Value of Production ($/cwt)
AMS
Dairy Programs
Atlanta Market Administrator
$25
$20
$15
$10
$5
$0
$2.11 Annual Avg.
Southeast/Southern Seaboard
Southern Plains/Prairie Gateway
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
Federal Orders 6 & 7

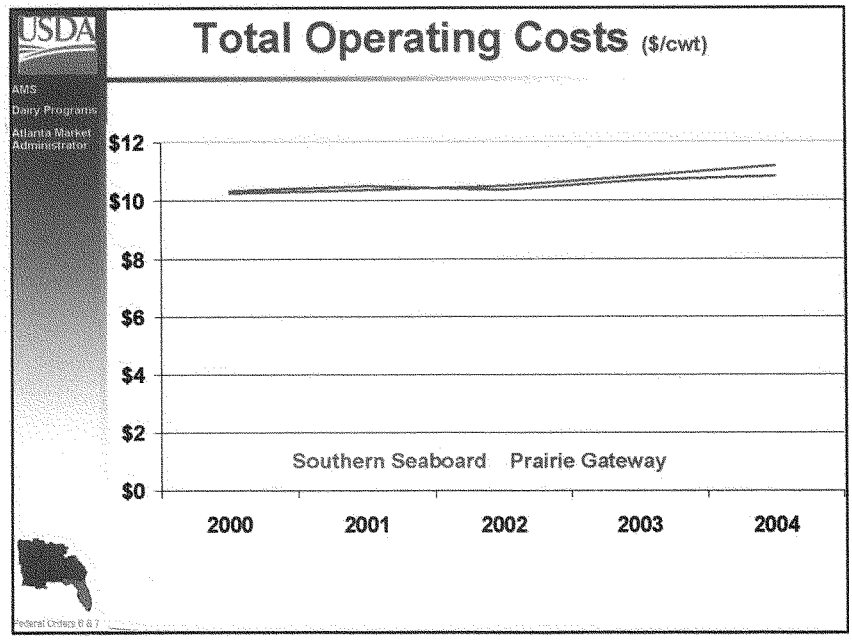

USDA
AMS
Dairy Programs
Atlanta Market Administrator
Gross Value of Production Less Cash Expenses ($/cwt)
$6.00
$5.00
$4.00
$3.00
$2.00
$1.00
$0.00
Southeast
1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999
Federal Orders 6 & 7

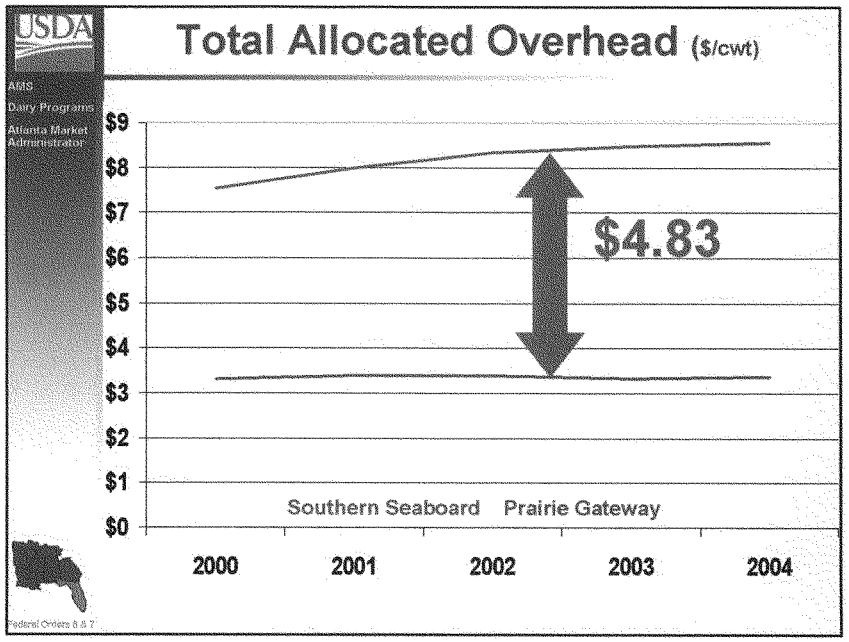

USDA
AMS
Dairy Programs
Atlanta Market Administrator
Gross Value of Production Less Cash Expenses ($/cwt)
$6.00
$5.00
$4.00
$3.00
$2.00
$1.00
$0.00
Southeast
Southern Plains
1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999
Federal Orders 6 & 7

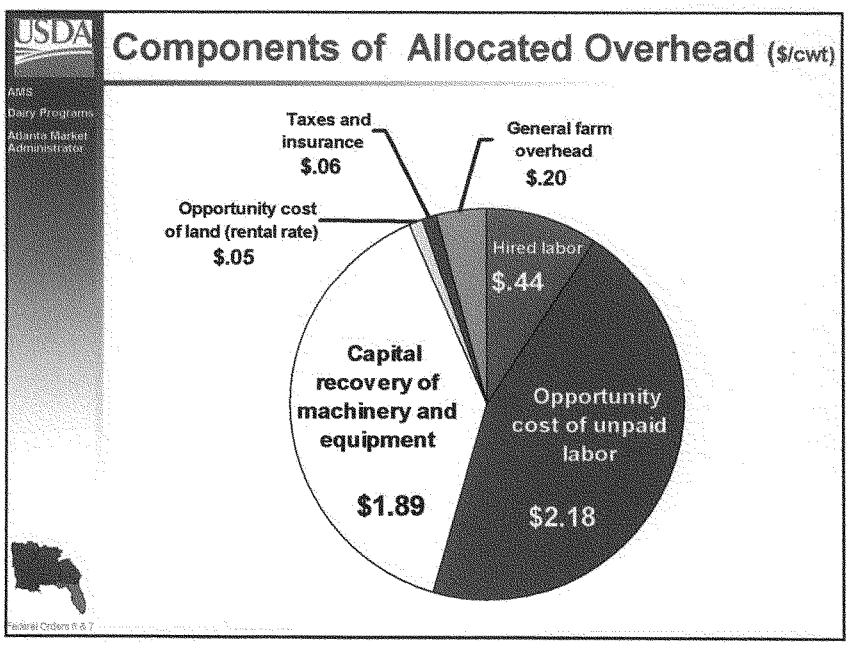

USDA
AMS
Dairy Programs
Atlanta Market Administrator
Value of Production Less Total Costs ($/cwt)
$4
$3
$2
$1
$0
-$1
-$2
-$3
-$4
$1.96 Annual Avg.
2000
2001
2002
2003
2004
Southern Seaboard
Prairie Gateway
Federal Orders 6 & 7

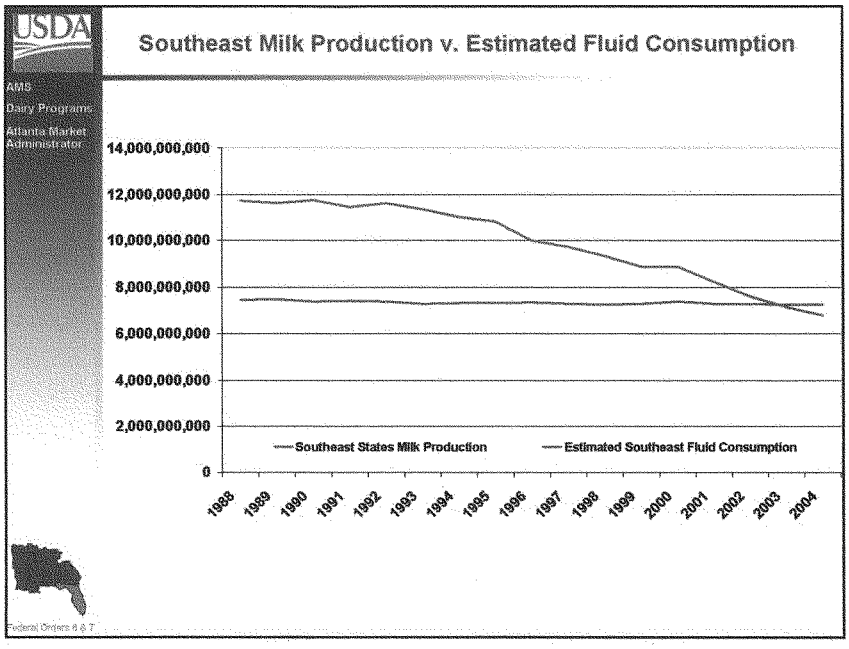

USDA
AMS
Dairy Programs
Atlanta Market Administrator
Total Feed Cost ($/cwt)
$9
$8
$7
$6
$5
$4
$3
$2
$1
$0
.54
Southern Seaboard
Prairie Gateway
2000
2001
2002
2003
2004
Federal Orders 6 & 7

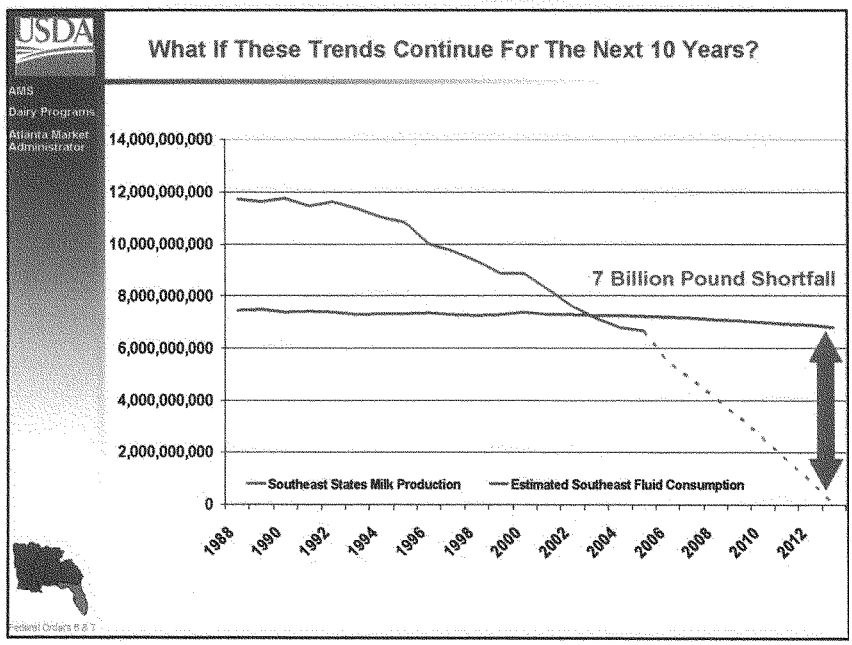

USDA
AMS
Dairy Programs
Atlanta Market Administrator
Total Operating Costs Less Feed($/cwt)
$4.00
$3.50
$3.00
$2.50
$2.00
$1.50
$1.00
$0.50
$0.00
.60 Annual Avg.
Marketing
Energy
Repairs
Southern Seaboard
Prairie Gateway
2000
2001
2002
2003
2004
Federal Orders 6 & 7


USDA
AMS
Dairy Programs
Atlanta Market Administrator
Total Operating Costs ($/cwt)
$12
$10
$8
$6
$4
$2
$0
Southern Seaboard
Prairie Gateway
2000
2001
2002
2003
2004
Federal Orders 6 & 7


USDA
AMS
Dairy Programs
Atlanta Market Administrator
Total Allocated Overhead ($/cwt)
$9
$8
$7
$6
$5
$4
$3
$2
$1
$0
$4.83
Southern Seaboard
Prairie Gateway
2000
2001
2002
2003
2004
Federal Orders 6 & 7


USDA
AMS
Dairy Programs
Atlanta Market Administrator
Components of Allocated Overhead ($/cwt)
Taxes and insurance $.06
General farm overhead $.20
Opportunity cost of land (rental rate) $.05
Hired labor $.44
Capital recovery of machinery and equipment $1.89
Opportunity cost of unpaid labor $2.18
Federal Orders 6 & 7


USDA
AMS
Dairy Programs
Atlanta Market Administrator
Southeast Milk Production v. Estimated Fluid Consumption
14,000,000,000
12,000,000,000
10,000,000,000
8,000,000,000
6,000,000,000
4,000,000,000
2,000,000,000
0
Southeast States Milk Production
Estimated Southeast Fluid Consumption
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
Federal Orders 6 & 7


USDA
AMS
Dairy Programs
Atlanta Market Administrator
What If These Trends Continue For The Next 10 Years?
14,000,000,000
12,000,000,000
10,000,000,000
8,000,000,000
6,000,000,000
4,000,000,000
2,000,000,000
0
7 Billion Pound Shortfall
Southeast States Milk Production
Estimated Southeast Fluid Consumption
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010
2012
Federal Orders 6 & 7

USDA
AMS
Dairy Programs
Atlanta Market Administrator

What Conclusions Can We Draw ?

- Milk Production In The Southeast Is Declining
- Declines Are Offset By Expansion In Other Regions
- Competing Employment Opportunities May Be A Major Driver Of This Trend
- Higher Farm Overhead Costs Also Play A Major Role

Federal Orders 6 & 7

USDA
AMS
Dairy Programs
Atlanta Market Administrator

What Can Be Done and By Whom?

- **Government Policy**
  - Milk Marketing Orders
  - Price Supports
  - Other Programs ???
- **Industry Actions**
  - Competitive Behavior
  - Regional Self Sufficiency
- **Regional Economics**
  - Factors Beyond the Scope of Dairy Policy And Industry Actions

Federal Orders 6 & 7

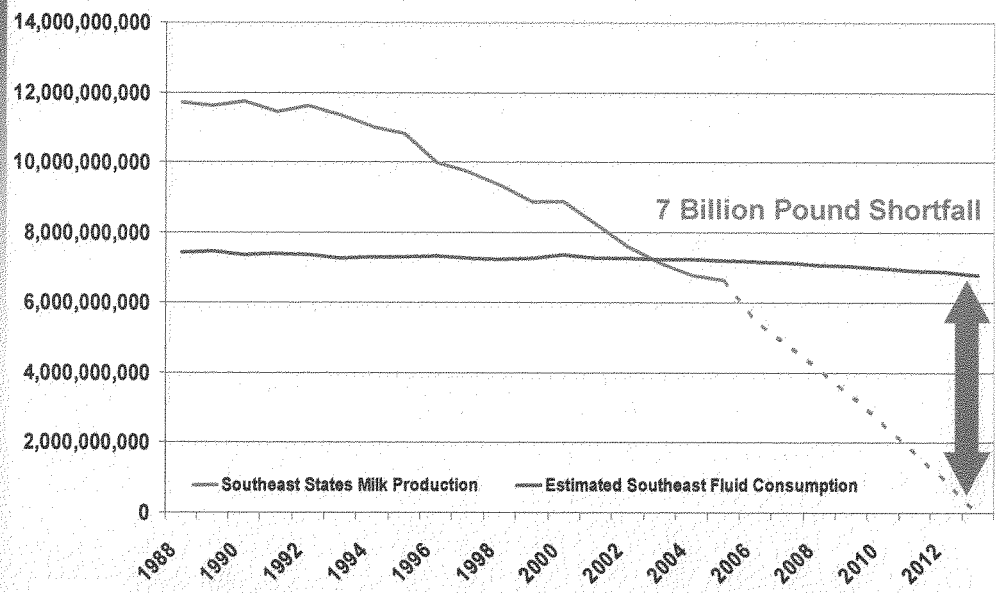
USDA

AMS

Dairy Programs

Atlanta Market Administrator

What If These Trends Continue For The Next 10 Years?



Federal Orders 6 & 7

Testimony of John Carlton Harrell
Southwest Georgia Farm Credit

Presented to
Senate Agriculture, Nutrition and Forestry Committee
June 23, 2006

Albany, Georgia

My name is John Harrell. I am a row crop farmer from North of Whigham, Georgia in Grady County. I am 50 years old and have been farming full time for 31 years. I farm 500 acres of peanuts, cotton, corn and rye. I have served and am presently serving on several local, state and national agricultural organizations and attended Abraham Baldwin Agricultural College.

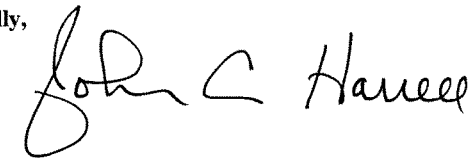
My family came to this area through the land lottery of 1820. I grew up on a family farm and am a 5th generation farmer. Farming today is very different than the farming I saw even 10 to 20 years ago. If someone had told me 15 years ago that I would not be growing hogs, I would not have believed them. The hog industry is basically gone in our area. Cotton was not grown in this area in my early years of farming. Now not only do I grow cotton, I am part owner of a cotton gin. When I started growing cotton in 1995 we had a large textile industry in this country and were using about 12 million bales of US grown cotton in this country. Now we are exporting those 12 million bales and our textile industry is almost non-existent. We were under a peanut quota program that allowed peanuts to be grown only in certain areas by certain producers. Now we are under a marketing loan program where any producer can grow peanuts which I feel is a good thing. I heard a speaker at the Southern Ag Symposium in Athens, Georgia, that the late Senator Paul Coverdell started and former Senator Zell Miller continued say he thought that on the farm we were going through a transition starting in the early 1990's that was as great or greater than from the mule to the tractor and looking ahead 50 years from now, farming would still be productive, profitable, and vibrant for

everyone involved in agriculture except the man who actually was getting his hands dirty in the soil. The current Farm Bill with its safety net is working. We need to continue a Farm Bill with some type of safety net to protect that farmer who is actually getting his hands dirty by working in the soil.

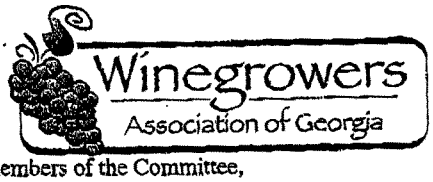
As you can see I have faced many challenges as a producer in my years of farming not the least being the competitive world market. As my operation has changed and modernized, my financial needs have had to change. In years past I did utilize locally owned commercial banks for financing. These locally owned banks are almost gone. National financial institutions have bought them out. These institutions do not know farming or the needs of farmers. For these reasons the Farm Credit System is my lender of choice. The Farm Credit System knows without me telling them the problems I am facing whether it be the weather, the market, rising production costs, or legislation impacting the farmer. In order to continue to successfully compete in the current environment, I, and others like me who depend on agriculture for a living, must have access to a credit provider such as the Farm Credit System who can provide a wide array of credit and financial service options.

As you may know, the Farm Credit System recently completed the research phase of the HORIZONS project and released a report, entitled, "21st Century Rural America: New Horizons for U.S. Agriculture." I respectfully ask that this report be submitted for the record.

Respectfully,



John Carlton Harrell



Mr. Chairman and Members of the Committee,

My name is Steve Gibson, and I am General Manager of Habersham Vineyards and Winery in Helen, Georgia. I also serve as President of the Winegrowers Association of Georgia, a nine member association that grows and produces premium wine grapes and wines in north Georgia, and accounts for approximately 75% of wines produced in the state from Georgia grown fruit.

Georgia was the 6th largest grape producing state in 1900 but the industry disappeared during prohibition not to return until the early 1980's. Today the industry is dynamic with regular additions of new vineyards and wineries and public awareness and interest in our industry is at an all time high.

Agriculture and tourism are the two largest employers in Georgia and we are uniquely positioned in both sectors. First we are farmers, then producers and finally wholesalers and retailers. We greatly benefit our local economics with multi-level job creation, our local, state and federal treasuries with tax additions, and at the same time preserve our beautiful "green space" for residents and tourists alike.

Grapes are the sixth largest dollar crop, the largest fruit crop, the largest unsubsidized crop and perhaps the ultimate value-added crop in the US agriculture. Specialty crops as a category, including grapes, now make up over one half of total farm gate value. To remain competitive we need your support for the continuation and expansion of state block grants for specialty crops authorized in the Specialty Crop Competitiveness Act. Because of the wide diversity and localized needs in specialty crop production, we feel state departments of agriculture are best able to assist local growers with specific investments needed to increase competitiveness.

Research is another critical area, which needs support. Disease control and prevention, such as that related to Pierce's disease, and sustainable practices improve viability and industry growth. We support research and extension for the purpose of increasing the economic contribution of the grape and wine industry.

Thank you for the opportunity to present these thoughts and for the important work you do on behalf of our US agricultural industry.

Sincerely,
Steve Gibson

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